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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K/A

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): November 18, 2002

COMCAST CORPORATION
(formerly named AT&T Comcast Corporation)
(Exact Name of Registrant
as Specified in Its Charter)

PENNSYLVANIA
(State or Other Jurisdiction of Incorporation)

333-82460	27-0000798
(Commission File Number)	(IRS Employer Identification No.)
1500 MARKET STREET PHILADELPHIA, PA	19102-2148
(Address of Principal Executive Office)	(Zip Code)

(215) 665-1700
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On November 18, 2002, Comcast Holdings Corporation, formerly known as Comcast Corporation ("Comcast Holdings") and AT&T Corp. ("AT&T") completed a transaction (the "AT&T Comcast transaction") which resulted in the combination of Comcast Holdings and AT&T's broadband business ("AT&T Broadband Group").

This Current Report on Form 8-K/A of Comcast Corporation, formerly known as AT&T Comcast Corporation ("Comcast") amends the Current Report on Form 8-K of Comcast dated November 18, 2002 to include (i) as required by Item 7(a) Financial Statements of Businesses Acquired, combined financial statements of AT&T Broadband Group as of December 31, 2001 and 2000 and for each of the years ended December 31, 2001 and 2000 and for the ten-month period ended December 31, 1999 and the unaudited interim combined financial statements of AT&T Broadband Group as of September 30, 2002 and for the nine months ended September 30, 2002 and (ii) as required by Item 7(b) Pro Forma Financial Information, unaudited pro forma combined condensed financial statements of Comcast as of September 30, 2002 and for the nine months ended September 30, 2002 and the year ended December 31, 2001 giving effect to the AT&T Comcast transaction.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

(a) FINANCIAL STATEMENTS OF BUSINESSES ACQUIRED:

I. AT&T Broadband Group combined financial statements for the years ended December 31, 2001 and 2000, and for the ten-month period ended December 31, 1999 (included herein as Exhibit 99.6).

II. AT&T Broadband Group unaudited interim combined financial statements for the nine months ended September 30, 2002 and 2001 (included herein as Exhibit 99.7).

(b) PRO FORMA FINANCIAL INFORMATION.

UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS OF COMCAST CORPORATION

The following Unaudited Pro Forma Combined Condensed Balance Sheet of Comcast as of September 30, 2002 and the Unaudited Pro Forma Combined Condensed Statements of Operations of Comcast for the nine months ended September 30, 2002 and the year ended December 31, 2001 give effect to the AT&T Comcast transaction. The pro forma financial statements account for the AT&T Comcast transaction under the purchase method of accounting.

The Unaudited Pro Forma Combined Condensed Balance Sheet assumes the AT&T Comcast transaction occurred on September 30, 2002. The Unaudited Pro Forma Combined Condensed Statements of Operations assume the AT&T Comcast transaction occurred on January 1, 2001. The unaudited pro forma financial data is based on the historical consolidated financial statements of Comcast Holdings and the historical combined financial statements of AT&T Broadband Group under the assumptions and adjustments set forth in the accompanying explanatory notes.

The AT&T Comcast transaction was consummated on November 18, 2002 in several steps. First, AT&T transferred to AT&T Broadband Corp. ("Broadband") substantially all the assets, liabilities and businesses represented by AT&T Broadband Group, which was the integrated broadband business of AT&T. Second, AT&T spun off Broadband to its shareholders. Third, Comcast Holdings and Broadband each merged with a different, wholly-owned subsidiary of Comcast, and Comcast Holdings and AT&T shareholders received Comcast shares.

The AT&T Comcast transaction has been accounted for as an acquisition by Comcast Holdings of AT&T Broadband Group. See Note 5 to the consolidated financial statements of Comcast Holdings for the year ended December 31, 2001 included herein as an exhibit to this Current Report on Form 8-K/A. As Comcast Holdings is considered the accounting acquiror, the historical basis of Comcast Holdings' assets and liabilities were not affected by the AT&T Comcast transaction. For purposes of developing the Unaudited Pro Forma Combined Condensed Balance Sheet as of September 30, 2002, AT&T Broadband Group's assets, including identifiable intangible assets, and liabilities have been recorded at their estimated fair values and the excess purchase price has been assigned to goodwill. No adjustment has been made to AT&T Broadband Group's franchise rights. The fair values assigned in these pro forma financial statements are preliminary and represent management's best estimate of current fair value which are subject to revision. Management currently knows of no events or circumstances other than those disclosed in these pro forma notes that would require a material change to the preliminary purchase price allocation. However, a final determination of required purchase accounting adjustments will be made upon the completion of a study to be undertaken by Comcast in conjunction with independent appraisers to determine the fair value of certain of AT&T Broadband Group's assets, including identifiable intangible assets, and liabilities. The actual financial position and results of operations will differ, perhaps significantly, from the pro forma amounts reflected herein due to a variety of factors, including access to additional information, changes in value not currently identified and changes in operating results between the dates of the pro forma financial data and the date of the AT&T Comcast transaction. See Note (b) to Unaudited Pro Forma Combined Condensed Balance Sheet.

Upon closing of the AT&T Comcast transaction, Comcast Holdings' shareholders received shares of Comcast Class A common stock, Comcast Class B common stock and Comcast Class A Special common stock in exchange for shares of Comcast Holdings Class A common stock, Comcast Holdings Class B common stock and Comcast Holdings Class A Special common stock, respectively, based on an exchange ratio of 1 to 1. Comcast issued stock options to purchase shares of Comcast Class A Special common stock in exchange for all outstanding stock options of Comcast Holdings, based on an exchange ratio of 1 to 1.

The consideration to complete the AT&T Comcast transaction consisted of shares of Comcast common stock, assumed debt of AT&T Broadband Group, the intercompany indebtedness Broadband paid AT&T upon closing and Comcast Holdings' transaction costs. If the closing date of the AT&T Comcast transaction were as of September 30, 2002, and giving effect to the exchange offer described below, the estimated aggregate consideration to complete the AT&T Comcast transaction would have been $48,067 million, consisting of $25,551 million of Comcast common stock based upon a per share price of $18.80, $22,091 million of assumed debt at estimated fair value, and $425 million of Comcast Holdings' transaction costs directly related to the AT&T Comcast transaction.

The consideration in the form of Comcast common stock included the fair value of the issuance of approximately 1,233 million shares of Comcast Class A common stock to AT&T shareholders in exchange for all of AT&T's interests in the AT&T Broadband Group, the fair value of the issuance of 115 million shares of Comcast common stock to Microsoft Corporation ("Microsoft") in exchange for Broadband shares that Microsoft received immediately prior to the completion of the AT&T Comcast transaction for settlement of its $5 billion aggregate principal amount in quarterly income preferred securities (QUIPS), and the fair value of Comcast stock options and stock appreciation rights issued in exchange for Broadband stock options and stock appreciation rights.

Subsequent to the original merger agreement, economic and business factors led AT&T and Comcast Holdings to agree to change the form of consideration to be paid in the AT&T Comcast transaction. On August 12, 2002, AT&T, among others, filed a registration statement with the Securities and Exchange Commission ("SEC") for a proposed exchange offer relating to approximately $11.8 billion aggregate principal amount of AT&T's existing debt securities. Modification of the original merger agreement to provide for the assumption of a portion of AT&T's debt securities by Broadband and the related reduction in the intercompany indebtedness represented a substantive change in the non-equity, or "other" consideration being paid in the AT&T Comcast transaction resulting in a new measurement date for determining the value of the Comcast Holdings common stock used to value the Comcast securities issued in the AT&T Comcast transaction. The new measurement date was established as of the date of the substantive modification of the original merger agreement.

The consideration in the form of assumed debt included the short-term debt due to AT&T, which was paid at closing, of $7,823 million, as well as $14,268 million of long-term debt, including current portion, of AT&T Broadband Group. As a result of the successful completion of the exchange offer on November 14, 2002, upon completion of the AT&T Comcast transaction $3,505 million of AT&T's debt securities ceased being AT&T obligations and became Broadband obligations (New Broadband Notes) guaranteed by Comcast and a number of its cable subsidiaries. The AT&T debt securities that became Broadband obligations reduced the intercompany indebtedness Broadband was required to pay AT&T by the aggregate principal amount of New Broadband Notes issued.

The unaudited pro forma financial statements reflect that a substantive modification of the original merger agreement occurred resulting in a new measurement date for accounting purposes. The unaudited pro forma financial statements reflect a measurement date of August 12, 2002, the date the filing of the registration statement with the SEC related to the exchange offer was announced. Accordingly, the fair value of the shares issued for the AT&T Broadband Group was based on a price per share of $18.80 which reflects the weighted average market price of Comcast Holdings common stock during the period beginning two days before and ending two days after the new measurement date.

Subsequent to the adoption of SFAS 142 on January 1, 2002, goodwill and franchise rights are no longer amortized. An increase or decrease in goodwill and/or franchise rights as a result of a change in the allocation of fair value through the appraisal process would not affect Comcast's future results of operations other than in periods in which Comcast may recognize an impairment charge. A change in the recorded value of these intangible assets could increase or decrease the likelihood that Comcast will recognize an impairment charge related to these intangible assets at some time in the future.

Comcast intends to review the synergies of the combined business, which may result in a plan to realign or reorganize certain of AT&T Broadband Group's existing operations. The costs of implementing such a plan, if it were to occur, have not been reflected in the accompanying pro forma financial statements. The impact of a potential realignment, assuming such a plan were in place at the consummation date of the AT&T Comcast transaction, could increase or decrease the amount of goodwill and intangible assets recognized by Comcast in accordance with Emerging Issues Task Force No. 95-3, "Recognition of Liabilities in Connection with a Purchase Business Combination." The Unaudited Combined Condensed Statements of Operations exclude any benefits that may result from synergies that may be derived, or the elimination of duplicative efforts.

Among the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations," new criteria have been established for determining whether intangible assets should be recognized separately from goodwill. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," provides, among other guidelines, that goodwill and intangible assets with indefinite lives will not be amortized, but rather will be tested for impairment on at least an annual basis. Management believes that cable franchise rights have indefinite lives based upon an analysis utilizing the criteria in paragraph 11 of SFAS No. 142. The pro forma adjustments to the Unaudited Pro Forma Combined Condensed Statement of Operations for the year ended December 31, 2001 reflect the elimination of AT&T Broadband Group's amortization expense related to goodwill and cable franchise rights since this acquisition was accounted for under the provisions of SFAS No. 142.

Comcast Holdings incurred goodwill and cable and sports franchise rights amortization expense of approximately $2,002 million for the year ended December 31, 2001. The historical consolidated financial statements of Comcast Holdings included in the Unaudited Pro Forma Combined Condensed Statement of Operations for the year ended December 31, 2001 include the amortization expense related to Comcast Holdings' goodwill and cable and sports franchise rights, which has not been eliminated in the pro forma adjustments. Effective January 1, 2002, Comcast Holdings, in accordance with the provisions of SFAS No. 142, no longer amortizes goodwill and cable and sports franchise rights.

Management believes that the assumptions used provide a reasonable basis on which to present the unaudited pro forma financial data. Both Comcast Holdings and AT&T Broadband Group have completed other acquisitions and dispositions that are not significant, individually or in the aggregate, and, accordingly, have not been included in the accompanying unaudited pro forma financial data. The unaudited pro forma financial data may not be indicative of the financial position or results that would have occurred if the AT&T Comcast transaction had been in effect on the dates indicated or which may be obtained in the future.

The unaudited pro forma financial data should be read in conjunction with the historical consolidated financial statements and accompanying notes thereto for Comcast Holdings, and the historical combined financial statements and accompanying notes thereto for AT&T Broadband Group included herein as exhibits to this Current Report on Form 8-K/A.

COMCAST CORPORATION

UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
AS OF SEPTEMBER 30, 2002

HISTORICAL HISTORICAL COMCAST AT&T PRO FORMA PRO FORMA
HOLDINGS(a) BROADBAND(a) ADJUSTMENTS COMCAST ---------- -
----------- ----------- ------------ (AMOUNTS IN
MILLIONS) ASSETS Current Assets Cash and cash
equivalents.............................. $ 569.8 $ $ $
569.8
Investments...
905.9 459.0 1,364.9 Accounts receivable,
net.............................. 932.8 624.0 1,556.8
Inventories, net.......................................
482.7 482.7 Deferred income
taxes................................. 132.9 132.9
Other current assets...................................
171.5 999.0 1,170.5 --------- ---------- ---------- -----
----- Total current
assets................................ 3,195.6 2,082.0
5,277.6 --------- ---------- ---------- ----------
INVESTMENTS..
585.6 17,321.0 (986.5)(d) 16,920.1 --------- ---------- -
--------- ---------- PROPERTY AND EQUIPMENT,
NET.............................. 7,035.6 15,263.0
22,298.6 --------- ---------- ---------- ----------
GOODWILL...
6,446.3 15,162.0 (7,699.7)(b1) 13,908.6 FRANCHISE
RIGHTS... 16,601.5
29,084.0 45,685.5 OTHER INTANGIBLE ASSETS,
NET............................. 1,414.6 1,416.0 2,830.6
70.0 (b2) OTHER NON-CURRENT ASSETS,
NET............................ 498.1 2,093.0 (94.5)(e)
2,566.6 --------- ---------- ---------- ----------
$35,777.3 $82,421.0 $ (8,710.7) $109,487.6 =========
========== ========== ========== LIABILITIES AND
STOCKHOLDERS' EQUITY Current Liabilities Accounts
payable...................................... $ 806.1 $
775.0 $ $ 1,581.1 Accrued expenses and other current
liabilities.......... 1,805.8 1,920.0 1,434.0 (b3)
5,159.8 Deferred income
taxes................................. 69.7 487.0 556.7
Short-term debt..
7,823.0 (3,823.0)(c) 4,000.0 Current portion of long-term
debt...................... 113.9 2,329.0 2,442.9 -------
-- ---------- ---------- ---------- Total current
liabilities............................ 2,795.5 13,334.0
(2,389.0) 13,740.5 --------- ---------- ---------- ------
---- 425.0 (b4) (761.8)(b5) 3,823.0 (c) LONG-TERM DEBT,
LESS CURRENT PORTION...................... 9,927.9
12,701.0 (94.5)(e) 26,020.6 --------- ---------- --------
-- ---------- DEFERRED INCOME
TAXES.................................... 6,665.0
20,219.0 43.2 (b6) 26,927.2 --------- ---------- --------
-- ---------- (179.0)(b7) OTHER NON-CURRENT
LIABILITIES............................ 1,419.9 811.0
(0.1)(b8) 2,051.8 --------- ---------- ---------- -------
--- MINORITY
INTEREST.. 1,027.4
1,214.0 2,241.4 --------- ---------- ---------- ---------
- Company-Obligated Convertible Quarterly Income
Preferred Securities of Subsidiary Trust Holding Solely
Subordinated Debt Securities of AT&T....................
4,728.0 (4,728.0)(b9) --------- ---------- ---------- ---
------- STOCKHOLDERS' EQUITY 1,348.0 (b10) Common
stock... 946.9
(47.3)(d) 2,247.6 (939.2)(d) Additional
capital.................................... 11,800.8
24,203.0 (b10) 35,064.6 Retained
earnings...................................... 1,391.6
1,391.6 Accumulated other comprehensive
loss.................... (197.7) (197.7) Combined
attributed net assets.......................... 29,414.0
(29,414.0)(b11) --------- ---------- ---------- ---------
- Total stockholders' equity............................
13,941.6 29,414.0 (4,849.5) 38,506.1 --------- ----------
---------- ---------- $35,777.3 $82,421.0 $ (8,710.7)
$109,487.6 ========= ========== ========== ==========

See Notes to Unaudited Pro Forma Combined Condensed Balance Sheet

COMCAST CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

(a) These columns reflect the historical balance sheets of the respective companies. Certain reclassifications have been made to the combined historical financial statements of AT&T Broadband Group to conform to the presentation expected to be used by Comcast.

(b) This entry reflects the preliminary allocation of the purchase price to identifiable net assets acquired and the excess purchase price to goodwill.

	COMMON STOCK	ADDITIONAL CAPITAL	TOTAL
Calculation of consideration			
Issuance of common stock to AT&T shareholders (1,233.0 million shares x $18.80)	$1,233.0	$21,947.4	$ 23,180.4
Issuance of common stock to Microsoft Corporation (115.0 million shares x $18.80)	115.0	2,047.0	2,162.0
Fair value of Comcast stock options resulting from the conversion of AT&T Broadband Group stock options in the merger based on Black-Scholes option pricing model		208.6	208.6
(b10) Comcast common stock equity consideration	1,348.0	24,203.0	25,551.0
(b4) Transaction costs (assumed to be funded with long-term debt)			425.0
Total			$ 25,976.0
Preliminary estimate of fair value of identifiable net assets acquired			
(b11) Book value of AT&T Broadband Group			$ 29,414.0
Elimination of AT&T Broadband Group goodwill			(15,162.0)
(b2) Long-term portion of deferred financing fees			70.0
(b3) Preliminary estimate of current tax liability arising from the transaction			(1,434.0)
(b5) Preliminary estimate of adjustment to fair value of AT&T Broadband Group assumed long-term debt			761.8
(b6) Preliminary estimate of adjustment to deferred tax liability on adjustments at combined federal and state statutory rate			(43.2)
(b7) Certain liabilities retained by AT&T related to Excite@Home			179.0
(b8) Preliminary estimate of adjustment to fair value of other non-current liabilities			0.1
(b9) Redemption of Microsoft Corporation QUIPS			4,728.0
Preliminary estimate of adjustments to fair value of identifiable net assets acquired			18,513.7
Acquisition goodwill			$ 7,462.3
Calculation of goodwill acquisition adjustment			
Acquisition goodwill			$ 7,462.3
Gross value of AT&T Broadband Group goodwill			(15,162.0)
(b1) Goodwill acquisition adjustment			$ (7,699.7)

(i) Shares of common stock issued in the AT&T Comcast transaction	1,235.0
Share equivalent of intrinsic value of AT&T Broadband Group stock options and stock appreciation rights	(2.0)
Common stock issued to AT&T shareholders	1,233.0

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET
(CONCLUDED)

Certain programming and other contracts of AT&T Broadband Group and Comcast Holdings may, by their terms, be assumed, altered or terminated as a result of the completion of the AT&T Comcast transaction. However, prior to the completion of a review of all of AT&T Broadband Group's programming and other contracts, management does not expect to be able to estimate the impact of duplicate, favorable or unfavorable contracts that may result from the ultimate allocation of purchase price. See note (l) to the Unaudited Pro Forma Combined Condensed Statements of Operations for a sensitivity analysis of purchase price allocation.

(c) Represents the refinancing of existing short-term debt due to AT&T ($7,823.0) with new debt of Comcast. The refinancing is assumed to be funded with $4,000.0 of short-term debt and with $3,823.0 of long-term debt. These amounts give effect to the exchange offer described above.

(d) Represents the reclassification of AT&T Broadband Group's investment in Comcast Holdings as follows:

Elimination of Comcast Holdings stock held by AT&T Broadband Group...	$ (986.5)
Reclassification of Comcast Holdings stock held by AT&T Broadband Group to equity (par value common stock $47.3 and additional capital $939.2)..	986.5
	$ --

(e) Represents the elimination of AT&T Broadband Group bonds owned by Comcast Holdings at September 30, 2002.

COMCAST CORPORATION

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

HISTORICAL HISTORICAL COMCAST AT&T
INTERCOMPANY PRO FORMA PRO FORMA HOLDINGS(a)
BROADBAND(a) ADJUSTMENTS ADJUSTMENTS(d)
COMCAST(l) ---------- ----------- ----------
- ------------- --------- (AMOUNTS IN
MILLIONS, EXCEPT PER SHARE AMOUNTS) REVENUES
Service
revenues.............................. $
5,919.1 $10,132.0 $(108.9)(b) $ $15,942.2 Net
sales from electronic retailing...........
3,917.3 3,917.3 --------- --------- ------- --
------- --------- 9,836.4 10,132.0 (108.9)
19,859.5 --------- --------- ------- ---------
--------- COSTS AND EXPENSES Operating
(excluding depreciation)............ 2,906.5
5,459.0 (62.8)(b) 8,302.7 Cost of goods sold
from electronic retailing (excluding
depreciation).................... 2,514.0
2,514.0 Selling, general and
administrative(m)......... 1,745.7 2,582.0
(22.6)(b) 4,305.1
Depreciation..................................
1,141.8 2,626.0 3,767.8
Amortization..................................
2,274.6 2,154.0 (1,882.9)(e) 2,545.7 Asset
impairment, restructuring and other
charges....................................
1,494.0 1,494.0 --------- --------- ------- --
------- --------- 10,582.6 14,315.0 (85.4)
(1,882.9) 22,929.3 --------- --------- -------
--------- --------- OPERATING
LOSS..................................
(746.2) (4,183.0) (23.5) 1,882.9 (3,069.8)
OTHER INCOME (EXPENSE) 87.5 (f) Interest
expense.............................. (734.1)
(1,735.0) (1.8)(g) (2,383.4) Investment income
(expense)................... 1,061.7
(1,947.0) (18.7)(b) (904.0) (106.0)(h) Equity
in net income (losses) of affiliates....
(28.5) 148.0 (e) 13.5 Other income
(expense)........................ 1,301.0
(927.0) 374.0 --------- --------- ------- ----
----- --------- 1,600.1 (4,609.0) (18.7) 127.7
(2,899.9) --------- --------- ------- --------
- --------- INCOME (LOSS) BEFORE INCOME TAXES,
MINORITY INTEREST AND CUMULATIVE EFFECT OF
ACCOUNTING
CHANGE............................ 853.9
(8,792.0) (42.2) 2,010.6 (5,969.7) (561.3)(i)
INCOME TAX (EXPENSE)
BENEFIT.................... (469.4) 3,857.0
(750.3)(c) 37.0 (h) 2,113.0 --------- --------
- ------- --------- --------- INCOME (LOSS)
BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT
OF ACCOUNTING CHANGE......... 384.5 (4,935.0)
(792.5) 1,486.3 (3,856.7) Net loss from equity
investments................ (69.0) 69.0 (h)
MINORITY INTEREST INCOME
(EXPENSE).............. (160.4) 833.0 (24.0)
(b) 160.0 (j) 808.6 --------- --------- ------
- --------- --------- INCOME (LOSS) BEFORE
CUMULATIVE EFFECT OF ACCOUNTING
CHANGE............................. $ 224.1
$(4,171.0) $(816.5) $ 1,715.3 $(3,048.1)
========= ========= ======= =========
========= Earnings (loss) per share from
continuing operations --
basic.......................... $ 0.24 $
(1.35) Earnings (loss) per share from
continuing operations -- assuming
dilution............... $ 0.23 $ (1.35)
Weighted average number of common shares
outstanding --
basic.......................... 949.7
1,300.7(k) 2,250.4 Weighted average number of
common shares outstanding -- assuming
dilution.............. 964.5 1,285.9(k)
2,250.4

See Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

COMCAST CORPORATION

UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

HISTORICAL HISTORICAL COMCAST AT&T INTERCOMPANY PRO FORMA PRO FORMA HOLDINGS(a) BROADBAND(a) ADJUSTMENTS ADJUSTMENTS(d) COMCAST(l) ---------- ------------ ------------ ---------- ---- ---------- (AMOUNTS IN MILLIONS, EXCEPT PER SHARE AMOUNTS) REVENUES Service revenues..................... $ 5,086.3 $ 7,512.0 $(42.0)(b) $ $ 12,556.3 Net sales from electronic retailing.......................... 2,999.8 2,999.8 --------- ---------- ------ --------- ---------- 8,086.1 7,512.0 (42.0) 15,556.1 --------- ---------- ------ --------- ---------- COSTS AND EXPENSES Operating (excluding depreciation)... 2,191.4 3,889.0 (27.0)(b) 6,053.4 Cost of goods sold from electronic retailing (excluding depreciation)...................... 1,903.1 1,903.1 Selling, general and administrative..................... 1,491.0 2,037.0 (15.0)(b) 3,513.0 Depreciation......................... 1,015.5 2,043.0 3,058.5 Amortization......................... 155.1 161.0 316.1 Goodwill and franchise impairment charges............................ 16,525.0 16,525.0 Asset impairment, restructuring and other charges...................... 56.0 56.0 --------- ---------- ------ --------- ---------- 6,756.1 24,711.0 (42.0) 31,425.1 --------- ---------- ------ --------- ---------- OPERATING INCOME (LOSS)................ 1,330.0 (17,199.0) (15,869.0) OTHER INCOME (EXPENSE) (101.8)(f) Interest expense..................... (543.5) (1,111.0) (24.2)(g) (1,780.5) Investment expense................... (760.4) (1,172.0) (1,932.4) Equity in net losses of affiliates... (59.9) (1,001.0)(h) (1,060.9) Other income (expense)............... (10.8) 523.0 512.2 --------- ---------- ------ --------- ---------- (1,374.6) (1,760.0) (1,127.0) (4,261.6) --------- ---------- ------ --------- ---------- LOSS BEFORE INCOME TAXES, MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE............................... (44.6) (18,959.0) (1,127.0) (20,130.6) 48.9 (i) INCOME TAX BENEFIT (EXPENSE)........... (52.3) 5,536.0 386.0 (h) 5,918.6 --------- ---------- ------ --------- ---------- LOSS BEFORE MINORITY INTEREST, EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE.......... (96.9) (13,423.0) (692.1) (14,212.0) Net loss related to equity investments.......................... (615.0) 615.0 (h) MINORITY INTEREST EXPENSE.............. (126.0) (206.0) 120.0 (j) (212.0) --------- ---------- ------ --------- ---------- LOSS BEFORE EXTRAORDINARY ITEMS AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE............................... $ (222.9) $(14,244.0) $ $ 42.9 $(14,424.0) ========= ========== ====== ========= ========== Loss per share from continuing operations -- basic.................. $ (0.23) $ (6.40) Loss per share from continuing operations -- assuming dilution...... $ (0.23) $ (6.40) Weighted average number of common shares outstanding -- basic.......... 952.2 1,300.7 (k) 2,252.9 Weighted average number of

common shares outstanding -- assuming dilution.............................	952.2	1,300.7 (k)	2,252.9

See Notes to Unaudited Pro Forma Combined Condensed Statement of Operations

COMCAST CORPORATION

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

(a) These columns reflect the historical statements of operations of the respective companies.

(b) Adjustment reflects the elimination of historical intercompany transactions between Comcast Holdings and AT&T Broadband Group as follows: amounts charged by Comcast Holdings to AT&T Broadband Group for programming, the gains and losses resulting from the sales of certain cable systems by AT&T Broadband Group to Comcast Holdings and Excite@Home transactions.

(c) Represents the elimination of the aggregate historical income tax effects recorded by Comcast Holdings and AT&T Broadband Group on Note (b) adjustments above.

(d) AT&T Broadband Group has certain intercompany agreements with AT&T Corp. which were terminated as of the date of the AT&T Comcast transaction. The costs of replacing these services is uncertain. However, the impact of the termination of these arrangements is not expected to be material.

(e) Represents the elimination of AT&T Broadband Group's historical goodwill and cable franchise rights amortization expense for consolidated subsidiaries and equity method investments. Under the accounting rules set forth in SFAS No. 142 issued by the Financial Accounting Standards Board in June 2001, goodwill and intangibles with indefinite lives are not amortized against earnings other than in connection with an impairment.

(f) Represents the net effect on interest expense resulting from the financings described in Note (c) to the Unaudited Pro Forma Combined Condensed Balance Sheet. Pro forma interest expense was calculated based on the historical interest rates for the historical debt outstanding and assumed interest rates for the new credit facilities. The pro forma financial information assumes the financings occurred on January 1, 2001. Amortization of deferred financing costs was calculated based on the amounts and terms of the new facilities. Short-term rates are assumed to be 3% and long term rates are assumed to be 7%. Assuming interest rates changed by 0.125%, the related interest expense and pre-tax impact on earnings would be $9.8 million for the year ended December 31, 2001 and $7.4 million for the nine months ended September 30, 2002.

(g) Represents the net effect in interest expense as a result of the adjustment of AT&T Broadband Group's long-term debt to its fair value as described in Note (b5) to the Unaudited Pro Forma Combined Condensed Balance Sheet. The difference between the fair value and the face amount of each borrowing is amortized to interest expense over the remaining term of the borrowing.

(h) Represents the reclassification of losses in equity investments for the year ended December 31, 2001 and losses related to equity method investments for the nine months ended September 30, 2002 to conform with the presentation currently used by Comcast Holdings.

(i) Represents the aggregate pro forma income tax effect of Notes (e) through (g) above at the combined federal and state statutory rate.

(j) Represents the elimination of historical impact of the QUIPS exchanged for AT&T Broadband Group common stock.

(k) For basic earnings (loss) per share, this adjustment represents the issuance of Comcast shares to AT&T shareholders and Microsoft offset by shares of Comcast Holdings owned by AT&T Broadband Group which are classified as treasury shares (see Note (d) to the Unaudited Pro Forma Combined Condensed Balance Sheet). In addition, earnings per share assuming dilution has been adjusted to include the dilutive effects of Comcast stock options issued in exchange for the AT&T Broadband Group stock options as well as adjustment for the year-ended December 31, 2001 to Comcast's historical average dilutive shares outstanding since such shares would be anti-dilutive on a pro forma basis.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED
STATEMENT OF OPERATIONS -- (CONCLUDED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)

(l) The pro forma combined condensed financial statements reflect a preliminary allocation to tangible assets, liabilities, goodwill and other intangible assets. The final purchase price allocation may result in different allocations for tangible and intangible assets than that presented in these pro forma combined condensed financial statements. The following table shows the absolute dollar effect on pro forma net income (loss) applicable to common shares and net income (loss) per share assuming dilution for every $500 of purchase price allocated to amortizable assets or certain liabilities over assumed weighted-average useful lives. An increase in the purchase amount allocated to amortizable assets or a decrease in the amount allocated to certain liabilities will result in a decrease to net income. A decrease in the amount allocated to amortizable assets or an increase in the amount allocated to certain liabilities will result in an increase to net income.

WEIGHTED AVERAGE LIFE		YEAR ENDED DECEMBER 31, 2001	NINE MONTHS ENDED SEPTEMBER 30, 2002
Five years	Net Income	$61.5	$46.1
	Per Share	$0.03	$0.02
Ten years	Net Income	$30.8	$23.1
	Per Share	$0.01	$0.01
Twenty years	Net Income	$15.4	$11.5
	Per Share	$0.01	$0.01

ITEM 7(C). EXHIBITS.

Exhibit Number	Description
23.1	Consent of Deloitte & Touche LLP with respect to Comcast Holdings Corporation (formerly known as Comcast Corporation).
23.2	Consent of PricewaterhouseCoopers LLP with respect to AT&T Broadband Group.
99.1	Comcast Corporation (formerly known as AT&T Comcast Corporation) balance sheet as of December 31, 2001.
99.2	Comcast Corporation (formerly known as AT&T Comcast Corporation) unaudited balance sheet as of September 30, 2002.
99.3	Comcast Holdings Corporation (formerly known as Comcast Corporation) and subsidiaries consolidated financial statements for the years ended December 31, 2001, 2000 and 1999.
99.4	Comcast Holdings Corporation (formerly known as Comcast Corporation) and subsidiaries Schedule II - Valuation and Qualifying Accounts.
99.5	Comcast Holdings Corporation (formerly known as Comcast Corporation) unaudited interim financial statements for the nine months ended September 30, 2002 and 2001 (incorporated by reference to the Comcast Holdings Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
99.6	AT&T Broadband Group combined financial statements and management's discussion and analysis of financial condition and results of operations for the years ended December 31, 2001 and 2000, and for the ten-month period ended December 31, 1999.
99.7	AT&T Broadband Group unaudited interim combined financial statements and management's discussion and analysis of financial condition and results of operations for the nine months ended September 30, 2002 and 2001.

SIGNATURE

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

Comcast Corporation

Date: December 16, 2002

By /s/ Lawrence J. Salva

Name: Lawrence J. Salva
Title: Senior Vice President and Controller

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements on Form S-8 (Nos. 333-101645 and 333-101295) and Form S-4 (No. 333-101264) of Comcast Corporation (formerly AT&T Comcast Corporation) of our report dated February 5, 2002 (July 30, 2002 as to Note 14 and December 6, 2002 as to Note 15) (which report expresses an unqualified opinion and includes an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective January 1, 2001) related to the financial statements of Comcast Holdings Corporation (formerly known as Comcast Corporation), which appears in this Current Report on Form 8-K/A.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Philadelphia, Pennsylvania
December 10, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Nos. 333-101645 and 333-101295) and Form S-4 (No. 333-101264) of Comcast Corporation of our report dated March 25, 2002, relating to the combined financial statements of AT&T Broadband Group, which appears in this Current Report on Form 8-K/A, to be filed on December 13, 2002

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
December 11, 2002

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Comcast Corporation
Philadelphia, Pennsylvania

We have audited the accompanying balance sheet of Comcast Corporation (formerly known as AT&T Comcast Corporation) as of December 31, 2001. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such balance sheet presents fairly, in all material respects, the financial position of Comcast Corporation (formerly known as AT&T Comcast Corporation) as of December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
April 29, 2002

COMCAST CORPORATION
BALANCE SHEET
DECEMBER 31, 2001

Assets	$ --
Stockholders' Equity	
Stock subscription receivable	$ (2)
Common stock, $.01 par value, authorized 100 shares; 2 shares issued and outstanding	$ --
Additional capital	$ 2
	$ --

See note to balance sheet.

COMCAST CORPORATION
NOTE TO BALANCE SHEET
DECEMBER 31, 2001

1. ORGANIZATION

On December 7, 2001, Comcast Corporation (formerly known as AT&T Comcast Corporation - formerly known as CAB Holdings Corp.) (the "Company") was incorporated under the laws of the State of Pennsylvania and was authorized to issue 100 shares of $.01 par value common stock. At that date of incorporation, the Company issued one share of its $.01 par value common stock to each of Comcast Holdings Corporation (formerly known as Comcast Corporation) ("Comcast Holdings") and AT&T Corp. ("AT&T") for $1 per share. The Company was organized to conduct, subsequent to the combination of Comcast Holdings and AT&T's Broadband division ("AT&T Broadband"), the business currently conducted by Comcast Holdings and AT&T Broadband.

On December 19, 2001, Comcast Holdings and AT&T entered into an Agreement and Plan of Merger that will result in the combination of Comcast Holdings and AT&T Broadband. AT&T will spin off AT&T Broadband to its stockholders immediately prior to the combination. The combined company will also hold AT&T's approximate 25.5% interest in Time Warner Entertainment. The transaction is subject to customary closing conditions and regulatory approvals and is expected to close by the end of 2002.

Upon completion of the combination of Comcast Holdings and AT&T Broadband, Comcast Holdings and an entity which will then own AT&T Broadband will be wholly-owned subsidiaries of the Company.

From the date of inception on December 7, 2001 through December 31, 2001, the Company had no operations.

COMCAST CORPORATION
BALANCE SHEET (UNAUDITED)
SEPTEMBER 30, 2002

Assets	$ --
Stockholders' Equity	
Stock subscription receivable	$ (2)
Common stock, $.01 par value, authorized 100 shares; 2 shares issued and outstanding	$ --
Additional capital	$ 2
	$ --

See note to balance sheet.

COMCAST CORPORATION
NOTE TO BALANCE SHEET (UNAUDITED)
SEPTEMBER 30, 2002

1. ORGANIZATION

On December 7, 2001, Comcast Corporation (formerly known as AT&T Comcast Corporation - formerly known as CAB Holdings Corp.) (the "Company") was incorporated under the laws of the State of Pennsylvania and was authorized to issue 100 shares of $.01 par value common stock. At that date of incorporation, the Company issued one share of its $.01 par value common stock to each of Comcast Holdings Corporation (formerly known as Comcast Corporation) ("Comcast Holdings") and AT&T Corp. ("AT&T") for $1 per share. The Company was organized to conduct, subsequent to the combination of Comcast Holdings and AT&T's Broadband division ("AT&T Broadband"), the business currently conducted by Comcast Holdings and AT&T Broadband.

On December 19, 2001, Comcast Holdings and AT&T entered into an Agreement and Plan of Merger that will result in the combination of Comcast Holdings and AT&T Broadband. AT&T will spin off AT&T Broadband to its stockholders immediately prior to the combination. The combined company will also hold AT&T's approximate 27.6% interest in Time Warner Entertainment. On July 10, 2002, shareholders of both Comcast Holdings and AT&T approved the transaction. The transaction is expected to close by the end of November 2002.

Upon completion of the combination of Comcast Holdings and AT&T Broadband (the "Merger"), Comcast Holdings and an entity which will then own AT&T Broadband will be wholly-owned subsidiaries of the Company.

On May 3, 2002, the Company and AT&T Broadband Corp. entered into definitive credit agreements with a syndicate of lenders for an aggregate of $12.825 billion of new indebtedness in order to obtain the financing necessary to complete the Merger and for the combined company's financing needs after the transaction. This financing requires subsidiary guarantees, including guarantees by certain of Comcast Holdings' wholly owned subsidiaries and by subsidiaries of AT&T Broadband. Under the terms of the new credit facilities, the obligations of the lenders to provide the financing upon the completion of the Merger are subject to a number of conditions, including the condition that the combined company holds investment-grade credit ratings from both the Standard & Poor's and Moody's Investors Services ("Moody's") rating agencies at the time of closing. On September 30, 2002, Comcast Holdings announced that the Company had received investment-grade credit ratings from each of S&P and Moody's allowing the Company to access all amounts under the credit facilities upon closing the Merger.

From the date of inception on December 7, 2001 through September 30, 2002, the Company had no operations.

ITEM 8   FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Comcast Holdings Corporation
Philadelphia, Pennsylvania

We have audited the accompanying consolidated balance sheet of Comcast Holdings Corporation (formerly known as Comcast Corporation) and its subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule appearing in Exhibit 99.4. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Comcast Holdings Corporation (formerly known as Comcast Corporation) and its subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, effective January 1, 2001.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Philadelphia, Pennsylvania
February 5, 2002 (July 30, 2002 as to Note 14 and December 6, 2002 as to Note 15)

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(Dollars in millions, except share data)

	December 31, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$350.0	$651.5
Investments	2,623.2	3,059.7
Accounts receivable, less allowance for doubtful accounts of $153.9 and $141.7	967.4	891.9
Inventories, net	454.5	438.5
Other current assets	153.7	102.8
Total current assets	4,548.8	5,144.4
INVESTMENTS	1,679.2	2,661.9
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $2,725.7 and $1,873.1	7,011.1	5,519.9
INTANGIBLE ASSETS		
Goodwill	7,507.3	6,945.1
Cable franchise operating rights	20,167.8	17,545.5

Other intangible assets	2,833.4	1,485.6
	30,508.5	25,976.2
Accumulated amortization	(5,999.2)	(3,908.7)
	24,509.3	22,067.5
OTHER NONCURRENT ASSETS, net	383.4	350.8
	$38,131.8	$35,744.5
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$698.2	$813.2
Accrued expenses and other current liabilities	1,695.5	1,576.5
Deferred income taxes	275.4	789.9
Current portion of long-term debt	460.2	293.9
Total current liabilities	3,129.3	3,473.5
LONG-TERM DEBT, less current portion	11,741.6	10,517.4
DEFERRED INCOME TAXES	6,375.7	5,786.7
OTHER NONCURRENT LIABILITIES	1,532.0	1,108.6
MINORITY INTEREST	880.2	717.3
COMMITMENTS AND CONTINGENCIES (NOTE 11)		
COMMON EQUITY PUT OPTIONS		54.6
STOCKHOLDERS' EQUITY		
Preferred stock - authorized, 20,000,000 shares 5.25% series B mandatorily redeemable convertible, $1,000 par value; issued, zero and 59,450 at redemption value		59.5
Class A special common stock, $1 par value - authorized, 2,500,000,000 shares; issued, 937,256,465 and 931,340,103; outstanding, 913,931,554 and 908,015,192	913.9	908.0
Class A common stock, $1 par value - authorized, 200,000,000 shares; issued, 21,829,422 and 21,832,250	21.8	21.8
Class B common stock, $1 par value - authorized, 50,000,000 shares; issued, 9,444,375	9.4	9.4
Additional capital	11,752.0	11,598.8
Retained earnings	1,631.5	1,056.5
Accumulated other comprehensive income	144.4	432.4
Total stockholders' equity	14,473.0	14,086.4
	$38,131.8	$35,744.5

See notes to consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(Amounts in millions, except per share data)

	Year Ended December 31, 2001	2000	1999
REVENUES			
Service revenues	$5,919.1	$4,821.1	$3,464.6
Net sales from electronic retailing	3,917.3	3,535.9	3,167.4
	9,836.4	8,357.0	6,632.0
COSTS AND EXPENSES			
Operating (excluding depreciation)	2,906.5	2,209.5	1,660.7
Cost of goods sold from electronic retailing (excluding depreciation)	2,514.0	2,284.9	2,060.0
Selling, general and administrative	1,745.7	1,404.3	1,031.7
Depreciation	1,141.8	837.3	572.0
Amortization	2,274.6	1,782.0	643.6
	10,582.6	8,518.0	5,968.0
OPERATING INCOME (LOSS)	(746.2)	(161.0)	664.0
OTHER INCOME (EXPENSE)			
Interest expense	(734.1)	(727.7)	(616.8)
Investment income	1,061.7	983.9	629.5
Income (expense) related to indexed debt		666.0	(666.0)
Equity in net income (losses) of affiliates	(28.5)	(21.3)	1.4
Other income	1,301.0	2,825.5	1,409.4
	1,600.1	3,726.4	757.5
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	853.9	3,565.4	1,421.5
INCOME TAX EXPENSE	(469.4)	(1,428.6)	(696.2)
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	384.5	2,136.8	725.3
MINORITY INTEREST	(160.4)	(115.3)	4.6
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	224.1	2,021.5	729.9
GAIN FROM DISCONTINUED OPERATIONS, net of income tax expense of $166.1			335.8
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	224.1	2,021.5	1,065.7
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	384.5		
NET INCOME	608.6	2,021.5	1,065.7
PREFERRED DIVIDENDS		(23.5)	(29.7)
NET INCOME FOR COMMON STOCKHOLDERS	$608.6	$1,998.0	$1,036.0
BASIC EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE			
Income from continuing operations before cumulative effect of accounting change	$0.24	$2.24	$0.93
Discontinued operations			0.45
Cumulative effect of accounting change	0.40		
Net income	$0.64	$2.24	$1.38
BASIC WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	949.7	890.7	749.1
DILUTED EARNINGS (LOSS) FOR COMMON STOCKHOLDERS PER COMMON SHARE			
Income from continuing operations before cumulative effect of accounting change	$0.23	$2.13	$0.89
Discontinued operations			0.41
Cumulative effect of accounting change	0.40		
Net income	$0.63	$2.13	$1.30
DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	964.5	948.7	819.9

See notes to consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in millions)

	Year Ended December 31, 2001	2000	1999
OPERATING ACTIVITIES			
Net income	$608.6	$2,021.5	$1,065.7
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:			
Depreciation	1,141.8	837.3	572.0
Amortization	2,274.6	1,782.0	643.6
Non-cash interest expense, net	42.5	13.7	50.7
Non-cash (income) expense related to indexed debt		(666.0)	666.0
Equity in net (income) losses of affiliates	28.5	21.3	(1.4)
Gains on investments and other income, net	(2,303.3)	(3,679.3)	(1,917.0)
Minority interest	160.4	115.3	(4.6)
Discontinued operations			(335.8)
Cumulative effect of accounting change	(384.5)		
Deferred income taxes	(240.7)	1,074.6	(73.4)
Proceeds from sales of trading security	367.1		
Other	55.2	63.2	41.9
	1,750.2	1,583.6	707.7
Changes in working capital, net of effects of acquisitions and divestitures			
Increase in accounts receivable, net	(15.8)	(195.8)	(89.5)
Increase in inventories, net	(16.0)	(35.7)	(91.9)
(Increase) decrease in other current assets	(27.1)	13.7	30.7
(Decrease) increase in accounts payable, accrued expenses and other current liabilities	(94.7)	(146.5)	692.4
	(153.6)	(364.3)	541.7
Net cash provided by operating activities from continuing operations	1,596.6	1,219.3	1,249.4
FINANCING ACTIVITIES			
Proceeds from borrowings	5,686.4	5,435.3	2,786.6
Retirements and repayments of debt	(4,187.7)	(5,356.5)	(1,368.2)
Issuances of common stock and sales of put options on common stock	27.2	30.5	17.1
Repurchases of common stock	(27.1)	(324.9)	(30.7)
Dividends			(9.4)
Deferred financing costs	(22.5)	(55.8)	(51.0)
Other			(3.0)
Net cash provided by (used in) financing activities from continuing operations	1,476.3	(271.4)	1,341.4
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	(1,329.0)	(187.3)	(755.2)
Proceeds from liquidated damages, net			1,460.0
Proceeds from sales of (purchases of) short-term investments, net	(6.2)	1,028.1	(1,035.5)
Capital contributions to and purchases of investments	(317.0)	(1,010.7)	(2,012.2)
Proceeds from sales of investments	805.7	997.3	599.8
Capital expenditures	(2,181.7)	(1,636.8)	(893.8)
Sale of subsidiary, net of cash sold			361.1
Additions to intangible and other noncurrent assets	(346.2)	(409.2)	(263.5)
Net cash used in investing activities from continuing operations	(3,374.4)	(1,218.6)	(2,539.3)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS - CONTINUING OPERATIONS	(301.5)	(270.7)	51.5
CASH AND CASH EQUIVALENTS, beginning of year	651.5	922.2	870.7
CASH AND CASH EQUIVALENTS, end of year	$350.0	$651.5	$922.2

See notes to consolidated financial statements.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in millions)

	Preferred Stock		Common Stock					Accumulated Other Comprehensive Income (Loss)		
	Series A	Series B	Class A Special	Class A	Class B	Additional Capital	Retained Earnings (Accumulated Deficit)	Unrealized Gains (Losses)	Cumulative Translation Adjustments	Total
BALANCE, JANUARY 1, 1999	$31.9	$540.7	$698.4	$31.7	$9.4	$2,941.7	($1,488.2)	$1,049.5	$0.2	$3,815.3
Comprehensive income:										
Net income							1,065.7			
Unrealized gains on marketable securities, net of deferred taxes of $2,891.9								5,370.6		
Reclassification adjustments for gains included in net income, net of deferred taxes of $161.7								(300.3)		
Cumulative translation adjustments									(7.3)	
Total comprehensive income										6,128.7
Acquisition			8.5			283.2				291.7
Exercise of options			2.2			23.7				25.9
Conversion of Series A preferred	(31.9)		2.7			29.2				
Retirement of common stock				(0.8)		(4.6)	(25.3)			(30.7)
Cash dividends, Series A preferred						(0.8)				(0.8)
Series B preferred dividends		28.9				(28.9)				
Share exchange			4.6	(4.9)		172.3	(172.0)			
Temporary equity related to put options						111.2				111.2
BALANCE, DECEMBER 31, 1999		569.6	716.4	26.0	9.4	3,527.0	(619.8)	6,119.8	(7.1)	10,341.3
Comprehensive income:										
Net income							2,021.5			
Unrealized losses on marketable securities, net of deferred taxes of $2,789.3								(5,180.1)		
Reclassification adjustments for gains included in net income, net of deferred taxes of $266.0								(494.0)		
Cumulative translation adjustments									(6.2)	
Total comprehensive loss										(3,658.8)
Acquisitions			155.7			7,585.2				7,740.9
Exercise of options			2.6			53.9	(27.7)			28.8
Retirement of common stock			(6.0)	(3.1)		(42.3)	(273.5)			(324.9)
Conversion of Series B preferred		(533.6)	38.3			495.3				
Series B preferred dividends		23.5				(23.5)				
Share exchange			1.0	(1.1)		44.1	(44.0)			
Temporary equity related to put options						(40.9)				(40.9)
BALANCE, DECEMBER 31, 2000		59.5	908.0	21.8	9.4	11,598.8	1,056.5	445.7	(13.3)	14,086.4
Comprehensive income:										
Net income							608.6			
Unrealized gains on marketable securities, net of deferred taxes of $114.4								212.5		
Reclassification adjustments for gains included in net income, net of deferred taxes of $264.4								(491.1)		
Unrealized losses on effective portion of cash flow hedges, net of deferred taxes of $0.3								(0.6)		
Cumulative translation adjustments									(8.8)	
Total comprehensive income										320.6
Exercise of options			2.5			53.3	(17.3)			38.5
Retirement of common stock			(0.8)			(10.0)	(16.3)			(27.1)
Conversion of Series B preferred		(59.5)	4.2			55.3				
Temporary equity related to put options						54.6				54.6
BALANCE, DECEMBER 31, 2001	$	$	$913.9	$21.8	$9.4	$11,752.0	$1,631.5	$166.5	($22.1)	$14,473.0

See notes to consolidated financial statements.

1. BUSINESS

Comcast Holdings Corporation (formerly known as Comcast Corporation) and its subsidiaries (the "Company") is involved in three principal lines of business: cable, commerce and content.

The Company's cable business is principally involved in the development, management and operation of broadband communications networks in the United States ("US"). The Company's consolidated cable operations served approximately 8.5 million subscribers and passed approximately 13.9 million homes as of December 31, 2001.

The Company's commerce operations consist of the Company's consolidated subsidiary, QVC, Inc. and subsidiaries ("QVC"). Through QVC, an electronic retailer, the Company markets a wide variety of products directly to consumers primarily on merchandise-focused television programs. QVC was available, on a full and part-time basis, to approximately 82.1 million homes in the US, approximately 9.5 million homes in the United Kingdom ("UK"), approximately 23.6 million homes in Germany and approximately 3.6 million homes in Japan as of December 31, 2001.

Content is provided through the Company's consolidated subsidiaries including Comcast Spectacor, Comcast SportsNet ("CSN"), Comcast SportsNet Mid-Atlantic ("CSN Mid-Atlantic"), Comcast Sports Southeast ("CSS"), E! Entertainment Television, Inc. ("E! Entertainment"), The Golf Channel ("TGC"), Outdoor Life Network ("OLN") and G4 Media, LLC ("G4 Media"), and through other programming investments (see Note 5).

The Company's cable and commerce operations represent the Company's two reportable segments under accounting principles generally accepted in the United States. The Company's three 24-hour regional sports programming networks, which consist of CSN, CSN Mid-Atlantic and CSS, derive a substantial portion of their revenues from the Company's cable operations. In 2001, as a result of a change in its internal reporting structure, the Company's regional sports programming networks are included in the Company's cable segment for all periods presented. See Note 12 for a summary of the Company's financial data by business segment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and all entities that the Company directly or indirectly controls. All significant intercompany accounts and transactions among consolidated entities have been eliminated.

Management's Use of Estimates

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as sales returns and allowances, allowances for doubtful accounts, reserves for inventory obsolescence, investments and derivative financial instruments, depreciation and amortization, asset impairment, non-monetary transactions and contingencies.

Fair Values

The Company has determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The Company based these fair value estimates on pertinent information available to management as of December 31, 2001 and 2000. The Company has not comprehensively updated these fair value estimates for purposes of these consolidated financial statements since such dates.

Cash Equivalents
Cash equivalents consist principally of commercial paper, money market funds, US Government obligations and certificates of deposit with maturities of three months or less when purchased. The carrying amounts of the Company's cash equivalents approximate their fair values.

Inventories - Electronic Retailing
Inventories are stated at the lower of cost or market. Cost is determined by the average cost method, which approximates the first-in, first-out method.

Investments
Investments consist principally of equity securities.

Investments in entities in which the Company has the ability to exercise significant influence over the operating and financial policies of the investee are accounted for under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment, additional contributions made and dividends received. The differences between the Company's recorded investments and its proportionate interests in the book value of the investees' net assets are being amortized to equity in net income or loss, primarily over a period of 20 years, which is consistent with the estimated lives of the underlying assets.

Unrestricted publicly traded investments are classified as available for sale or trading securities and recorded at their fair value. Unrealized gains or losses resulting from changes in fair value between measurement dates for available for sale securities are recorded as a component of other comprehensive income. Unrealized gains or losses resulting from changes in fair value between measurement dates for trading securities are recorded as a component of investment income.

Restricted publicly traded investments and investments in privately held companies are stated at cost, adjusted for any known diminution in value (see Note 6).

Property and Equipment
The Company records property and equipment at cost. Depreciation is provided by the straight-line method over estimated useful lives as follows:

Buildings and improvements	4-40 years
Operating facilities	2-12 years
Other equipment	2-15 years

The Company capitalizes improvements that extend asset lives and expenses other repairs and maintenance charges as incurred. The cost and related accumulated depreciation applicable to assets sold or retired are removed from the accounts and the gain or loss on disposition is recognized as a component of depreciation expense.

The Company capitalizes the costs associated with the construction of cable transmission and distribution facilities and new cable service installations. Costs include all direct labor and materials, as well as certain indirect costs.

Intangible Assets
Goodwill is the excess of the acquisition cost of an acquired entity over the fair value of the identifiable net assets acquired. The Company amortizes goodwill over estimated useful lives ranging principally from 20 to 30 years.

Cable franchise operating rights represent the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired in connection with a business combination. The Company capitalizes these contractual rights and amortizes them over the term of the related franchise agreements. Costs incurred by the Company in negotiating and renewing franchise agreements are included in other intangible assets and are amortized on a straight-line basis over the term of the franchise renewal period, generally 10 to 15 years.

Other intangible assets consist principally of cable and satellite television distribution rights, cable system franchise renewal costs, contractual operating rights, computer software, programming costs and rights, license acquisition costs and non-competition agreements. The Company capitalizes these costs and amortizes them on a straight-line basis over the term of the related agreements or estimated useful life.

Certain of the Company's content subsidiaries and QVC have entered into multi-year affiliation agreements with various cable and satellite system operators for carriage of their respective programming. The Company capitalizes cable or satellite distribution rights and amortizes them on a straight-line basis over the term of the related distribution agreements of 5 to 15 years.

See Note 3 for a discussion of the expected impact of adoption of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

Valuation of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets, including property and equipment and intangible assets, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Such evaluations include analyses based on the cash flows generated by the underlying assets, profitability information, including estimated future operating results, trends or other determinants of fair value. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. Unless presented separately, the loss is included as a component of either depreciation expense or amortization expense, as appropriate.

Foreign Currency Translation

The Company translates assets and liabilities of its foreign subsidiaries, where the functional currency is the local currency, into US dollars at the December 31 exchange rate and records the related translation adjustments as a component of other comprehensive income. The Company translates revenues and expenses using average exchange rates prevailing during the year. Foreign currency transaction gains and losses are included in other income (expense).

Revenue Recognition

The Company recognizes video, high-speed Internet, and programming revenues as service is provided. The Company manages credit risk by disconnecting services to cable and high-speed Internet customers who are delinquent. The Company recognizes advertising sales revenue at estimated realizable values when the advertising is aired. Revenues derived from other sources are recognized when services are provided or events occur.

The Company recognizes net sales from electronic retailing at the time of shipment to customers. The Company classifies all amounts billed to a customer for shipping and handling within net sales from electronic retailing. The Company's policy is to allow customers to return merchandise for up to thirty days after date of shipment. An allowance for returned merchandise is provided as a percentage of sales based on historical experience.

See Note 3 for a discussion of the expected impact of adoption of Emerging Issues Task Force ("EITF") 01-9, "Accounting for Consideration Given to a Customer (Including a Reseller of the Vendor's Products)" ("EITF 01-9") and EITF 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred" ("EITF 01-14").

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." Compensation expense for stock options is measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. The Company records compensation expense for restricted stock awards based on the quoted market price of the Company's stock at the date of the grant and the vesting period. The Company records compensation expense for stock appreciation rights based on the changes in quoted market prices of the Company's stock or other determinants of fair value at the end of the year (see Note 8).

Postretirement and Postemployment Benefits

The Company charges to operations the estimated costs of retiree benefits and benefits for former or inactive employees, after employment but before retirement, during the years the employees provide services.

Investment Income

Investment income includes interest income, dividend income and gains, net of losses, on the sales and exchanges of marketable securities and long-term investments. The Company recognizes gross realized gains and losses using the specific identification method. Investment income also includes unrealized gains or losses on trading securities, mark to market adjustments on derivatives and hedged items, and impairment losses resulting from adjustments to the net realizable value of certain of the Company's investments (see Note 6).

Income Taxes

The Company recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities and expected benefits of utilizing net operating loss carryforwards. The impact on deferred taxes of changes in tax rates and laws, if any, applied to the years during which temporary differences are expected to be settled, are reflected in the consolidated financial statements in the period of enactment (see Note 9).

Derivative Financial Instruments

The Company uses derivative financial instruments for a number of purposes. The Company manages its exposure to fluctuations in interest rates by entering into interest rate exchange agreements ("Swaps"), interest rate cap agreements ("Caps") and interest rate collar agreements ("Collars"). The Company manages the cost of its share repurchases through the sale of equity put option contracts ("Comcast Put Options"). The Company manages its exposure to fluctuations in the value of certain of its investments by entering into equity collar agreements ("Equity Collars") and equity put option agreements ("Equity Put Options"). The Company makes investments in businesses, to some degree, through the purchase of equity call option or call warrant agreements ("Equity Warrants"). The Company has issued indexed debt instruments and entered into prepaid forward sale agreements ("Prepaid Forward Sales") whose value, in part, is derived from the market value of Sprint PCS common stock, and has also sold call options on certain of its investments in equity securities ("Covered Call Options") in order to monetize a portion of those investments.

Prior to the adoption on January 1, 2001 of SFAS No. 133, "Accounting for Derivatives and Hedging Activities," as amended ("SFAS No. 133"), Swaps, Caps and Collars were matched with either fixed or variable rate debt and periodic cash payments were accrued on a settlement basis as an adjustment to interest expense. Any premiums associated with these instruments were amortized over their term and realized gains or losses as a result of the termination of the instruments were deferred and amortized over the remaining term of the underlying debt. Unrealized gains and losses as a result of these instruments were recognized when the underlying hedged item was extinguished or otherwise terminated.

Equity Collars, Equity Put Options and Equity Warrants were marked to market on a current basis with the result included in accumulated other comprehensive income in the Company's consolidated balance sheet. Covered Call

Options are marked to market on a current basis with the result included in investment income in the Company's consolidated statement of operations.

On January 1, 2001, the Company adopted SFAS No. 133. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and hedging activities. SFAS No. 133 requires that all derivative instruments, whether designated in hedging relationships or not, be recorded on the balance sheet at their fair values.

For derivative instruments designated and effective as fair value hedges, such as the Company's Equity Collars, Equity Put Options and Fixed to Variable Swaps, changes in the fair value of the derivative instrument are substantially offset in the consolidated statement of operations by changes in the fair value of the hedged item. For derivative instruments designated as cash flow hedges, such as the Company's Variable to Fixed Swaps, the effective portion of any hedge is reported in other comprehensive income until it is recognized in earnings during the same period in which the hedged item affects earnings. The ineffective portion of all hedges is recognized in current earnings each period. Changes in the fair value of derivative instruments that are not designated as a hedge are recorded each period in current earnings.

When a fair value hedge is terminated, sold, exercised or has expired, the adjustment in the carrying amount of the fair value hedged item is deferred and recognized into earnings when the hedged item is recognized in earnings. When a hedged item is extinguished or sold, the adjustment in the carrying amount of the hedged item is recognized in earnings. When hedged variable rate debt is extinguished, the previously deferred effective portion of the hedge is written off similar to debt extinguishment costs.

Subsequent to the adoption of SFAS No. 133, Equity Warrants are marked to market on a current basis with the result included in investment income in the Company's consolidated statement of operations.

Subsequent to the adoption of SFAS No. 133, derivative instruments embedded in other contracts, such as the Company's indexed debt instruments and Prepaid Forward Sale, are bifurcated into their host and derivative financial instrument components. The derivative component is recorded at its estimated fair value in the Company's consolidated balance sheet with changes in estimated fair value recorded in investment income.

Proceeds from sales of Comcast Put Options are recorded in stockholders' equity and an amount equal to the redemption price of the common stock is reclassified from permanent equity to temporary equity. Subsequent changes in the market value of Comcast Put Options are not recorded.

The Company periodically examines those instruments that have been entered into by the Company to hedge exposure to interest rate and equity price risks to ensure that the instruments are matched with underlying assets or liabilities, reduce the Company's risks relating to interest rates or equity prices and, through market value and sensitivity analysis, maintain a high correlation to the risk inherent in the hedged item. For those instruments that do not meet the above criteria, variations in their fair value are marked-to-market on a current basis in the Company's consolidated statement of operations.

The Company does not hold or issue any derivative financial instruments for trading purposes and is not a party to leveraged instruments (see Note 7). The Company manages the credit risks associated with its derivative financial instruments through the evaluation and monitoring of the creditworthiness of the counterparties. Although the Company may be exposed to losses in the event of nonperformance by the counterparties, the Company does not expect such losses, if any, to be significant.

See Note 3 for a discussion of the impact of adoption of SFAS No. 133.

Sale of Stock by a Subsidiary or Equity Method Investee

Changes in the Company's proportionate share of the underlying equity of a consolidated subsidiary or equity method investee which result from the issuance of additional securities by such subsidiary or investee are recognized as gains or losses in the Company's consolidated statement of operations unless gain realization is not assured in the circumstances. Gains for which realization is not assured are credited directly to additional capital.

Securities Lending Transactions

The Company may enter into securities lending transactions pursuant to which the Company requires the borrower to provide cash collateral equal to the value of the loaned securities, as adjusted for any changes in the value of the underlying loaned securities. Loaned securities for which the Company maintains effective control are included in investments in the Company's consolidated balance sheet.

Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to those classifications used in 2001.

3. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, as Amended

On January 1, 2001, the Company adopted SFAS No. 133. SFAS No. 133 establishes accounting and reporting standards for derivatives and hedging activities. SFAS No. 133 requires that all derivative instruments be reported on the balance sheet at their fair values.

Upon adoption of SFAS No. 133, the Company recognized as income a cumulative effect of accounting change, net of related income taxes, of $384.5 million and a cumulative decrease in other comprehensive income, net of related income taxes, of $127.0 million.

The increase in income consisted of a $400.2 million adjustment to record the debt component of indexed debt at a discount from its value at maturity (see Note 7) and $191.3 million principally related to the reclassification of gains previously recognized as a component of accumulated other comprehensive income on the Company's equity derivative instruments, net of related deferred income taxes of $207.0 million (see Note 9).

The decrease in other comprehensive income consisted principally of the reclassification of the gains noted above.

SFAS No's. 141 and 142

The Financial Accounting Standards Board ("FASB") issued SFAS No. 141 and SFAS No. 142 in June 2001. These statements address how intangible assets that are acquired individually, with a group of other assets or in connection with a business combination should be accounted for in financial statements upon and subsequent to their acquisition. The new statements require that all business combinations initiated after June 30, 2001 be accounted for using the purchase method and establish specific criteria for the recognition of intangible assets separately from goodwill.

The Company adopted SFAS No. 141 on July 1, 2001, as required by the new statement. The adoption of SFAS No. 141 did not have a material impact on the Company's financial condition or results of operations.

The Company adopted SFAS No. 142 on January 1, 2002, as required by the new statement. Upon adoption, the Company will no longer amortize goodwill and other indefinite lived intangible assets, which consist primarily of cable franchise operating rights. The Company will be required to test its goodwill and intangible assets that are determined to have an indefinite life for impairment at least annually. Other than in the period of adoption or in those periods in which the Company may record an asset impairment, the Company expects that the adoption of SFAS No. 142 will result in increased income as a result of reduced amortization expense.

The EITF of the FASB is expected to provide further guidance on certain implementation issues related to the adoption of SFAS No. 142 as it relates to identifiable intangible assets other than goodwill. Subject to further guidance to be provided, based upon the Company's interpretation of SFAS No. 142, the Company may record a charge as a cumulative effect of accounting change, net of related deferred income taxes, in an amount not expected to exceed $1.5 billion upon adoption of SFAS No. 142 on January 1, 2002.

Based on the Company's preliminary evaluation, the estimated effect of adoption of SFAS No. 142 would have been to decrease amortization expense by approximately $2.0 billion and to increase deferred income tax expense by approximately $600 million for the year ended December 31, 2001.

SFAS No. 143
The FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," in June 2001. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. While the Company is currently evaluating the impact the adoption of SFAS No. 143 will have on its financial condition and results of operations, it does not expect such impact to be material.

SFAS No. 144
The FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," in August 2001. SFAS No. 144, which addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of, supercedes SFAS No. 121 and is effective for fiscal years beginning after December 15, 2001. While the Company is currently evaluating the impact the adoption of SFAS No. 144 will have on its financial condition and results of operations, it does not expect such impact to be material.

EITF 01-9
In November 2001, the EITF reached a consensus on EITF 01-9. EITF 01-9 requires, among other things, that consideration paid to customers should be classified as a reduction of revenue unless certain criteria are met. Certain of the Company's content subsidiaries have paid or may pay distribution fees to cable television and satellite broadcast systems for carriage of their programming. In connection with the adoption of EITF 01-9 on January 1, 2002, the Company reclassified certain of these distribution fees from operating expense and amortization expense to a revenue reduction for all periods presented in its consolidated statement of operations. The accompanying financial statements reflect this reclassification for all periods presented. The change in classification had no impact on the Company's reported operating loss or financial condition.

EITF 01-14
In November 2001, the FASB staff announced EITF Topic D-103, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred," which has subsequently been recharacterized as EITF 01-14. EITF 01-14 requires that reimbursements received for out-of-pocket expenses incurred be characterized as revenue in the statement of operations.

Under the terms of its franchise agreements, the Company is required to pay up to 5% of its gross revenues derived from providing cable services to the local franchising authority. The Company normally passes these fees through to its cable subscribers. The Company currently classifies cable franchise fees collected from its cable subscribers as a reduction of the related franchise fee expense included within selling, general and administrative expenses in its consolidated statement of operations.

EITF 01-14, by analogy, applies to franchise fees. In connection with the adoption of EITF 01-14 on January 1, 2002, the Company reclassified franchise fees collected from cable subscribers from a reduction of selling, general and administrative expenses to a component of service revenues in its consolidated statement of operations. The change in classification had no impact on the Company's reported operating income (loss) or financial condition. The accompanying financial statements reflect this reclassification for all periods presented.

4. EARNINGS PER SHARE

Earnings for common stockholders per common share is computed by dividing net income, after deduction of preferred stock dividends, when applicable, by the weighted average number of common shares outstanding during the period on a basic and diluted basis.

The following table reconciles the numerator and denominator of the computations of diluted earnings for common stockholders per common share ("Diluted EPS") for the years presented.

(Amounts in millions, except per share data)

	Year Ended December 31, 2001	2000	1999
Net income for common stockholders	$608.6	$1,998.0	$1,036.0
Preferred dividends		23.5	29.7
Net income for common stockholders used for Diluted EPS	$608.6	$2,021.5	$1,065.7
Basic weighted average number of common shares outstanding	949.7	890.7	749.1
Dilutive securities:			
Series A and B convertible preferred stock	1.0	42.5	44.0
Stock option and restricted stock plans	13.8	15.4	26.8
Put options on Class A Special Common Stock		0.1	
Diluted weighted average number of common shares outstanding	964.5	948.7	819.9
Diluted earnings for common stockholders per common share	$0.63	$2.13	$1.30

Comcast Put Options on a weighted average 0.2 million shares, 1.5 million shares and 2.7 million shares of its Class A Special Common Stock (see Note 8) were outstanding during the years ended December 31, 2001, 2000 and 1999, respectively. Comcast Put Options outstanding during the years ended December 31, 2001 and 1999 were not included in the computation of Diluted EPS as the Comcast Put Options' exercise price was less than the average market price of the Company's Class A Special Common Stock during the periods.

In December 2000 and January 2001, the Company issued $1.478 billion principal amount at maturity of Zero Coupon Convertible Debentures due 2020 (the "Zero Coupon Debentures" - see Note 7). The Zero Coupon Debentures may be converted at any time prior to maturity if the closing sale price of the Company's Class A Special Common Stock is greater than 110% of the accreted conversion price (as defined). The Zero Coupon Debentures were excluded from the computation of Diluted EPS in 2001 and 2000 as the weighted average closing sale price of the Company's Class A Special Common Stock was not greater than 110% of the accreted conversion price.

5. ACQUISITIONS AND OTHER SIGNIFICANT EVENTS

Agreement and Plan of Merger with AT&T Broadband

On December 19, 2001, the Company entered into an Agreement and Plan of Merger with AT&T Corp. ("AT&T") pursuant to which the Company agreed to a transaction which will result in the combination of the Company and a holding company of AT&T's broadband business ("AT&T Broadband") that AT&T will spin off to its shareholders immediately prior to the combination. As of December 31, 2001, AT&T Broadband served approximately 13.6 million subscribers. Under the terms of the transaction, the combined company will issue approximately 1.235 billion shares of its voting common stock to AT&T Broadband shareholders in exchange for all of AT&T's interests in AT&T Broadband, and approximately 115 million shares of its common stock to Microsoft Corporation ("Microsoft") in exchange for AT&T Broadband shares that Microsoft will receive immediately prior to the completion of the transaction for settlement of their $5 billion aggregate principal amount in quarterly income preferred securities. The combined company will also assume or incur approximately $20 billion of AT&T Broadband debt. For each share of a class of common stock of the Company that they hold at the time of the merger, each shareholder will receive one share of a corresponding class of stock of the combined company. The Company expects that the transaction will qualify as tax-free to both the Company and to AT&T.

The Company will account for the transaction as an acquisition under the purchase method of accounting, with the Company as the acquiring entity. The identification of the Company as the acquiring entity was made after careful consideration of all facts and circumstances, as follows:

Voting Rights in the New Combined Company. Former AT&T shareholders will own approximately 53.7% of the combined company's economic interest and approximately 60.6% of the combined company's voting interest following the merger. Microsoft will own shares representing approximately 5.2% of the combined company's economic interest and 4.95% of the combined company's voting interest following the merger. No individual former AT&T shareholder will have any significant ownership or voting interest following the merger. Brian L. Roberts, the Company's controlling shareholder and President ("Mr. Roberts"), either directly or through his control of a family holding company, will own an approximately 33.34% voting interest in the combined company following the merger (including a 33.33% non-dilutable voting interest through ownership of the Class B common stock of the combined company), and an approximately .8% economic interest. Mr. Roberts will hold the largest minority voting interest in the combined company. The next largest voting interest held by an individual shareholder will be 4.95%, held by Microsoft. Under the governing documents of the combined company, as a result of his ownership of the Class B stock, Mr. Roberts will have the right to approve any merger involving the combined company or any other transaction in which any other person would own more than 10 percent of the stock of the combined company, the right to approve any issuances of Class B stock, and any charter amendments or other actions that would limit the rights of the Class B stock.

Governance Arrangements Relating to the Board of Directors. The initial Board of the combined company will have twelve members, five of whom will be designated by the Company from its existing Board, five of whom will be designated by AT&T from its existing Board, and two of whom will be jointly designated by the Company and AT&T and will be independent persons. Except for pre-approved designees, the individuals designated by each of the Company and AT&T will be mutually agreed upon by the Company and AT&T. Pursuant to the terms of the merger agreement, existing Company directors Ralph J. Roberts, Mr. Roberts, Sheldon M. Bonovitz, Julian A. Brodsky and Decker Anstrom have been pre-approved as Company director designees of the combined company and existing AT&T director and Chairman C. Michael Armstrong ("Mr. Armstrong") is the sole pre-approved AT&T director designee. The remaining four AT&T designees are subject to the approval of the Company. All of the initial director designees will hold office until the 2004 annual meeting of the combined company shareholders. After this initial term, the entire Board will be elected annually. During the period before the 2004 annual meeting, Mr. Roberts will be the chairman of the Board committee that nominates the slate of directors for the combined company (the "Directors Nominating Committee") if he is the Chairman or the CEO of the combined company. The remaining four members of the Directors Nominating Committee will consist of one director designee who is an independent director selected by the Company's director designees, and three independent directors selected by the Company's director designees from the AT&T director designees and the Company/AT&T joint director designees. Since the initial director designees will hold office until the 2004 annual meeting, the Directors Nominating Committee would be expected to act only in order to fill vacancies that may occur in director positions prior to that meeting. After the 2004 annual meeting of shareholders, Mr. Roberts will continue to be the chairman of the Directors Nominating Committee of the combined company. The remaining four members of the Directors Nominating Committee will be selected by Mr. Roberts from among the combined company's independent directors. Nominations of the Directors Nominating Committee will be submitted directly to the shareholders without any requirement of Board approval or ratification.

Governance Arrangements Relating to Management. The combined company will have an Office of the Chairman, comprised of the Chairman of the Board and the CEO, from the closing of the merger until the earlier to occur of: (i) the 2005 annual meeting of the shareholders, and (ii) the date on which Mr. Armstrong ceases to be Chairman of the Board. The Office of the Chairman will be the combined company's principal executive deliberative body with responsibility for corporate strategy, policy and direction, governmental affairs and other significant matters. While the Office of the Chairman is in effect, the Chairman of the Board and the CEO will advise and consult with each other with respect to those matters. Mr. Armstrong, AT&T's Chairman of the Board, will be Chairman of the Board of the combined company. Mr. Armstrong may serve as Chairman of the Board until the 2005 annual meeting of shareholders, but he will serve as non-executive Chairman of the Board after April 1, 2004 and until the 2005 annual meeting of the combined company's shareholders. After the 2005 annual meeting of shareholders, or if Mr. Armstrong ceases to serve as Chairman of the Board prior to that date, Mr. Roberts will become the Chairman of the Board of the combined company. Removal of the Chairman of the Board will require the vote of at least 75% of the entire Board until the earlier to occur of: (i) the date on which neither Mr. Armstrong nor Mr. Roberts is Chairman of the Board, and (ii) the sixth anniversary of the 2004 annual meeting of shareholders. Mr. Roberts will be the CEO of the combined company. Mr. Roberts will also be President of the combined company for as long as he is the CEO. The CEO's powers and responsibilities will include: (i) the supervision and management of the combined company's business and operations, (ii) all matters related to officers and employees, including hiring and termination, (iii) all rights and powers typically exercised by the chief executive officer and president of a corporation, and (iv) the authority to call special meetings of the combined company Board. Removal of Mr. Roberts as CEO will require the vote of at least 75% of the entire Board until the earlier to occur of: (i) the date on which Mr. Roberts ceases to be CEO, and (ii) the sixth anniversary of the 2004 annual meeting of the combined company shareholders. Under the terms of the merger agreement, Mr. Roberts has the right to fill all senior management positions of the combined company after consultation with Mr. Armstrong.

Other Factors. The Company made an unsolicited offer to purchase all of AT&T Broadband. Subsequent to the Company's offer, AT&T solicited bids from other potential purchasers.

The headquarters of the combined company will be in Philadelphia, Pennsylvania, the current headquarters of the Company. An executive office will be maintained in the New York City metropolitan area until at least April 2005.

The Company's current investment in shares of AT&T common stock, to the extent still held by the Company at the time of the AT&T Broadband spin-off and merger, will be exchanged into AT&T shares (representing its Consumer Services and Business Services Groups). Therefore, the Company will continue to have an investment in the "selling company." Conversely, AT&T Broadband's current investment in the Company will either be retired to treasury after the merger or used to settle related debt.

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Notwithstanding that the former AT&T Broadband shareholders will, in the aggregate, receive the majority of the voting common stock of the combined company, the Company believes that this fact is outweighed by the totality of the other facts and circumstances described above, with the most significance being given to Mr. Roberts' non-dilutable minority voting interest, Mr. Roberts' role on the Nominating Committee of the Board of Directors, Mr. Roberts position as CEO and President, and Mr. Roberts' right to appoint other members of senior management.

The transaction is subject to customary closing conditions and shareholder, regulatory and other approvals. The Company expects to close the transaction by the end of 2002.

At Home Services
On September 28, 2001, At Home Corporation ("At Home"), the Company's provider of high-speed Internet services, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. In October 2001, the Company amended its agreement with At Home to continue service to the Company's existing and new subscribers during October and November 2001. The Company agreed to be charged a higher rate than it had incurred under its previous agreement. On December 3, 2001, the Company and At Home reached a definitive agreement, approved by the Bankruptcy Court, pursuant to which the Company paid $160 million to At Home and At Home agreed to continue to provide high-speed Internet services to existing and new subscribers through February 28, 2002. In December 2001, the Company began to transfer its high-speed Internet subscribers from the At Home network to the Company's new Company-owned and managed network. The Company completed this transition in February 2002.

In the fourth quarter of 2001, the Company recognized $139.5 million of net incremental expenses incurred in the continuation of service to and transition of the Company's high-speed Internet subscribers from At Home's network to the Company's own network. This charge is included in operating expenses in the Company's consolidated statement of operations.

Acquisition of Outdoor Life Network
On October 30, 2001, the Company acquired from Fox Entertainment Group, Inc. ("Fox Entertainment"), a subsidiary of The News Corporation Limited ("News Corp.") the approximate 83.2% interest in OLN not previously owned by the Company. OLN is a 24-hour network devoted exclusively to adventure and the outdoor lifestyle with distribution to approximately 41 million subscribers. The Company made the acquisition to increase its investment in programming content. The estimated fair value of the additional interest of OLN acquired by the Company as of the closing date of the transaction was approximately $512 million, substantially all of which was allocated to affiliation agreements and goodwill in connection with the preliminary purchase price allocation. Upon closing of the acquisition, the Company exchanged its 14.5% interest in the Speedvision Network ("SVN"), together with a previously made loan, for Fox Entertainment's interest in OLN. In connection with the exchange of its interest in SVN, the Company recorded to other income a pre-tax gain of $106.7 million, representing the difference between the estimated fair value of the Company's interest in SVN as of the closing date of the transaction and the Company's cost basis in SVN. The Company no longer owns any interest in SVN and now owns 100% of OLN.

Baltimore, Maryland System Acquisition
On June 30, 2001, the Company acquired the cable system serving approximately 112,000 subscribers in Baltimore City, Maryland from AT&T for $518.7 million in cash. The purchase price is subject to adjustment.

Acquisition of Controlling Interest in The Golf Channel
On June 8, 2001, the Company acquired the approximate 30.8% interest in TGC held by Fox Entertainment. In addition, Fox Entertainment and News Corp. agreed to a five-year non-competition agreement. The Company paid aggregate consideration of $364.9 million in cash. The Company previously accounted for TGC under the equity method. The Company now owns approximately 91.0% of TGC and consolidates TGC.

AT&T Cable Systems Acquisition
On April 30, 2001, the Company acquired cable systems serving approximately 585,000 subscribers from AT&T in exchange for approximately 63.9 million shares of AT&T common stock then held by the Company. The market

value of the AT&T shares was approximately $1.423 billion, based on the price of the AT&T common stock on the closing date of the transaction. The transaction is expected to qualify as tax free to both the Company and to AT&T.

Home Team Sports Acquisition
On February 14, 2001, the Company acquired Home Team Sports (now known as CSN Mid-Atlantic), a regional sports programming network with distribution to approximately 4.8 million homes in the Mid-Atlantic region, from Viacom, Inc. ("Viacom") and Affiliated Regional Communications, Ltd. (an affiliate of Fox Cable Network Services, LLC ("Fox")). The Company also agreed to increase the distribution of certain of Viacom's and Fox's programming networks on certain of the Company's cable systems. The estimated fair value of Home Team Sports as of the closing date of the acquisition was $240.0 million.

Adelphia Cable Systems Exchange
On January 1, 2001, the Company completed its cable systems exchange with Adelphia Communications Corporation ("Adelphia"). The Company received cable systems serving approximately 445,000 subscribers from Adelphia and Adelphia received certain of the Company's cable systems serving approximately 441,000 subscribers. The Company recorded to other income a pre-tax gain of $1.199 billion, representing the difference between the estimated fair value of $1.799 billion as of the closing date of the transaction and the Company's cost basis in the systems exchanged.

AT&T Cable Systems Exchange
On December 31, 2000, the Company completed its cable systems exchange with AT&T. The Company received cable systems serving approximately 770,000 subscribers from AT&T and AT&T received certain of the Company's cable systems serving approximately 700,000 subscribers. The Company recorded to other income a pre-tax gain of $1.711 billion, representing the difference between the estimated fair value of $2.840 billion as of the closing date of the transaction and the Company's cost basis in the systems exchanged.

Acquisition of Prime Communications LLC
In December 1998, the Company agreed to invest in Prime Communications LLC ("Prime"), a cable communications company serving approximately 406,000 subscribers. Pursuant to the terms of this agreement, in December 1998 the Company acquired from Prime a $50.0 million 12.75% subordinated note due 2008 issued by Prime. In July 1999, the Company made a loan to Prime in the form of a $733.5 million 6% ten year note, convertible into 90% of the equity of Prime. The Company made an additional $70.0 million in loans to Prime (on the same terms as the original loan). In August 2000, the note, plus accrued interest of $51.7 million on the note and the loans, was converted and the owners of Prime sold their remaining 10% equity interest in Prime to the Company for $87.7 million. As a result, the Company owns 100% of Prime and has assumed management control of Prime's operations. Upon closing, the Company assumed and immediately repaid $532.0 million of Prime's debt with proceeds from borrowings under existing credit facilities.

Acquisition of Jones Intercable, Inc.
In April 1999, the Company acquired a controlling interest in Jones Intercable, Inc. ("Jones Intercable"), a cable communications company serving approximately 1.1 million subscribers, for aggregate consideration of $706.3 million in cash. In June 1999, the Company purchased an additional 1.0 million shares of Jones Intercable Class A Common Stock for $50.0 million in cash in a private transaction. The Company contributed its interest in Jones Intercable to Comcast Cable Communications, Inc. ("Comcast Cable"), an indirect wholly owned subsidiary of the Company.

In March 2000, the Jones Intercable shareholders approved a merger agreement pursuant to which the Jones Intercable shareholders, including Comcast Cable, received 1.4 shares of the Company's Class A Special Common Stock in exchange for each share of Jones Intercable Class A Common Stock and Common Stock (the "Jones Merger") and Jones Intercable was merged with and into a wholly owned subsidiary of the Company. In connection with the closing of the Jones Merger, the Company issued approximately 58.9 million shares of its Class A Special Common Stock to the Jones Intercable shareholders, including approximately 23.3 million shares to a subsidiary of the Company and 35.6 million shares with a value of $1.727 billion to the public shareholders. As required under accounting principles generally accepted in the United States, the shares held by the subsidiary of the Company are presented as issued but not outstanding (held in treasury) in the Company's December 31, 2001 and 2000 consolidated balance sheet.

Acquisition of CalPERS' Interest in Jointly Owned Cable Properties
In February 2000, the Company acquired the California Public Employees Retirement System's ("CalPERS") 45% interest in Comcast MHCP Holdings, L.L.C. ("Comcast MHCP"), formerly a 55% owned consolidated subsidiary of the Company which serves subscribers in Michigan, New Jersey and Florida. As a result, the Company owns 100% of Comcast MHCP. The consideration was $750.0 million in cash.

Acquisition of Lenfest Communications, Inc.
In January 2000, the Company acquired Lenfest Communications, Inc. ("Lenfest"), a cable communications company serving approximately 1.1 million subscribers primarily in the Philadelphia area from AT&T and the other Lenfest stockholders for approximately 120.1 million shares of the Company's Class A Special Common Stock with a value of $6.014 billion (the "Lenfest Acquisition"). In connection with the Lenfest Acquisition, the Company assumed approximately $1.326 billion of debt.

Consolidation of Comcast Cablevision of Garden State, L.P.
Comcast Cablevision of Garden State, L.P. ("Garden State Cable") (formerly Garden State Cablevision L.P.), a cable communications company serving approximately 216,000 subscribers in New Jersey, is a partnership which was owned 50% by Lenfest and 50% by the Company. The Company had accounted for its interest in Garden State Cable under the equity method. As a result of the Lenfest Acquisition, the Company owns 100% of Garden State Cable. As such, the operating results of Garden State Cable have been included in the Company's consolidated statement of operations from the date of the Lenfest Acquisition.

Acquisition of Greater Philadelphia Cablevision, Inc.
In June 1999, the Company acquired Greater Philadelphia Cablevision, Inc. ("Greater Philadelphia"), a cable communications company serving approximately 79,000 subscribers in Philadelphia from Greater Media, Inc. for approximately 8.5 million shares of the Company's Class A Special Common Stock with a value of $291.7 million.

The acquisitions completed by the Company during the three years in the period ended December 31, 2001 were accounted for under the purchase method of accounting. As such, the Company's results include the operating results of the acquired businesses from the dates of acquisition. During the fourth quarter of 2001, the Company recorded the final purchase price allocation related to the Company's cable systems exchange with AT&T and related to the Company's acquisitions of Home Team Sports and TGC. The allocation of the purchase price for the other 2001 acquisitions and the cable systems exchange with Adelphia made by the Company is preliminary pending completion of final appraisals. The Company's cable systems exchanges with Adelphia and AT&T and certain of the Company's acquisitions had no significant impact on the Company's consolidated statement of cash flows due to their noncash nature (see Note 10).

Unaudited Pro Forma Information

The following unaudited pro forma information has been presented as if the acquisitions and cable systems exchanges made by the Company in 2001 each occurred on January 1, 2000, the acquisitions and cable systems exchanges made by the Company in 2000 each occurred on January 1, 1999, and the acquisitions made by the Company in 1999 each occurred on January 1, 1998. This information is based on historical results of operations, adjusted for acquisition costs, and, in the opinion of management, is not necessarily indicative of what the results would have been had the Company operated the entities acquired since such dates.

	(Amounts in millions, except per share data) Year Ended December 31,		
	2001	2000	1999
Revenues	$10,089.1	$9,150.6	$7,669.3
Income before cumulative effect of accounting change	$148.7	$1,628.7	$201.2
Net income	$533.2	$1,628.7	$201.2
Diluted EPS	$0.55	$1.68	$0.21

Sale of Comcast Cellular Corporation

In July 1999, the Company sold Comcast Cellular Corporation ("Comcast Cellular") to SBC Communications, Inc. for $361.1 million in cash and the assumption of $1.315 billion of Comcast Cellular debt, and recognized a gain on the sale of $355.9 million, net of income tax expense. The results of operations of Comcast Cellular have been presented as a discontinued operation in accordance with APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." During the year ended December 31, 1999, the Company recognized losses from discontinued operations of $20.1 million.

Other Income

In August 2000, the Company obtained the right to exchange its At Home Series A Common Stock with AT&T and waived certain of its At Home Board level and shareholder rights under a stockholders agreement (the "Share Exchange Agreement"- see Note 6). The Company also agreed to cause its existing appointee to the At Home Board of Directors to resign. In connection with the transaction, the Company recorded to other income a pre-tax gain of $1.045 billion, representing the estimated fair value of the investment as of the closing date.

In August 2000, the Company exchanged all of the capital stock of a wholly owned subsidiary which held certain wireless licenses for approximately 3.2 million shares of AT&T common stock. In connection with the exchange, the Company recorded to other income a pre-tax gain of $98.1 million, representing the difference between the fair value of the AT&T shares received of $100.0 million and the Company's cost basis in the subsidiary.

In May 1999, the Company received a $1.5 billion termination fee as liquidated damages from MediaOne Group, Inc. ("MediaOne") as a result of MediaOne's termination of its Agreement and Plan of Merger with the Company dated March 1999. The termination fee, net of transaction costs, was recorded to other income in the Company's consolidated statement of operations.

6. INVESTMENTS

	December 31, 2001	December 31, 2000
	(Dollars in millions)	
Fair value method		
AT&T Corp.	$1,514.9	$1,174.3
Sprint Corp. PCS Group	2,109.5	2,149.8
Other	136.1	1,873.0
	3,760.5	5,197.1
Cost method	155.2	128.4
Equity method	386.7	396.1
Total investments	4,302.4	5,721.6
Less, current investments	2,623.2	3,059.7
Non-current investments	$1,679.2	$2,661.9

Fair Value Method
The Company holds unrestricted equity investments in certain publicly traded companies, which it accounts for as available for sale or trading securities. The unrealized pre-tax gains on these investments as of December 31, 2001 and 2000 of $280.3 million and $707.1 million, respectively, have been reported in the Company's consolidated balance sheet principally as a component of other comprehensive income, net of related deferred income taxes of $95.3 million and $240.0 million, respectively.

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

	December 31, 2001	December 31, 2000
	(Dollars in millions)	
Cost	$1,355.0	$4,490.0
Gross unrealized gains	283.2	1,887.6
Gross unrealized losses	(2.9)	(1,180.5)
Fair value	$1,635.3	$5,197.1

In June 2001, the Company and AT&T entered into an Amended and Restated Share Issuance Agreement (the "Share Issuance Agreement"). AT&T issued to the Company approximately 80.3 million unregistered shares of AT&T common stock and the Company agreed to settle its right under the Share Exchange Agreement (see Note 5 - Other Income) to exchange an aggregate 31.2 million At Home shares and warrants held by the Company for shares of AT&T common stock. The Company has registration rights, subject to customary restrictions, which allow the Company to require AT&T to register the AT&T shares received. Under the terms of the Share Issuance Agreement, the Company retained the At Home shares and warrants held by it. The Company recorded to investment income a pre-tax gain of $296.3 million, representing the fair value of the increased consideration received by the Company to settle its right under the Share Exchange Agreement.

In August 2001, the Company entered into a ten year Prepaid Forward Sale of 4.0 million shares of Sprint PCS common stock held by the Company with a fair value of approximately $98 million and the Company received $78.3 million in cash. At maturity, the counterparty is entitled to receive between 2.5 million and 4.0 million shares of Sprint PCS common stock, or an equivalent amount of cash at the Company's option, based upon the market value of Sprint PCS common stock at that time. The Company split the Prepaid Forward Sale into its liability and derivative components and recorded both components of the Prepaid Forward Sale obligation in other long-term liabilities. The Company records the change in the fair value of the derivative component and the accretion of the liability component to investment income.

Investment Income
Investment income includes the following (in millions):

	Year Ended December 31, 2001	2000	1999
Interest and dividend income	$76.5	$171.6	$172.5
Gains on sales and exchanges of investments, net	485.2	886.7	510.6
Investment impairment losses	(972.4)	(74.4)	(35.5)
Reclassification of unrealized gains	1,330.3		
Unrealized gain on Sprint PCS common stock	284.4		
Mark to market adjustments on derivatives related to Sprint PCS common stock	(184.6)		
Mark to market adjustments on derivatives and hedged items	42.3		
Settlement of call options			(18.1)
Investment income	$1,061.7	$983.9	$629.5

The investment impairment loss for the year ended December 31, 2001 relates principally to an other than temporary decline in the Company's investment in AT&T, a portion of which was exchanged on April 30, 2001 (see Note 5 - AT&T Cable Systems Acquisition).

During the year ended December 31, 2001, the Company wrote-off its investment in At Home common stock based upon a decline in the investment that was considered other than temporary. In connection with the realization of this impairment loss, the Company reclassified to investment income the accumulated unrealized gain of $237.9 million on the Company's investment in At Home common stock which was previously recorded as a component of accumulated other comprehensive income. The Company recorded this accumulated unrealized gain prior to the Company's designation of its right under the Share Exchange Agreement as a hedge of the Company's investment in the At Home common stock (see Note 5 - Other Income).

The Company reclassified its investment in Sprint PCS from an available for sale security to a trading security in connection with the adoption of SFAS No. 133. As a result, the Company reclassified to investment income the accumulated unrealized gain of $1.092 billion on the Company's investment in Sprint PCS which was previously recorded as a component of accumulated other comprehensive income.

Equity Price Risk
During 1999, the Company entered into Equity Collars covering $1.365 billion notional amount of the Company's Sprint PCS common stock, which are accounted for at fair value. The Equity Collars limit the Company's exposure to and benefits from price fluctuations in the underlying Sprint PCS common stock. During 2001, $483.7 million notional amount of Equity Collars matured and the Company sold or entered into Prepaid Forward Sales of the related Sprint PCS common stock. The remaining $881.0 million notional amount of Equity Collars mature between 2002 and 2003. As the Company had accounted for the Equity Collars as a hedge, changes in the value of the Equity Collars were substantially offset by changes in the value of the Sprint PCS common stock which was also

marked-to-market through accumulated other comprehensive income in the Company's consolidated balance sheet through December 31, 2000.

Equity Method
The Company records its proportionate interests in the net income (loss) of certain of its equity method investees in arrears. The Company's recorded investments exceed its proportionate interests in the book value of the investees' net assets by $188.7 million as of December 31, 2001 (principally related to the Company's investment in Susquehanna Cable). Such excess is being amortized to equity in net income or loss, over a period of twenty years, which is consistent with the estimated lives of the underlying assets. The original cost of investments accounted for under the equity method totaled $479.8 million and $506.5 million as of December 31, 2001 and 2000, respectively. Upon adoption of SFAS No. 142, the Company will no longer amortize this excess but rather will continue to test such excess for impairment in accordance with APB Opinion 18, "The Equity Method of Accounting for Investments in Common Stock."

The Company does not have any additional significant contractual commitments with respect to any of its investments. However, to the extent the Company does not fund its investees' capital calls, it exposes itself to dilution of its ownership interests.

Cost Method
It is not practicable to estimate the fair value of the Company's investments in privately held companies, accounted for under the cost method, due to a lack of quoted market prices.

7. LONG-TERM DEBT

	December 31, 2001	December 31, 2000
	(in millions)	
Commercial Paper	$397.3	$1,323.5
Notes payable to banks due in installments through 2009	1,222.7	1,751.4
9-5/8% Senior notes, due 2002	200.0	200.0
8-1/8% Senior notes, due 2004	320.4	299.9
8-3/8% Senior notes, due 2005	697.0	696.3
6-3/8% Senior notes, due 2006	511.3	
8-3/8% Senior notes, due 2007	597.5	597.2
8-7/8% Senior notes, due 2007	249.1	249.0
6.20% Senior notes, due 2008	798.4	798.2
7-5/8% Senior notes, due 2008	206.1	197.1
7-5/8% Senior notes, due 2008	147.7	147.4
6-7/8% Senior notes, due 2009	751.5	
6-3/4% Senior notes, due 2011	993.1	
7-1/8% Senior notes, due 2013	748.4	
8-7/8% Senior notes, due 2017	545.9	545.8
8-1/2% Senior notes, due 2027	249.6	249.6
10-1/4% Senior subordinated debentures, due 2001		100.4
10-1/2% Senior subordinated debentures, due 2006	133.0	123.8
8-1/4% Senior subordinated debentures, due 2008	154.3	149.1
10-5/8% Senior subordinated debentures, due 2012	247.8	257.0
Zero Coupon Convertible Debentures, due 2020	1,096.4	1,002.0
7% Disney Notes, due 2007	132.8	132.8
ZONES at principal amount, due 2029	1,612.6	1,806.8
Other, including capital lease obligations	188.9	184.0
	12,201.8	10,811.3
Less current portion	460.2	293.9
	$11,741.6	$10,517.4

Maturities of long-term debt outstanding as of December 31, 2001 for the four years after 2002 are as follows (in millions):

2003	$73.2
2004	331.0
2005	2,026.2
2006	653.2

Senior Notes Offerings

During 2001, Comcast Cable sold an aggregate of $3.0 billion of public debt. The Company used substantially all of the net proceeds from the offerings to repay a portion of the amounts outstanding under Comcast Cable's commercial paper program and revolving credit facility, and to fund acquisitions.

Zero Coupon Convertible Debentures

In December 2000, the Company issued $1.285 billion principal amount at maturity of Zero Coupon Debentures for proceeds of $1.002 billion. In January 2001, the Company issued an additional $192.8 million principal amount at maturity of Zero Coupon Debentures for proceeds of $150.3 million. The Company used substantially all of the net proceeds from the offering to repay a portion of the amounts outstanding under Comcast Cable's commercial paper program and revolving credit facility.

The Zero Coupon Debentures have a yield to maturity of 1.25%, computed on a semi-annual bond equivalent basis. The Zero Coupon Debentures may be converted, subject to certain restrictions, into shares of the Company's Class A Special Common Stock at the option of the holder at a conversion rate of 14.2566 shares per $1,000 principal amount at maturity, representing an initial conversion price of $54.67 per share. The Zero Coupon Debentures are senior unsecured obligations. The Company may redeem for cash all or part of the Zero Coupon Debentures on or after December 19, 2005.

On December 17, 2001, the Company amended the terms of the Zero Coupon Debentures to permit holders of the Zero Coupon Debentures to require the Company to repurchase the Zero Coupon Debentures on December 19, 2002.

Holders may require the Company to repurchase the Zero Coupon Debentures on December 19, 2001, 2002, 2003, 2005, 2010 and 2015. The Company may choose to pay the repurchase price for 2001, 2002, 2003 and 2005 repurchases in cash or shares of its Class A Special Common Stock or a combination of cash and shares of its Class A Special Common Stock. The Company may pay the repurchase price for the 2010 and 2015 repurchases in cash only.

On December 19, 2001, holders of an aggregate of $70.3 million accreted value of Zero Coupon Debentures exercised their right to have the Company repurchase their Zero Coupon Debentures for cash. The Company financed the redemption with available cash.

Holders may surrender the Zero Coupon Debentures for conversion at any time prior to maturity if the closing price of the Company's Class A Special Common Stock is greater than 110% of the accreted conversion price for at least 20 trading days of the 30 trading days prior to conversion.

Amounts outstanding under the Zero Coupon Debentures are classified as long-term in the Company's consolidated balance sheet as of December 31, 2001 and 2000 as the Company has both the ability and the intent to refinance the Zero Coupon Debentures on a long-term basis with amounts available under the Comcast Cable Revolver (see "Commercial Paper" below) in the event holders of the Zero Coupon Debentures exercise their rights to require the Company to repurchase the Zero Coupon Debentures in December 2002.

Commercial Paper

The Company's senior bank credit facility consists of a $2.25 billion, five-year revolving credit facility and a $2.25 billion, 364-day revolving credit facility (together, the "Comcast Cable Revolver"). The 364-day revolving credit facility supports Comcast Cable's commercial paper program. Amounts outstanding under the commercial paper program are classified as long-term in the Company's consolidated balance sheet as of December 31, 2001 and 2000 as the Company has both the ability and the intent to refinance these obligations, if necessary, on a long-term basis with amounts available under the Comcast Cable Revolver.

ZONES

At maturity, holders of the Company's 2.0% Exchangeable Subordinated Debentures due 2029 (the "ZONES") are entitled to receive in cash an amount equal to the higher of the principal amount of the ZONES or the market value of Sprint PCS Stock. Prior to maturity, each ZONES is exchangeable at the holder's option for an amount of cash equal to 95% of the market value of Sprint PCS Stock.

Prior to the adoption of SFAS No. 133 on January 1, 2001, the Company accounted for the ZONES as an indexed debt instrument since the maturity value is dependent upon the fair value of Sprint PCS Stock. Therefore, the carrying value of the ZONES was adjusted each balance sheet date to reflect the fair value of the underlying Sprint PCS Stock with the change included in income (expense) related to indexed debt in the Company's consolidated statement of operations. As of December 31, 2001, the number of Sprint PCS shares held by the Company exceeded the number of ZONES outstanding.

Upon adoption of SFAS No. 133, the Company split the ZONES into their derivative and debt components. In connection with the adoption of SFAS No. 133, the Company recorded the debt component of the ZONES at a discount from its value at maturity resulting in a reduction in the outstanding balance of the ZONES of $400.2 million (see Note 3).

The Company recorded the increase in the fair value of the ZONES (see Note 6) and the increase in the carrying value of the debt component of the ZONES as follows (in millions):

	Year Ended December 31, 2001
Increase in derivative component to investment expense......	$183.8
Increase in debt component to interest expense..............	$22.2

Interest Rates

Bank debt interest rates vary based upon one or more of the following rates at the option of the Company:

Prime rate to prime plus .75%;
Federal Funds rate plus .5% to 1.25%; and
LIBOR plus .19% to 1.875%.

As of December 31, 2001 and 2000, the Company's effective weighted average interest rate on its variable rate debt outstanding was 2.70% and 7.34%, respectively.

Interest Rate Risk Management

The Company is exposed to the market risk of adverse changes in interest rates. To manage the volatility relating to these exposures, the Company's policy is to maintain a mix of fixed and variable rate debt and to enter into various interest rate derivative transactions as described below.

Using Swaps, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Caps are used to lock in a maximum interest rate should variable rates rise, but enable the Company to otherwise pay lower market rates. Collars limit the Company's exposure to and benefits from interest rate fluctuations on variable rate debt to within a certain range of rates.

All derivative transactions must comply with a board-approved derivatives policy. In addition to prohibiting the use of derivatives for trading purposes or that increase risk, this policy requires quarterly monitoring of the portfolio, including portfolio valuation, measuring counterparty exposure and performing sensitivity analyses.

The following table summarizes the terms of the Company's existing Swaps (dollars in millions):

	Notional Amount	Maturities	Average Interest Rate	Estimated Fair Value
As of December 31, 2001				
Variable to Fixed Swaps	$250.3	2002-2003	4.9%	($5.5)
Fixed to Variable Swaps	$950.0	2004-2008	7.5%	$46.8
As of December 31, 2000				
Variable to Fixed Swaps	$377.7	2001-2003	5.2%	$3.7
Fixed to Variable Swaps	$450.0	2004-2008	7.7%	$3.2

The notional amounts of interest rate instruments, as presented in the above table, are used to measure interest to be paid or received and do not represent the amount of exposure to credit loss. The estimated fair value approximates the proceeds (costs) to settle the outstanding contracts. While Swaps, Caps and Collars represent an integral part of the Company's interest rate risk management program, their incremental effect on interest expense for the years ended December 31, 2001, 2000 and 1999 was not significant.

During January and February 2002, the Company settled all $950.0 million notional amount of its Fixed to Variable Swaps and received proceeds of $56.8 million.

Estimated Fair Value
The Company's long-term debt had estimated fair values of $12.559 billion and $10.251 billion as of December 31, 2001 and 2000, respectively. The estimated fair value of the Company's publicly traded debt is based on quoted market prices for that debt. Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues for which quoted market prices are not available.

Debt Covenants
Certain of the Company's subsidiaries' loan agreements contain restrictive covenants which, for example, limit the subsidiaries' ability to enter into arrangements for the acquisition of property and equipment, investments, mergers and the incurrence of additional debt. Certain of these agreements contain financial covenants which require that certain ratios and cash flow levels be maintained and contain certain restrictions on dividend payments and advances of funds to the Company. The Company and its subsidiaries were in compliance with all financial covenants for all periods presented.

As of December 31, 2001, $246.9 million of the Company's cash, cash equivalents and short-term investments is restricted to use by subsidiaries of the Company under contractual or other arrangements. Restricted net assets of the Company's subsidiaries were approximately $1.233 billion as of December 31, 2001.

Lines and Letters of Credit
As of December 31, 2001, certain subsidiaries of the Company had unused lines of credit of $3.460 billion under their respective credit facilities.

As of December 31, 2001, the Company and certain of its subsidiaries had unused irrevocable standby letters of credit totaling $96.1 million to cover potential fundings under various agreements.

8. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue, in one or more series, up to a maximum of 20.0 million shares of preferred stock. The shares can be issued with such designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights and other special or related rights as the Company's board of directors shall from time to time fix by resolution.

The Company's Series B Preferred Stock had a 5.25% pay-in-kind annual dividend. Dividends were paid quarterly through the issuance of additional shares of Series B Preferred Stock (the "Additional Shares") and were cumulative from the issuance date (except that dividends on the Additional Shares accrued from the date such Additional Shares were issued). The Series B Preferred Stock, including the Additional Shares, was convertible, at the option of the holder, into approximately 42.5 million shares of the Company's Class A Special Common Stock, subject to adjustment in certain limited circumstances, which equaled an initial conversion price of $11.77 per share, increasing as a result of the Additional Shares to $16.96 per share on June 30, 2004. The Series B Preferred Stock was mandatorily redeemable on June 30, 2017, or, at the option of the Company beginning on June 30, 2004 or at the option of the holder on June 30, 2004 or on June 30, 2012. Upon redemption, the Company, at its option, could redeem the Series B Preferred Stock with cash, Class A Special Common Stock or a combination thereof. The Series B Preferred Stock was generally non-voting. In December 2000, the Company issued approximately 38.3 million shares of its Class A Special Common Stock to the holder in connection with the holder's election to convert $533.6 million at redemption value of Series B Preferred Stock. In March 2001, the Company issued approximately 4.2 million shares of its Class A Special Common Stock to the holder in connection with the holder's election to convert the remaining $59.5 million at redemption value of Series B Preferred Stock.

Common Stock

The Company's Class A Special Common Stock is generally nonvoting and each share of the Company's Class A Common Stock is entitled to one vote. Each share of the Company's Class B Common Stock is entitled to fifteen votes and is convertible, share for share, into Class A or Class A Special Common Stock, subject to certain restrictions.

Board-Authorized Repurchase Programs

The following table summarizes the Company's repurchases and sales of Comcast Put Options under its Board-authorized share repurchase programs (shares and dollars in millions):

	Year Ended December 31, 2001	2000	1999
Shares repurchased	0.8	9.1	1.0
Aggregate consideration	$27.1	$324.9	$30.7
Comcast Put Options sold		2.0	5.5

As part of the Company's Board-authorized repurchase programs, the Company sold Comcast Put Options on shares of its Class A Special Common Stock. The Comcast Put Options give the holder the right to require the Company to repurchase such shares at specified prices on specific dates. All Comcast Put Options sold expired unexercised. The Company reclassified the amount it would have been obligated to pay to repurchase such shares had the Comcast Put Options been exercised, from common equity put options to additional capital upon expiration of the Comcast Put Options. The difference between the proceeds from the sale of the Comcast Put Options and their estimated fair value was not significant as of December 31, 2000.

Stock-Based Compensation Plans
As of December 31, 2001, the Company and its subsidiaries have several stock-based compensation plans for certain employees, officers, directors and other persons designated by the applicable compensation committees of the boards of directors of the Company and its subsidiaries. These plans are described below.

Comcast Option Plans. The Company maintains qualified and nonqualified stock option plans for certain employees, directors and other persons under which fixed stock options are granted and the option price is generally not less than the fair value of a share of the underlying stock at the date of grant (collectively, the "Comcast Option Plans"). Under the Comcast Option Plans, 55.9 million shares of Class A Special Common Stock were reserved as of December 31, 2001. Option terms are generally from five to 10 1/2 years, with options generally becoming exercisable between two and 9 1/2 years from the date of grant.

The following table summarizes the activity of the Comcast Option Plans (options in thousands):

	2001		2000		1999	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Class A Special Common Stock						
Outstanding at beginning of year	49,618	$23.69	40,416	$16.01	43,002	$11.09
Granted	10,084	37.52	15,300	39.43	7,403	34.16
Exercised	(3,360)	10.62	(4,805)	8.60	(7,527)	6.76
Canceled	(821)	30.69	(1,293)	25.98	(2,462)	12.90
Outstanding at end of year	55,521	26.89	49,618	23.69	40,416	16.01
Exercisable at end of year	16,892	15.57	13,267	11.35	10,947	8.19

The following table summarizes information about the Class A Special Common Stock options outstanding under the Comcast Option Plans as of December 31, 2001 (options in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/01	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/01	Weighted-Average Exercise Price
$4.96 - $6.04	2,229	1 year	$5.74	2,067	$5.71
$6.71 - $10.06	7,095	3.3 years	8.70	4,829	8.95
$10.11 - $14.94	4,267	4.9 years	13.13	2,428	13.04
$15.66 - $22.88	10,490	6.4 years	17.01	4,809	17.01
$27.59 - $34.48	6,112	7.4 years	32.29	2,042	31.96
$34.50 - $41.38	21,745	8.9 years	37.78	490	38.52
$41.44 - $53.13	3,583	8.3 years	46.05	227	45.71
	55,521			16,892	

The weighted-average fair value at date of grant of a Class A Special Common Stock option granted under the Comcast Option Plans during 2001, 2000 and 1999 was $19.07, $21.20 and $20.41, respectively. The fair value of each option granted during 2001, 2000 and 1999 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended December 31, 2001	2000	1999
Dividend yield	0%	0%	0%
Expected volatility	35.7%	35.8%	36.1%
Risk-free interest rate	5.1%	6.3%	5.8%
Expected option lives (in years)	8.0	8.0	9.9
Forfeiture rate	3.0%	3.0%	3.0%

Subsidiary Option Plans. Certain of the Company's subsidiaries maintain qualified and nonqualified combination stock option/stock appreciation rights ("SAR") plans (collectively, the "Tandem Plans") for employees, officers, directors and other designated persons. Under the Tandem Plans, the option price is generally not less than the fair value, as determined by an independent appraisal, of a share of the underlying common stock at the date of grant. If the eligible participant elects the SAR feature of the Tandem Plans, the participant receives 75% of the excess of the fair value of a share of the underlying common stock over the exercise price of the option to which it is attached at the exercise date. Option holders have stated an intention not to exercise the SAR feature of the Tandem Plans. Because the exercise of the option component is more likely than the exercise of the SAR feature, compensation expense is measured based on the stock option component. Under the Tandem Plans, option/SAR terms are ten years from the date of grant, with options/SARs generally becoming exercisable over four to five years from the date of grant.

The QVC Tandem Plan is the most significant of the Tandem Plans. The following table summarizes information related to the QVC Tandem Plan (options/SARs in thousands):

	At December 31, 2001	2000	1999
Options/SARs outstanding at end of year	253	219	200
Weighted-average exercise price of options/SARs outstanding at end of year	$913.88	$789.51	$618.02
Options/SARs exercisable at end of year	113	79	80
Weighted-average exercise price of options/SARs exercisable at end of year	$706.51	$606.92	$505.86

As of the latest valuation date, the fair value of a share of QVC Common Stock was $1,492.00.

Had compensation expense for the Company's aforementioned stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans under the provisions of SFAS No. 123, the Company's net income and net income per share would have changed to the pro forma amounts indicated below (dollars in millions, except per share data):

	Year Ended December 31, 2001	2000	1999
Net income:			
As reported	$608.6	$2,021.5	$1,065.7
Pro forma	$482.0	$1,918.1	$1,005.5
Net income for common stockholders:			
As reported	$608.6	$1,998.0	$1,036.0
Pro forma	$482.0	$1,894.6	$975.8
Basic earnings for common stockholders per common share:			
As reported	$0.64	$2.24	$1.38
Pro forma	$0.51	$2.13	$1.30
Diluted earnings for common stockholders per common share:			
As reported	$0.63	$2.13	$1.30
Pro forma	$0.50	$2.02	$1.23

The pro forma effect on net income and net income per share for the years ended December 31, 2001, 2000 and 1999 by applying SFAS No. 123 may not be indicative of the pro forma effect on net income or loss in future years since SFAS No. 123 does not take into consideration pro forma compensation expense related to awards made prior to January 1, 1995 and since additional awards in future years are anticipated.

Other Stock-Based Compensation Plans
The Company maintains a restricted stock plan under which management employees may be granted restricted shares of the Company's Class A Special Common Stock (the "Restricted Stock Plan"). The shares awarded vest annually, generally over a period not to exceed five years from the date of the award, and do not have voting rights. At December 31, 2001, there were 714,000 unvested shares granted under the Restricted Stock Plan, of which 158,000 vested in January 2002.

The Company maintains a deferred stock option plan for certain employees, officers and directors which provides the optionees with the opportunity to defer the receipt of shares of the Company's Class A Special Common Stock which would otherwise be deliverable upon exercise by the optionees of their stock options. As of December 31, 2001 and 2000, 5.9 million and 5.0 million shares were issuable under options exercised but the receipt of which was irrevocably deferred by the optionees pursuant to the Company's deferred stock option plan.

Certain of the Company's subsidiaries have SAR plans for certain employees, officers, directors and other persons (the "SAR Plans"). Under the SAR Plans, eligible participants are entitled to receive a cash payment equal to 100% of the excess, if any, of the fair value of a share of the underlying common stock at the exercise date over the fair value of such a share at the grant date. The SARs have a term of ten years from the date of grant and become exercisable over four to five years from the date of grant.

The following table summarizes information related to the Company's Restricted Stock Plan and subsidiary SAR Plans:

	Year Ended December 31, 2001	2000	1999
Restricted Stock Plan			
Shares granted (in thousands)	157	504	170
Weighted-average fair value per share at date of grant	$39.52	$37.80	$43.22
Compensation expense (in millions)	$8.9	$9.2	$4.7
SAR Plans			
Compensation expense (in millions)	$3.5	$2.2	$6.4

9. INCOME TAXES

The Company joins with its 80% or more owned subsidiaries (the "Consolidated Group") in filing consolidated federal income tax returns. QVC and E! Entertainment, each file separate consolidated federal income tax returns. Income tax expense consists of the following components (in millions):

	Year Ended December 31, 2001	2000	1999
Current expense			
Federal	$622.4	$308.7	$579.2
State	84.8	42.8	188.4
Foreign	2.9	2.5	2.0
	710.1	354.0	769.6
Deferred expense (benefit)			
Federal	(255.8)	998.6	(65.2)
State	15.1	76.0	(8.2)
	(240.7)	1,074.6	(73.4)
Income tax expense	$469.4	$1,428.6	$696.2

The Company's effective income tax expense differs from the statutory amount because of the effect of the following items (in millions):

	Year Ended December 31, 2001	2000	1999
Federal tax at statutory rate	$298.9	$1,247.9	$497.5
Non-deductible depreciation and amortization	106.6	102.1	49.8
State income taxes, net of federal benefit	64.9	77.2	117.1
Foreign (income) losses and equity in net losses of affiliates	7.2	8.0	(2.0)
Other	(8.2)	(6.6)	33.8
Income tax expense	$469.4	$1,428.6	$696.2

The Company's net deferred tax liability consists of the following components (in millions):

	December 31, 2001	December 31, 2000
Deferred tax assets:		
Net operating loss carryforwards	$242.8	$289.8
Allowances for doubtful accounts and excess and obsolete inventory	108.7	109.0
Other	167.0	163.5
	518.5	562.3
Deferred tax liabilities:		
Temporary differences, principally book and tax basis of property and equipment and intangible assets	6,329.0	5,851.7
Differences between book and tax basis in investments	644.9	1,221.3
Differences between book and tax basis of indexed debt securities	195.7	65.9
	7,169.6	7,138.9
Net deferred tax liability	$6,651.1	$6,576.6

The Company recorded $212.3 million of deferred income tax liabilities in 2001 in connection with acquisitions principally related to basis differences in property and equipment and intangible assets. The Company recorded a decrease of ($148.6) million and ($3.055) billion, and an increase of $2.730 billion to deferred income tax liabilities in 2001, 2000 and 1999, respectively, in connection with unrealized gains (losses) on marketable securities which are included in other comprehensive income. The Company recorded $207.0 million of deferred income tax liabilities in 2001 in connection with the cumulative effect of accounting change related to the adoption of SFAS No. 133 (see Note 3).

The Company has recorded net deferred tax liabilities of $275.4 million and $789.9 million, as of December 31, 2001 and 2000, respectively, which have been included in current liabilities, related primarily to current investments. The Company has net operating loss carryforwards of approximately $250.0 million which expire primarily in periods through 2019.

10. STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

The following table summarizes the fair values of the assets and liabilities acquired by the Company through noncash transactions (see Note 5) (in millions):

	Year Ended December 31, 2001	2000	1999
Current assets	$56.6	$216.2	$6.4
Investments		437.3	
Property, plant & equipment	580.4	1,295.8	74.0
Intangible assets	3,042.7	15,399.4	337.0
Current liabilities	(37.0)	(277.3)	(11.1)
Long-term debt		(2,146.5)	
Deferred income taxes	(76.9)	(3,308.0)	(114.6)
Net assets acquired	$3,565.8	$11,616.9	$291.7

The following table summarizes the Company's cash payments for interest and income taxes (in millions):

	Year Ended December 31, 2001	2000	1999
Interest	$660.4	$705.8	$529.2
Income taxes	$561.2	$708.9	$190.5

11. COMMITMENTS AND CONTINGENCIES

Commitments

The Company's programming networks have entered into license agreements for programs and sporting events which will be available for telecast subsequent to December 31, 2001. In addition, the Company, through Comcast-Spectacor, has employment agreements with both players and coaches of its professional sports teams. Certain of these employment agreements, which provide for payments that are guaranteed regardless of employee injury or termination, are covered by disability insurance if certain conditions are met. The following table summarizes the Company's minimum annual programming commitments under these license agreements, the Company's future commitments under long-term professional sports contracts, and the Company's minimum annual rental commitments for office space, equipment and transponder service agreements under noncancellable operating leases as of December 31, 2001 (in millions):

	Programming Agreements	Professional Sports Contracts	Operating Leases	Total
2002	$95.4	$122.5	$98.6	$316.5
2003	82.6	108.8	78.0	269.4
2004	84.0	84.5	68.8	237.3
2005	82.6	50.8	54.3	187.7
2006	85.8	28.7	39.6	154.1
Thereafter	413.6	8.0	148.6	570.2

The following table summarizes the Company's rental expense charged to operations (in millions):

	Year Ended December 31, 2001	2000	1999
Rental expense	$120.9	$97.6	$88.5

Contingencies

The Company and the owners of the 34% interest in Comcast Spectacor that the Company does not own (the "Minority Group") each have the right to initiate an "exit" process under which the fair market value of Comcast Spectacor would be determined by appraisal. Following such determination, the Company would have the option to acquire the interests in Comcast Spectacor owned by the Minority Group based on the appraised fair market value. In the event the Company did not exercise this option, the Company and the Minority Group would then be required to use their best efforts to sell Comcast Spectacor.

The Walt Disney Company ("Disney"), in certain circumstances, is entitled to cause Comcast Entertainment Holdings LLC ("Entertainment Holdings"), which is owned 50.1% by the Company and 49.9% by Disney, to purchase Disney's entire interest in Entertainment Holdings at its then fair market value (as determined by an appraisal process). If Entertainment Holdings elects not to purchase Disney's interests, Disney has the right, at its option, to purchase either the Company's entire interest in Entertainment Holdings or all of the shares of stock of E! Entertainment held by Entertainment Holdings in each case at fair market value. In the event that Disney exercises its rights, as described above, a portion or all of the Disney Notes (see Note 7) may be replaced with a three year note due to Disney.

Liberty Media Group ("Liberty") may, at certain times, trigger the exercise of certain exit rights with respect to its investment in QVC. If Liberty Media triggers its exit rights, the Company has first right to purchase the stock in QVC held by Liberty at Liberty's pro rata portion of the fair market value (on a going concern or liquidation basis, whichever is higher, as determined by an appraisal process) of QVC. The Company may pay Liberty for such stock, subject to certain rights of Liberty to consummate the purchase in the most tax-efficient method available, in cash, the Company's promissory note maturing not more than three years after issuance, the Company's equity securities or any combination thereof. If the Company elects not to purchase the stock of QVC held by Liberty, then Liberty will have a similar right to purchase the stock of QVC held by the Company. If Liberty elects not to purchase the stock of QVC held by the Company, then Liberty and the Company will use their best efforts to sell QVC.

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

In connection with a license awarded to an affiliate, the Company is contingently liable in the event of nonperformance by the affiliate to reimburse a bank which has provided a performance guarantee. The amount of the performance guarantee is approximately $200 million; however the Company's current estimate of the amount of expenditures (principally in the form of capital expenditures) that will be made by the affiliate necessary to comply with the performance requirements will not exceed $75 million.

12. FINANCIAL DATA BY BUSINESS SEGMENT

The following represents the Company's significant business segments, "Cable" and "Commerce." The Company's regional sports programming networks, which derive a substantial portion of their revenues from the Company's cable operations, were previously included in "Other." In 2001, as a result of a change in the Company's internal reporting structure, the Company's regional sports programming networks are now included in the Company's Cable segment for all periods presented (see Note 1). The components of net income (loss) below operating income (loss) are not separately evaluated by the Company's management on a segment basis (dollars in millions).

	Cable	Commerce	Corporate and Other(1)	Total
2001				
Revenues (2)	$5,323.8	$3,917.3	$595.3	$9,836.4
Operating income (loss) before depreciation and amortization (3)	2,054.1	722.3	(106.2)	2,670.2
Depreciation and amortization	3,043.6	143.3	229.5	3,416.4
Operating income (loss)	(989.5)	579.0	(335.7)	(746.2)
Interest expense	546.4	25.9	161.8	734.1
Assets	29,084.6	2,680.5	6,366.7	38,131.8
Long-term debt	8,363.2	62.7	3,315.7	11,741.6
Capital expenditures	1,855.3	142.9	183.5	2,181.7
2000				
Revenues (2)	$4,361.9	$3,535.9	$459.2	$8,357.0
Operating income (loss) before depreciation and amortization (3)	1,903.4	619.2	(64.3)	2,458.3
Depreciation and amortization	2,419.5	125.9	73.9	2,619.3
Operating income (loss)	(516.1)	493.3	(138.2)	(161.0)
Interest expense	515.9	34.9	176.9	727.7
Assets	25,763.9	2,503.0	7,477.6	35,744.5
Long-term debt	6,711.0	302.0	3,504.4	10,517.4
Capital expenditures	1,248.9	155.9	232.0	1,636.8
1999				
Revenues (2)	$3,075.5	$3,167.4	$389.1	$6,632.0
Operating income (loss) before depreciation and amortization (3)	1,358.0	538.8	(17.2)	1,879.6
Depreciation and amortization	1,028.3	117.2	70.1	1,215.6
Operating income (loss)	329.7	421.6	(87.3)	664.0
Interest expense	353.5	39.6	223.7	616.8
Assets	10,863.6	2,243.6	15,578.4	28,685.6
Long-term debt	4,735.5	476.7	3,495.0	8,707.2
Capital expenditures	739.9	80.1	73.8	893.8

(1) Other includes segments not meeting certain quantitative guidelines for reporting including the Company's content (see Note 1) and business communications operations, as well as elimination entries related to the segments presented. Corporate and other assets consist primarily of the Company's investments (see Note 6).

(2) Revenues include $508.1 million, $458.4 million and $448.2 million in 2001, 2000 and 1999, respectively, of non-US revenues, principally related to the Company's Commerce segment. No single customer accounted for a significant amount of the Company's revenues in any period.

(3) Operating income (loss) before depreciation and amortization is commonly referred to in the Company's businesses as "operating cash flow (deficit)." Operating cash flow is a measure of a company's ability to generate cash to service its obligations, including debt service obligations, and to finance capital and other expenditures. In part due to the capital intensive nature of the Company's businesses and the resulting significant level of non-cash depreciation and amortization expense, operating cash flow is frequently used as one of the bases for comparing businesses in the Company's industries, although the Company's measure of operating cash flow may not be comparable to similarly titled measures of other companies. Operating cash flow is the primary basis used by the Company's management to measure the operating performance of its businesses. Operating cash flow does not purport to represent net income or net cash

provided by operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements as an indicator of the Company's performance.

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	(Dollars in millions, except per share data)				
2001					
Revenues	$2,232.0	$2,338.7	$2,400.8	$2,864.9	$9,836.4
Operating loss	(100.5)	(133.3)	(178.2)	(334.2)	(746.2)
Income (loss) before cumulative effect of accounting change	616.7	35.2	(106.8)	(321.0)	224.1
Basic earnings (loss) for common stockholders per common share					
Income (loss) before cumulative effect of accounting change	0.65	0.04	(0.11)	(0.34)	0.24
Net income (loss)	1.06	0.04	(0.11)	(0.34)	0.64
Diluted earnings (loss) for common stockholders per common share					
Income (loss) before cumulative effect of accounting change	0.64	0.04	(0.11)	(0.34)	0.23
Net income (loss)	1.04	0.04	(0.11)	(0.34)	0.63
Operating income before depreciation and amortization (1)	634.2	692.9	700.6	642.5	2,670.2
2000					
Revenues	$1,973.2	$1,946.0	$1,994.3	$2,443.5	$8,357.0
Operating income (loss)	41.2	(31.6)	(56.4)	(114.2)	(161.0)
Net income (loss)	(191.5)	187.7	1,246.8	778.5	2,021.5
Basic earnings (loss) for common stockholders per common share					
Net income (loss)	(0.24)	0.20	1.37	0.86	2.24
Diluted earnings (loss) for common stockholders per common share					
Net income (loss)	(0.24)	0.19	1.29	0.80	2.13
Operating income before depreciation and amortization (1)	586.8	600.1	601.3	670.1	2,458.3

(1) See Note 12, note 3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999 (Concluded)

14. TRANSITIONAL DISCLOSURE RELATING TO SFAS NO. 142

The following pro forma financial information for the years ended December 31, 2001, 2000 and 1999 is presented as if SFAS No. 142 was adopted as of January 1, 1999 (amounts in millions, except per share data) (see Note 3):

	Years Ended December 31,		
	2001	2000	1999
Net Income			
As reported	$608.6	$2,021.5	$1,065.7
Amortization of goodwill	334.8	303.5	128.5
Amortization of equity method goodwill	15.0	15.2	4.4
Amortization of franchise rights	1,083.7	858.1	258.3
As adjusted	$2,042.1	$3,198.3	$1,456.9
Income before cumulative effect of accounting change, as adjusted	$1,657.6	$3,198.3	$1,456.9
Basic EPS			
As reported	$0.64	$2.24	$1.38
Amortization of goodwill	0.35	0.34	0.17
Amortization of equity method goodwill	0.02	0.02	0.01
Amortization of franchise rights	1.14	0.96	0.35
As adjusted	$2.15	$3.56	$1.91
Diluted EPS			
As reported	$0.63	$2.13	$1.30
Amortization of goodwill	0.35	0.32	0.16
Amortization of equity method goodwill	0.02	0.02	0.01
Amortization of franchise rights	1.12	0.90	0.31
As adjusted	$2.12	$3.37	$1.78

15. ADOPTION OF SFAS NO. 145, EITF 01-9 AND EITF 01-14

The FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," in April 2002. SFAS No. 145 rescinds, amends or makes various technical corrections to certain existing authoritative pronouncements. Among other things, SFAS No. 145 changes the accounting for certain gains and losses resulting from extinguishments of debt by requiring that a gain or loss from extinguishments of debt be classified as an extraordinary item only if it meets the specific criteria of APB Opinion No. 30. SFAS No. 145 also requires that cash flows from all trading securities, such as the Company's investment in Sprint PCS, be classified as cash flows from operating activities in its statement of cash flows. The Company adopted the provisions of SFAS No. 145 effective April 1, 2002, as permitted by the new statement. The Company previously classified losses from debt extinguishments as extraordinary items in its statement of operations. In connection with the adoption of SFAS No. 145, the Company reclassified these losses from extraordinary items to interest expense for all periods presented in its statement of operations. The change in classification had no effect on the Company's net income (loss) or financial condition. The Company previously classified cash flows from purchases, sales and maturities of its investment in Sprint PCS as cash flows from investing activities in its statement of cash flows. The change in classification was to increase the Company's net cash provided by operating activities and to increase the Company's net cash used in investing activities for all periods presented. The accompanying financial statements reflect these reclassifications for all periods presented.

As discussed in Note 3, the Company adopted EITF 01-9 and EITF 01-14. The accompanying financial statements reflect the reclassifications made in connection with the adoption of EITF 01-9 and EITF 01-14 for all periods presented.

COMCAST HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(In millions)

	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions from Reserves(A)	Balance at End of Year
Allowance for Doubtful Accounts				
2001	$141.7	$86.3	$74.1	$153.9
2000	136.6	65.9	60.8	141.7
1999	120.7	48.6	32.7	136.6
Allowance for Excess and Obsolete Electronic Retailing Inventories				
2001	$105.5	$55.1	$46.3	$114.3
2000	89.2	46.3	30.0	105.5
1999	60.9	61.9	33.6	89.2

(A) Uncollectible accounts and excess and obsolete inventory written off.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareowners of AT&T Corp.:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and changes in combined attributed net assets and of cash flows present fairly, in all material respects, the financial position of AT&T Broadband Group at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001 and for the ten-month period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of AT&T Broadband Group's management; our responsibility is to express our opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

AT&T Broadband Group is a fully integrated business unit of AT&T Corp.; consequently, as indicated in Note 1, these combined financial statements have been derived from the consolidated financial statements and accounting records of AT&T Corp. and reflect certain assumptions and allocations. Moreover, as indicated in Note 1, AT&T Broadband Group relies on AT&T Corp. for administrative, management and other services. The financial position, results of operations and cash flows of AT&T Broadband Group could differ from those that would have resulted had AT&T Broadband Group operated autonomously or as an entity independent of AT&T Corp.

As discussed in the notes to the financial statements, AT&T Broadband Group was required to adopt Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, effective January 1, 2001.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
March 25, 2002, except for Note 17, as to which the date is December 11, 2002

AT&T BROADBAND GROUP
(AN INTEGRATED BUSINESS OF AT&T CORP.)

COMBINED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
	(DOLLARS IN MILLIONS)		
Revenue	$10,132	$ 8,445	$5,080
Operating expenses:			
Cost of services (excluding depreciation of $1,881, $1,291 and $663 for 2001, 2000 and 1999, respectively, included below)	5,459	4,600	2,686
Selling, general and administrative	2,582	2,180	1,253
Depreciation and other amortization	2,626	1,674	805
Amortization of goodwill, franchise costs and other purchased intangibles	2,154	2,377	869
Asset impairment, restructuring and other charges	1,494	6,270	644
Total operating expenses	14,315	17,101	6,257
Operating loss	4,183	8,656	1,177
Investment (expense) income	(1,947)	(84)	47
Other (expense) income	(927)	45	3
Interest expense	1,735	1,323	705
Loss before income taxes, net losses from equity investments, minority interest and cumulative effect of accounting change	8,792	10,018	1,832
Benefit for income taxes	3,857	1,183	465
Net losses from equity investments	69	597	707
Minority interest income (expense)	833	4,062	(126)
Loss before cumulative effect of accounting change	4,171	5,370	2,200
Cumulative effect of accounting change (net of income taxes of $142)	229	--	--
Net loss	$ 3,942	$ 5,370	$2,200

The notes are an integral part of the combined financial statements.

AT&T BROADBAND GROUP
(AN INTEGRATED BUSINESS OF AT&T CORP.)

COMBINED BALANCE SHEETS

DECEMBER 31,	2001	2000
	(DOLLARS IN MILLIONS)	
ASSETS		
Cash and cash equivalents	$ --	$ 61
Accounts receivable, less allowances of $73 and $74	584	774
Other receivables	214	267
Investments	668	2,204
Other current assets	184	200
Total current assets	1,650	3,506
Property, plant and equipment, net	14,519	15,187
Franchise costs, net of accumulated amortization of $2,501 and $1,664	42,819	48,218
Goodwill, net of accumulated amortization of $741 and $240	19,361	21,139
Investments	21,913	25,045
Other assets, net of accumulated amortization of $563 and $578	2,925	4,439
Total assets	$103,187	$117,534
LIABILITIES AND COMBINED ATTRIBUTED NET ASSETS		
Accounts payable	$ 678	$ 1,250
Payroll and benefit-related liabilities	478	570
Debt maturing within one year	2,824	3,073
Short-term debt due to AT&T	3,959	5,830
Deferred income tax liability	--	486
Liability under put options	--	2,564
Other current liabilities	1,691	2,177
Total current liabilities	9,630	15,950
Long-term debt	16,502	19,517
Deferred income taxes	25,810	28,550
Other long-term liabilities and deferred credits	1,059	1,069
Total liabilities	53,001	65,086
Minority interest	3,302	4,421
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T	4,720	4,710
Combined attributed net assets	42,164	43,317
Total liabilities and combined attributed net assets	$103,187	$117,534

The notes are an integral part of the combined financial statements.

AT&T BROADBAND GROUP
(AN INTEGRATED BUSINESS OF AT&T CORP.)

COMBINED STATEMENTS OF CHANGES IN COMBINED ATTRIBUTED NET ASSETS

	YEAR ENDED DECEMBER 31, 2001	2000	TEN MONTHS ENDED DECEMBER 31, 1999
	(DOLLARS IN MILLIONS)		
COMBINED ATTRIBUTED NET ASSETS:			
Balance at beginning of period	$43,317	$14,889	$14,377
Net loss	3,942	5,370	2,200
Contributions from AT&T, net	1,928	35,101	2,128
Issuance of common stock by affiliates	39	(54)	515
Net revaluation of financial instruments	(599)	(1,402)	69
Reclassification of previously unrealized losses	1,414	146	--
Net minimum pension liability adjustment	(22)	--	--
Other comprehensive income	29	7	--
Balance at end of period	$42,164	$43,317	$14,889
SUMMARY OF TOTAL COMPREHENSIVE LOSS:			
Loss before cumulative effect of accounting change	$ 4,171	$ 5,370	$ 2,200
Cumulative effect of accounting change	229	--	--
Net loss	3,942	$ 5,370	$ 2,200
Net revaluation of financial instruments (net of income tax (provision) benefit of $375, $778 and $(36))	(599)	(1,402)	69
Recognition of previously unrealized losses (net of income tax benefit of $891, $29 and $0)	1,414	146	--
Net minimum pension liability adjustment (net of income taxes of $16, $0 and $0)	(22)	--	--
Other comprehensive income (net of income taxes of $7, $0 and $0)	29	7	--
Total comprehensive loss	$ 3,120	$ 6,619	$ 2,131

The notes are an integral part of the combined financial statements.

AT&T BROADBAND GROUP
(AN INTEGRATED BUSINESS OF AT&T CORP.)

COMBINED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
	(DOLLARS IN MILLIONS)		
OPERATING ACTIVITIES:			
Net loss	$(3,942)	$(5,370)	$(2,200)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Cumulative effect of accounting change, net of income taxes	(229)	--	--
Net losses (gains) on sales of businesses and investments	710	(616)	(39)
Asset impairment, restructuring and other charges, net of cash payments	1,370	6,216	594
Depreciation and amortization	4,780	4,051	1,674
Provision for uncollectible receivables	246	154	75
Net losses from equity investments	106	967	1,145
Deferred income taxes	(3,579)	(880)	(422)
Impairment of investments	539	240	--
Put option settlement and mark-to-market charge	838	537	--
Minority interest (income) expense	(872)	(4,039)	180
Net revaluation of certain financial instruments	959	--	--
Decrease (increase) in receivables	57	(263)	(116)
(Decrease) increase in accounts payable	(515)	(90)	447
Net change in other operating assets and liabilities	(635)	(298)	143
Other adjustments, net	64	193	(101)
Net cash (used in) provided by operating activities	(103)	802	1,380
INVESTING ACTIVITIES:			
Capital expended for property and equipment, net of proceeds from disposal	(3,413)	(4,426)	(3,161)
Sales of marketable securities	102	96	--
Purchase of marketable securities	(18)	(14)	--
Investment distributions and sales	1,429	578	817
Investment contributions and purchases	(276)	(593)	(1,308)
Net cash received (paid) for acquisitions and dispositions of businesses	4,898	(71)	740
Other investing activities, net	(179)	(81)	(3)
Net cash provided by (used in) investing activities	2,543	(4,511)	(2,915)
FINANCING ACTIVITIES:			
Proceeds from long-term debt issuances	1,025	3,862	--
Issuance of convertible securities	--	--	4,638
Retirements of long-term debt	(938)	(1,429)	(2,031)
Retirements of redeemable securities	--	(152)	--
Dividends paid on preferred securities	(336)	(294)	(135)
Change in short-term debt due to AT&T	(2,252)	1,533	4,297
Transfers from (to) AT&T, net	--	765	(5,234)
Other financing activities, net	--	(515)	--
Net cash (used in) provided by financing activities	(2,501)	3,770	1,535
Net change in cash and cash equivalents	(61)	61	--
Cash and cash equivalents at beginning of period	61	--	--
Cash and cash equivalents at end of period	$ --	$ 61	$ --

The notes are an integral part of the combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND UNLESS OTHERWISE NOTED)

(1) BASIS OF PRESENTATION

AT&T Broadband Group is an integrated business of AT&T Corp. ("AT&T") and not a stand-alone entity. AT&T Broadband Group consists primarily of the assets, liabilities and business of AT&T Broadband, LLC (formerly Tele-Communications, Inc. ("TCI")), acquired by AT&T on March 9, 1999 in the TCI merger, and MediaOne Group, Inc. ("MediaOne"), acquired by AT&T on June 15, 2000 in the MediaOne merger. AT&T Broadband, LLC ("ATTBLLC") and MediaOne are both separate subsidiaries of AT&T. AT&T Broadband Group is one of the nation's largest broadband communications providers, providing cable television, high-speed cable Internet and broadband telephone services. AT&T intends to assign and transfer substantially all of the assets, liabilities and business of AT&T Broadband Group to AT&T Broadband Corp., a newly formed holding company for AT&T's broadband business, which will be subsequently merged with Comcast Corporation ("Comcast") as discussed below.

Comcast and AT&T have agreed to a merger of Comcast and AT&T Broadband Corp. (the "AT&T Comcast Merger"). The AT&T Comcast Merger is pursuant to, and subject to the terms and conditions set forth in the Agreement and Plan of Merger, dated as of December 19, 2001 (the "Merger Agreement"). The AT&T Comcast Merger will occur in several steps, which are expected to occur on the closing date of the AT&T Comcast Merger. First, AT&T will assign and transfer to AT&T Broadband Corp., substantially all of the assets and liabilities of AT&T's broadband business. Following the transfer, AT&T will spin off AT&T Broadband Corp. to AT&T shareholders by distributing one share of AT&T Broadband Corp. common stock to each holder of record of a share of AT&T common stock, NYSE symbol "T," as of the close of business on the record date for the AT&T Broadband Corp. spin-off ("AT&T Broadband Spin-off"). Immediately following the AT&T Broadband spin-off, AT&T Broadband Corp. will merge with AT&T Broadband Acquisition Corp., a newly formed, wholly owned shell subsidiary of AT&T Comcast Corporation ("AT&T Comcast"), with AT&T Broadband Corp. continuing as the surviving corporation. At approximately the same time, Comcast will merge with Comcast Acquisition Corp., a newly formed, wholly owned shell subsidiary of AT&T Comcast, with Comcast continuing as the surviving entity. As a result of these mergers, AT&T Comcast will become the parent company of both AT&T Broadband Corp. and Comcast.

AT&T Comcast will issue shares of AT&T Comcast common stock to the AT&T shareholders who received shares of AT&T Broadband Corp. common stock in the AT&T Broadband Spin-off. As of the date of execution of the Merger Agreement, it was estimated that each holder of AT&T Broadband Corp. common stock would have received 0.34 of a share of AT&T Comcast common stock for each of such holder's shares of AT&T Broadband Corp. common stock. Assuming Comcast retains its AT&T shares and converts them into exchangeable preferred stock of AT&T as contemplated by the Merger Agreement, the exchange ratio would be approximately 0.35. The exchange ratio is dependent on a number of factors that may change between the date of execution of the Merger Agreement and the date of completion of the AT&T Comcast transaction, including the number of outstanding shares of AT&T common stock, the value of options and stock appreciation rights and the price of Comcast Class A common stock.

AT&T will pay Comcast a termination fee in the amount of $1.5 billion in cash if the Merger Agreement is terminated because (i) the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of the AT&T Comcast transaction, (ii) AT&T willfully and materially breaches certain terms of the Merger Agreement and (iii) if the AT&T shareholders fail to approve the AT&T Comcast Merger because a competing acquisition proposal made by a third party is pending at the time of the AT&T shareholder meeting and within one year of the AT&T meeting, AT&T enters into an agreement relating to an alternative material transaction. Comcast will pay to AT&T a sum of $1.5 billion termination fee in cash if the Merger Agreement is terminated because the Comcast shareholders fail to approve the AT&T Comcast Merger.

Consummation of the AT&T Comcast Merger is subject to the satisfaction or waiver of several conditions, including but not limited to, approval by the shareholders of AT&T and Comcast and receipt of all necessary governmental consents and approvals. As a result, there can be no assurance that the AT&T Comcast Merger will be consummated, or if the AT&T Comcast Merger is consummated, as to the date of such consummation.

On March 9, 1999, AT&T acquired TCI in a merger (the "TCI Merger") which was attributed to AT&T Broadband Group. The results of operations, financial position, changes in combined attributed net assets and cash flows of the business of AT&T Broadband, LLC which are included in AT&T Broadband Group have been included since March 1, 1999, the deemed effective date of the TCI Merger for accounting purposes. The impact of the results from March 1 through March 9, 1999 were deemed immaterial to the combined results. On June 15, 2000, AT&T acquired MediaOne which was attributed to AT&T Broadband Group. The results of operations, financial position, changes in combined attributed net assets and cash flows of the businesses of MediaOne which are included in AT&T Broadband Group have been included since June 15, 2000. See note 4.

The combined financial statements of AT&T Broadband Group are prepared in accordance with generally accepted accounting principles. The combined financial statements of AT&T Broadband Group reflect the assets, liabilities, revenue and expenses directly attributable to AT&T Broadband Group, as well as allocations deemed reasonable by management, to present the results of operations, financial position, changes in combined attributed net assets and cash flows of AT&T Broadband Group on a stand-alone basis. The allocation methodologies have been described within the notes to the combined financial statements where appropriate, and management considers the allocations to be reasonable. All significant intercompany accounts and transactions within the AT&T Broadband Group have been eliminated. The financial information included herein may not necessarily reflect the combined results of operations, financial position, changes in combined attributed net assets and cash flows of AT&T Broadband Group in the future or what they would have been had AT&T Broadband Group been a separate, stand-alone entity during the periods presented. Earnings per share disclosure has not been presented as AT&T Broadband Group is a business unit of AT&T and earnings per share data is not considered meaningful.

AT&T Broadband Group's operations have been dependent on cash infusions from AT&T in order for AT&T Broadband Group to operate and execute on its business and growth strategies. If, for any reason, AT&T is unwilling or cannot provide the level of financing necessary to fund future operations, AT&T Broadband Group will need to seek additional financing from third parties.

Debt attributed to AT&T Broadband Group includes the third party obligations of ATTBLLC and MediaOne and monetization debt backed by assets held by AT&T Broadband Group. Additional intercompany debt has been allocated to AT&T Broadband Group to achieve a total debt level based on several factors, including prospective financing requirements, desired stand-alone credit profile, working capital and capital expenditure requirements, expected sources of future deleveraging, and comparable company profiles. Changes in historical intercompany debt are based on historical cash flows. Such cash flows include capital expenditures, operating activities, and investments in and dispositions of cable companies. The historical interest expense on the allocated intercompany debt was calculated based on a rate intended to be equivalent to the rate AT&T Broadband Group would receive if it were a stand-alone entity. AT&T's expected deleveraging activities that relate to AT&T Broadband Group include, but may not be limited to, proceeds that may result from the exercise of AT&T's registration rights in Time Warner Entertainment ("TWE") and continued evaluation and sale of non-strategic cable systems.

As a result of the above methodology, from time to time AT&T Broadband Group may advance funds to AT&T. These advances will be accounted for as borrowings between entities and bear interest at a market rate that is substantially equal to the rate at which AT&T would be able to borrow from third parties on debt with similar maturities.

AT&T performs cash management functions on behalf of the AT&T Broadband Group. Substantially all of the AT&T Broadband Group's cash balances are swept to AT&T on a daily basis, where they are managed and invested by AT&T. Transfers of cash to and from AT&T, after giving consideration to the debt allocation methodology, are reflected as a component of combined attributed net assets. Net transfers to or from AT&T are assumed to be settled in cash. AT&T's capital contributions for purchase business combinations and initial investments in joint ventures and partnerships which AT&T attributed to AT&T Broadband Group have been treated as noncash transactions.

General corporate overhead related to AT&T's corporate headquarters and common support divisions has been allocated to AT&T Broadband Group as it was not deemed practical to specifically identify such common costs to AT&T Broadband Group. The allocation of corporate overhead is divided into an allocation of shared services (e.g., payroll and finance) and other corporate overhead. Costs of shared services are allocated to AT&T Broadband Group based on transaction based prices. Other corporate overhead is allocated to AT&T Broadband Group based on the ratio of AT&T Broadband Group's external costs and expenses adjusted for any functions AT&T Broadband Group performs on its own. The costs of these services charged to AT&T Broadband Group are not necessarily indicative of the costs that would have been incurred if AT&T Broadband Group had performed these functions entirely as a stand-alone entity, nor are they indicative of costs that will be charged or incurred in the future. However, management believes such allocations are reasonable.

Consolidated income tax provisions or benefits, related tax payments or refunds, and deferred tax balances of AT&T have been allocated to AT&T Broadband Group based principally on the taxable income and tax credits directly attributable to AT&T Broadband Group, resulting in essentially a stand-alone presentation. AT&T and AT&T Broadband Corp. entered into a tax sharing agreement effective as of January 1, 2002, which, consistent with the principles described in the preceding sentence, provides for tax sharing payments based on the tax expense or tax benefits of a hypothetical affiliated group consisting of AT&T Broadband Group and AT&T. Based on this agreement, the consolidated tax liability before credits are allocated between the groups, based on each group's contribution to the consolidated taxable income of the hypothetical group. Consolidated tax credits of the hypothetical group are allocated between groups based on each group's contribution to such tax credit.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Video, voice and data services revenue is recognized based upon monthly service fees, fees per event or minutes of traffic processed. Revenue for customer fees, equipment rental, advertising, and pay-per-view programming is recognized in the period the services are delivered. Video and nonvideo installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period customers are expected to remain connected to the cable distribution system.

ADVERTISING AND PROMOTIONAL COSTS

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses were $439, $325 and $138 for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively.

INCOME TAXES

AT&T Broadband Group is not a separate taxable entity for federal and state income tax purposes and its results of operations are included in the consolidated federal and state income tax returns of AT&T and its affiliates. The provision for income taxes is based on AT&T Broadband Group's contribution to the overall income tax liability or benefit of AT&T and its affiliates. Under the balance sheet method, AT&T Broadband Group recognizes deferred tax assets and liabilities at enacted income tax rates for the temporary differences between the financial reporting basis and the tax basis of its assets and liabilities. Any effects of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, AT&T Broadband Group provides a corresponding valuation allowance against the deferred tax asset.

STOCK-BASED COMPENSATION

Stock-based compensation is accounted for in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." AT&T Broadband Group follows the disclosure-only provisions of Statement of Financial Accounting Standard ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

CASH EQUIVALENTS

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

INVESTMENTS

Investments in which AT&T Broadband Group exercises significant influence, but does not control, are accounted for under the equity method of accounting. Under the equity method, investments are stated at cost and are adjusted for AT&T Broadband Group's subsequent contributions and share of earnings, losses and distributions. The excess of the investment over the underlying book value of the investee's net assets is being amortized over periods ranging from 25 to 40 years. Effective January 1, 2002, in accordance with SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"), such excess costs will no longer be amortized. Investments in which AT&T Broadband Group has no significant influence over the investee are accounted for under the cost method of accounting. Under the cost method, investments are stated at cost and earnings are recognized to the extent distributions are received from the accumulated earnings of the investee. Distributions in excess of accumulated earnings are recognized as a reduction of the investment balance.

Marketable equity securities classified as "trading" securities are carried at fair value with any unrealized gain or loss being recorded within investment (expense) income in the combined statement of operations. Marketable equity securities classified as "available-for-sale" are carried at fair market value with unrealized gains and losses, net of tax, included in combined attributed net assets as a component of other comprehensive income. The fair market value of these securities is based on quoted market prices.

AT&T Broadband Group recognizes impairment charges on investment holdings in the combined statement of operations when management believes the decline in the investment value is other-than-temporary.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost. Construction costs, labor and applicable overhead related to installations and interest during construction are capitalized. Costs of additions and substantial improvements to property, plant and equipment are capitalized. The cost of repairs and maintenance of property, plant and equipment is charged to operations. Depreciation is computed on a straight-line basis based upon the assets' estimated useful lives using either the group or unit method. The useful lives of distribution systems ranges from three to 15 years. The useful lives of support equipment and buildings ranges from three to 40 years. The group method is used for most depreciable assets, including distribution systems. Under the group method, a specific asset group has an average life. The depreciation rate is developed based on the average useful life for the specified asset group. This method requires the periodic revision of depreciation rates.

Under the group method, at the time of ordinary retirements, sales or other dispositions of assets, the original cost of such asset is deducted from property, plant and equipment and charged to accumulated depreciation, without recognition of a gain or loss. Gains and losses are only recognized in connection with the sales of properties in their entirety.

FRANCHISE COSTS

Franchise costs include the value attributed to agreements with local authorities that allow access to homes in cable service areas acquired in connection with a business combination. Such amounts are generally amortized on a straight-line basis over 25 or 40 years. Costs incurred by AT&T Broadband Group in negotiating and renewing franchise agreements are amortized on a straight-line basis over the life of the franchise, generally 10 to 20 years. Beginning in 2002, in accordance with SFAS 142, franchise costs associated with a business combination will no longer be amortized, but will continue to be tested for impairment (see note 16).

GOODWILL

Goodwill is the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for as purchases. Goodwill is amortized on a straight-line basis over seven to 40 years. Beginning in 2002, in accordance with SFAS 142, such goodwill will no longer be amortized, but will continue to be tested for impairment (see note 16).

SOFTWARE CAPITALIZATION

Certain direct development costs associated with internal-use software are capitalized, including external direct costs of material and services, and payroll costs for employees devoting time to the software projects. Such costs are included within other assets and are amortized over a period not to exceed five years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred. Initial operating-system software costs are capitalized and amortized over the life of the associated hardware.

VALUATION OF LONG-LIVED ASSETS

Long-lived assets such as property, plant and equipment, franchise costs, goodwill, investments and software are reviewed for impairment annually or whenever events or changes in circumstances indicate the carrying amount may not be recoverable. If the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and carrying value of the asset. Assets to be disposed of are carried at the lower of their financial statement carrying value or fair value less cost to sell.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2001, AT&T Broadband Group adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), and its corresponding amendments under SFAS No. 138. AT&T Broadband Group uses derivative financial instruments to mitigate market risk from changes in interest rates and equity prices. Derivative financial instruments may be exchange-traded or contracted in the over-the-counter market and include swaps, options, warrants and forward contracts. AT&T Broadband Group does not use derivative financial instruments for speculative purposes.

All derivatives are recognized on the balance sheet at fair value. To qualify for hedge accounting treatment, derivatives, at inception, must be designated as hedges and evaluated for effectiveness throughout the hedge period. AT&T Broadband Group designates certain derivative contracts, at the date entered into, as either (i) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge) or (ii) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). Other derivatives ("undesignated") are not formally designated for accounting purposes. These derivatives, except for warrants, although undesignated for accounting purposes are entered into to hedge economic risks.

AT&T Broadband Group records changes in the fair value of fair-value hedges, along with the changes in fair value of the hedged asset or liability that is attributable to the hedged risk (including losses or gains on firm commitments), in other (expense) income in the combined statement of operations.

AT&T Broadband Group records changes in the fair value of cash-flow hedges that are highly effective in other comprehensive income, as a component of combined attributed net assets, until earnings are affected by the variability of cash flows of the hedged transaction.

The changes in fair value of undesignated hedges are recorded in other (expense) income in the combined statements of operations along with the change in fair value of the related asset or liability.

AT&T Broadband Group currently does not have any net investment hedges in a foreign operation.

AT&T Broadband Group assesses embedded derivatives to determine whether the economic characteristics of the embedded instruments are not clearly and closely related to the economic characteristics of the remaining component of the financial instrument (the host instrument) and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. When it is determined that both conditions exist, AT&T Broadband Group designates the derivative as described above and recognizes the derivative at fair value.

AT&T Broadband Group formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

AT&T Broadband Group discontinues hedge accounting prospectively when: (i) it is determined that the derivative is no longer effective in offsetting changes in the fair value of cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; (iii) it is determined that the forecasted hedged transaction will no longer occur; (iv) a hedged firm commitment no longer meets the definition of a firm commitment; or (v) management determines that designation of the derivative as a hedge instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair value hedge, the derivative will continue to be adjusted for changes in fair value through other (expense) income, and the hedged asset or liability will no longer be adjusted for changes in fair value. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the derivative will continue to be adjusted for changes in the fair value through other (expense) income, and any asset or liability that was recorded pursuant to recognition of the firm commitment will be removed from the balance sheet and recorded in current period earnings. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the derivative will then be adjusted for changes in the fair value through other (expense) income and gains and losses that were accumulated in other comprehensive income will be recognized immediately in other (expense) income. In all other situations in which hedge accounting is discontinued, the derivative will be carried at its fair value on the balance sheet, with changes in its fair value recognized in other (expense) income.

CASH FLOWS

For purposes of the combined statements of cash flows, all transactions between AT&T Broadband Group and AT&T, except for purchase business combinations and initial investments in joint ventures and partnerships which were funded by AT&T and contributed by AT&T to AT&T Broadband Group, have been accounted for as having been settled in cash at the time the transaction was recorded by AT&T Broadband Group.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for certain items such as allowances for doubtful accounts, depreciation and amortization, employee benefit plans, income taxes, restructuring reserves, impairments and contingencies.

CONCENTRATIONS

As of December 31, 2001, except as disclosed below, AT&T Broadband Group does not have any significant concentration of business transacted with a particular customer, supplier or lender that could, if suddenly eliminated, severely impact its operations. AT&T Broadband Group does not have a concentration of available sources of labor, services, franchises or other rights that could, if suddenly eliminated, severely impact its operations.

All video and high-speed data billing services are provided by a single vendor (see note 14). In addition, all broadband telephone billing services are provided by a separate single vendor. AT&T Broadband Group also purchases its digital set-top devices from one source (see note 14).

ISSUANCE OF COMMON STOCK BY AFFILIATES

Changes in AT&T Broadband Group's proportionate share of the underlying equity of an attributed entity or equity method investee, which result from the issuance of additional equity securities by such entity, are recognized as increases or decreases to combined attributed net assets.

RECOGNITION OF GAINS ON ASSET DISPOSITIONS

From time to time, AT&T Broadband Group contributes cable television systems to joint ventures and partnerships in exchange for a non-controlling interest in such entity. In connection with such contributions, AT&T Broadband Group may guarantee the debt of the joint venture or partnership. AT&T Broadband Group defers any gain associated with such transactions until such time as AT&T Broadband Group has no remaining financial obligation to the joint venture or partnership.

RECLASSIFICATIONS

Certain amounts in previous years have been reclassified to conform to the 2001 presentation.

(3) SUPPLEMENTAL FINANCIAL INFORMATION

SUPPLEMENTARY STATEMENT OF OPERATIONS INFORMATION

	YEAR ENDED DECEMBER 31,		TEN MONTHS ENDED DECEMBER 31,
	2001	2000	1999
INVESTMENT (EXPENSE) INCOME, NET			
Net (losses) gains on sales of businesses and investments	$ (318)	$616	$39
Investment impairment charges	(539)	(240)	--
Interest and dividend income	140	77	8
Settlement loss and mark-to-market charge on put options	(838)	(537)	--
Loss on settlement of exchangeable notes	(392)	--	--
Investment (expense) income, net	$(1,947)	$(84)	$47
OTHER (EXPENSE) INCOME, NET			
Reclassification of securities to "trading" in connection with the adoption of SFAS 133	$(1,154)	$ --	$--
Fair value adjustments of derivatives and "trading" securities	195	--	--
Other	32	45	3
Other (expense) income	$ (927)	$ 45	$ 3

SUPPLEMENTARY BALANCE SHEET INFORMATION

DECEMBER 31,	2001	2000
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements	$ 115	$ 135
Distribution systems	14,186	13,187
Support equipment and buildings	2,382	2,526
Construction in progress	794	1,417
Accumulated depreciation	(2,958)	(2,078)
Property, plant and equipment, net	$14,519	$15,187

LEVERAGED LEASES

AT&T Broadband Group leases airplanes and energy-producing facilities under leveraged leases having original terms of 10 to 30 years, expiring in various years from 2004 through 2017. The investment in leveraged leases is primarily included in other assets in the accompanying combined balance sheets. Following is a summary of AT&T Broadband Group's investment in leveraged leases:

DECEMBER 31,	2001	2000
Rentals receivable (net of nonrecourse debt*)	$ 606	$ 616
Estimated unguaranteed residual values	244	244
Unearned income	(656)	(685)
Allowance for credit losses	(3)	(3)
Investment in leveraged leases (included in other assets)	191	172
Deferred taxes	41	19
Net investment in leveraged leases	$ 150	$ 153

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* The rentals receivable are net of nonrecourse debt of $1.2 billion and $1.3 billion at December 31, 2001 and 2000, respectively.

SUPPLEMENTARY STATEMENT OF CHANGES IN COMBINED ATTRIBUTED NET ASSETS INFORMATION

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
Reclassification of securities to "trading" in conjunction with the adoption of SFAS 133 (net of income taxes of $446) (a)	$ 708	$ --	$ --
Settlement of exchangeable notes (net of income taxes of $152) (b)	240	--	--
Sale of various securities (net of income tax benefit (provision) of $63 and $(16))	100	(27)	--
Other than temporary investment impairments (net of income taxes of $197 and $45)	314	173	--
Revaluation of derivatives (net of income taxes of $33)	52	--	--
Total recognition of previously unrealized losses	$1,414	$146	$ --

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(a) See note 10 for further discussion.

(b) See note 7 for further discussion.

SUPPLEMENTARY CASH FLOW INFORMATION

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
Interest payments, net of amounts capitalized	$1,555	$1,016	$488
Income tax (refunds) payments	$ (442)	$ 62	$ 8

(4) MERGERS, ACQUISITIONS, VENTURES, DISPOSITIONS AND EXCHANGES

MERGER WITH TELE-COMMUNICATIONS, INC.

AT&T Broadband Group was created upon the merger of TCI with a subsidiary of AT&T. The TCI Merger was completed on March 9, 1999, in an all-stock transaction valued at approximately $52 billion. TCI simultaneously combined its Liberty Media Group programming business with its TCI Ventures Group technology investments business, forming Liberty Media Group ("LMG"). In connection with the TCI Merger, AT&T issued a separate tracking stock in exchange for the TCI Liberty Media Group and TCI Ventures Group tracking shares previously outstanding. LMG is excluded from AT&T Broadband Group.

The TCI Merger was accounted for under the purchase method of accounting, accordingly, AT&T recorded the assets and liabilities of TCI at their fair values and TCI results have been included since March 1, 1999, the deemed effective date of the merger. Approximately $20 billion of the purchase price of $52 billion was attributed to franchise costs and is being amortized on a straight-line basis over 40 years. Pursuant to SFAS No. 109, "Accounting for Income Taxes," AT&T recorded an approximate $13 billion deferred tax liability in connection with this franchise intangible, which is also included in franchise costs. AT&T does not expect that this deferred tax liability will ever be paid. This deferred tax liability is being amortized on a straight-line basis over 40 years and is included in the provision for income taxes. Also included in the $52 billion purchase price was approximately $11 billion related to nonconsolidated investments, approximately $5 billion related to property, plant and equipment, approximately $11 billion of TCI long-term debt, and $7 billion related to other net liabilities. In addition, $34 billion was attributed to the investment in LMG which is excluded from the AT&T Broadband Group.

MERGER WITH MEDIAONE

On June 15, 2000, AT&T completed a merger with MediaOne in a cash and stock transaction valued at approximately $45 billion (the "MediaOne Merger"). The AT&T shares had an aggregate market value of approximately $21 billion and cash payments totaled approximately $24 billion.

The MediaOne Merger was accounted for under the purchase method of accounting, accordingly the results of MediaOne have been included in the accompanying combined financial statements since the date of acquisition. Approximately $17 billion of the $45 billion purchase price has been attributed to franchise costs and is being amortized on a straight-line basis over 40 years. Also included in the purchase price was approximately $22 billion related to nonconsolidated investments, including investments in TWE and Vodafone Group plc ("Vodafone"), approximately $5 billion related to property, plant and equipment, and $5 billion related to other net assets. In addition, included was approximately $13 billion in deferred income tax liabilities, approximately $10 billion of MediaOne debt and approximately $1 billion of minority interest in Centaur Funding Corporation, a subsidiary of MediaOne. AT&T did not attribute $7 billion of cash acquired in the MediaOne Merger to AT&T Broadband Group. The purchase price resulted in goodwill of $20 billion, which is being amortized on a straight-line basis over 40 years.

In accordance with the provisions of SFAS 142, AT&T Broadband Group will no longer amortize goodwill, franchise costs associated with a business combination or the deferred tax liability associated with franchise costs related to the mergers discussed above (see note 16 for further discussions of the impacts of SFAS 142).

PRO FORMA RESULTS

Following is a summary of the pro forma results of AT&T Broadband Group as if the MediaOne Merger had closed effective March 1, 1999:

	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
	(UNAUDITED)	
Revenue	$ 9,770	$7,326
Operating loss	$ 9,089	$1,832
Net (loss) income	$(4,422)	$1,047

Pro forma data may not be indicative of the results that would have been obtained had the events actually occurred at the beginning of the periods presented, nor does it intend to be a projection of future results.

CABLEVISION SYSTEMS CORPORATION ("CABLEVISION") AND RAINBOW MEDIA GROUP

On January 8, 2001, a subsidiary of AT&T and Cablevision completed the transfer of cable systems in which AT&T received cable systems serving 358,000 customers in Boston and Eastern Massachusetts. In exchange, Cablevision received cable systems serving approximately 130,000 customers in northern New York suburbs, 44 million shares of AT&T common stock valued at approximately $871, and approximately

$204 in cash. Cablevision recorded a gain as a result of the transaction. AT&T Broadband Group did not record any gain or loss on the transaction, however, due to ATTBLLC's ownership interest in Cablevision, $143, net of taxes, of Cablevision's gain is included in "net losses from equity investments."

On October 23, 2001, AT&T Broadband Group, through ATTBLLC, sold approximately 19.2 million shares of Cablevision NY Group Class A common stock and, monetized through a trust, 26.9 million shares of a mandatorily exchangeable trust security that is exchangeable into up to 26.9 million shares of Cablevision NY Group Class A common stock at maturity in approximately three years. The offering price was $36.05 per share for both the common shares and the exchangeable securities. The offerings generated approximately $1,422 of pretax proceeds, net of underwriting fees. The sale resulted in a pretax loss of approximately $271 recorded in investment (expense) income.

On December 12, 2001, AT&T Broadband Group sold approximately 14.7 million shares of Cablevision's Rainbow Media Group Class A tracking stock and, monetized through a trust, 9.8 million shares of mandatorily exchangeable trust security that was exchangeable into up to 9.8 million shares of Rainbow Media Group Class A tracking stock at maturity in approximately three years. The offering price was $22.50 per share for both the tracking stock shares and the exchangeable securities. The offering generated approximately $487 of pretax proceeds, net of underwriting fees. The sale resulted in a pretax gain of approximately $63 recorded in investment (expense) income.

AT HOME CORPORATION

On August 28, 2000, AT&T and At Home Corporation ("Excite@Home") announced shareholder approval of a new board of directors and governance structure for Excite@Home. AT&T was given the right to designate six of the 11 Excite@Home board members. In addition, Excite@Home converted approximately 50 million of ATTBLLC's Excite@Home Series A shares into Series B shares, each of which has 10 votes. As a result of these governance changes, AT&T Broadband Group, through ATTBLLC, gained a controlling interest and began consolidating Excite@Home's results upon the closing of the transaction on September 1, 2000. As of December 31, 2000, AT&T Broadband Group had, on a fully diluted basis, approximately 23% of the economic interest and 74% of the voting interest in Excite@Home. The consolidation of Excite@Home in September 2000 resulted in minority interest of approximately $2,200, goodwill of approximately $2,400, short-term liabilities of approximately $2,400 (including an initial put option liability), other net assets of approximately $1,200 and the removal of the investment in Excite@Home of approximately $1,900.

On September 28, 2001, Excite@Home filed for bankruptcy protection under Chapter 11 in the U.S. Bankruptcy Court, for the Northern District of California. As a result of the bankruptcy filing and the removal by AT&T of four of its six directors from the Excite@Home board of directors, AT&T Broadband Group ceased consolidating Excite@Home as of September 30, 2001. Beginning October 1, 2001, AT&T Broadband Group no longer records equity earnings or losses related to Excite@Home since AT&T Broadband Group recognized losses in excess of its investment in Excite@Home.

The noncash impacts of the deconsolidation of Excite@Home primarily included a reduction to property, plant and equipment of approximately $320, goodwill of approximately $326 and debt of approximately $988. The deconsolidation of Excite@Home resulted in the recording of a liability which was approximately $362 at December 31, 2001. The liability will continue to be evaluated. In addition, other noncash items included a tax benefit of $673 reflecting changes to deferred tax liabilities.

COX AND COMCAST AGREEMENT

In August 2000, in exchange for Cox Communications, Inc. ("Cox") and Comcast relinquishing their rights under the shareholder agreement in connection with Excite@Home's governance change, AT&T granted put obligations to Cox and Comcast. On May 18, 2001, AT&T, Cox and Comcast reached an agreement to revise the terms of the put options. Under the new agreement, Cox and Comcast retained their stakes in Excite@Home and AT&T issued 75 million AT&T common shares to Cox and more than 80 million AT&T common shares to Comcast. The obligation under these put obligations was recorded at fair value, with gains or losses resulting from changes in fair value being recorded in investment (expense) income. AT&T Broadband Group recorded an approximate $838 and $537 loss in investment (expense) income related to the settlement and mark-to-market of the put option in 2001 and 2000, respectively. The new agreement resulted in a tax benefit to AT&T Broadband Group, which essentially offset this loss.

INSIGHT COMMUNICATIONS COMPANY LP

Effective January 1, 2001, entities attributed to AT&T Broadband Group sold to Insight Communications Company LP ("Insight"), for net cash proceeds of $391, several Illinois cable systems serving approximately 98,400 customers. Insight subsequently contributed such cable systems and additional cable systems serving approximately 177,000 customers to Insight Midwest L.P., an entity in which AT&T Broadband Group, through its attributed entities, has a 50% interest. Entities attributed to AT&T Broadband Group also contributed several Illinois systems serving approximately 247,500 customers to Insight Midwest, L.P. The transactions resulted in a pretax gain of $168, which was deferred due to a debt support agreement with Insight Midwest, L.P.

KEARNS-TRIBUNE, LLC

On January 2, 2001, AT&T, through ATTBLLC, completed the sale of Kearns-Tribune, LLC to MediaNews Group for $200 in cash. The transaction resulted in a pretax gain of approximately $117 recorded in investment (expense) income.

COMCAST

On April 30, 2001, a subsidiary of AT&T received 63.9 million shares of AT&T stock held by Comcast which were valued at $1,423 in exchange for cable systems attributed to AT&T Broadband Group serving approximately 590,000 customers in New Mexico, Maryland, New Jersey, Pennsylvania, Delaware and Tennessee. The transaction resulted in a pretax loss of $297 recorded in investment (expense) income.

Effective June 30, 2001, AT&T, together with certain subsidiaries attributed to AT&T Broadband Group, transferred its 99.75% interest in an entity owning the Baltimore, Maryland cable systems serving approximately 115,000 customers to Comcast for approximately $510 in net cash proceeds. The transaction resulted in a pretax gain of $149 recorded in investment (expense) income.

MEDIACOM COMMUNICATIONS

On June 29, 2001, a subsidiary of AT&T sold to MediaCom Communications Corporation ("MediaCom") cable systems attributed to AT&T Broadband Group serving approximately 94,000 customers in Missouri for approximately $295 in net cash proceeds. The transaction resulted in a pretax gain of $5 recorded in investment (expense) income.

On July 18, 2001, subsidiaries of AT&T sold to MediaCom cable systems attributed to AT&T Broadband Group serving approximately 710,000 customers located primarily in Georgia, Iowa and Southern Illinois for approximately $1,724 in net cash proceeds. The transaction resulted in a pretax loss of $93 recorded in investment (expense) income.

CHARTER COMMUNICATIONS

On June 30, 2001, a subsidiary of AT&T transferred to Charter Communications, Inc. ("Charter") cable systems attributed to AT&T Broadband Group serving approximately 563,000 customers in Alabama, California, Illinois, Missouri and Nevada. AT&T Broadband Group, through its attributed entities, received $1,497 in net proceeds, $222 in cash restricted for future acquisitions of cable systems, and a cable system in Florida serving 9,000 customers. The transaction resulted in a pretax loss of $42 recorded in investment (expense) income.

LENFEST COMMUNICATIONS, INC.

On January 18, 2000, AT&T Broadband Group, through ATTBLLC, sold its ownership interest in Lenfest Communications, Inc., to a subsidiary of Comcast. In connection with the sale, AT&T Broadband Group received 47.3 million shares of Comcast Class Special A common stock. The transaction resulted in a pretax gain of $224 recorded in investment (expense) income.

COX COMMUNICATIONS, INC.

On March 15, 2000, AT&T Broadband Group, through ATTBLLC, received 50.3 million shares of AT&T common stock held by Cox in exchange for an entity owning cable television systems serving approximately 312,000 customers and certain other net assets. The AT&T common stock received in such transaction has been included in combined attributed net assets. The transaction resulted in a pretax gain of $189 recorded in investment (expense) income.

(5) ASSET IMPAIRMENT, RESTRUCTURING AND OTHER CHARGES

During 2001, AT&T Broadband Group recorded $1,494 of asset impairment, restructuring and other charges. The charge included $1,171 of asset impairment charges related to Excite@Home and $323 for restructuring and exit costs, which consisted of $151 for severance costs, $156 for facilities closing and $16 for termination costs of contractual obligations.

The $1,171 of asset impairment charges recorded during 2001 consisted of $1,032 related to Excite@Home associated with the write down of goodwill and other intangible assets, warrants granted in connection with distributing the @Home service, and property, plant and equipment. These charges were due to continued deterioration in the business climate of, and reduced levels of venture capital funding activity for, Internet advertising and other Internet-related companies, continued significant declines in the market values of Excite@Home's competitors in the Internet advertising industry, and changes in their operating and cash flow forecasts for the remainder of 2001. These charges were also impacted by Excite@Home's decision to sell or shut down narrowband operations. As a result of the foregoing, and other factors, Excite@Home entered into bankruptcy proceedings in September 2001. In addition, AT&T Broadband Group, through ATTBLLC, recorded a related goodwill impairment charge of $139 associated with its acquisition goodwill of Excite@Home. Since AT&T Broadband Group, through ATTBLLC, consolidated Excite@Home but only owned approximately 23% of Excite@Home, a portion of the charges recorded by Excite@Home has been eliminated in the statement of operations as minority interest income (expense).

The severance costs of $151, for the involuntary separation of approximately 7,700 employees, primarily resulted from continued cost reduction efforts by AT&T Broadband Group and Excite@Home in addition to impacts of the MediaOne Merger. Approximately 36% of the affected employees are management employees and 64% are non-management employees. Nearly all of the affected employees have left their positions as of December 31, 2001.

The following table displays the activity and balances of the restructuring reserve account from January 1, 2000, to December 31, 2001. There was no activity in the restructuring reserve account in 1999.

TYPE OF COST	EMPLOYEE SEPARATIONS	FACILITY CLOSINGS	OTHER	TOTAL
January 1, 2000	$ --	$ --	$ --	$ --
Additions	61	30	--	91
Deductions	(45)	(30)	--	(75)
December 31, 2000	16	--	--	16
Additions	151	156	16	323
Deductions	(145)	(144)	(16)	(305)
December 31, 2001	$ 22	$ 12	$ --	$ 34

Total deductions for the year ended December 31, 2000, included cash payments of $45 related to employee separations and $30 noncash utilization for the loss realized on disposition of facilities. Total deductions for the year ended December 31, 2001, included $121 related to the deconsolidation of Excite@Home and cash payments of $184 related to employee separations, facility closings, litigation and contractual obligations.

During 2000, AT&T Broadband Group recorded $6,270 of asset impairment, restructuring and other charges which included $6,179 of asset impairment charges related to Excite@Home.

The charges related to Excite@Home include $4,609 in asset impairment charges taken by Excite@Home associated with the goodwill impairment from various acquisitions and a related goodwill impairment of $1,570 recorded by AT&T Broadband Group associated with its acquisition goodwill of Excite@Home.

The impairments resulted from the deterioration of the market conditions and market valuations of Internet-related companies during the fourth quarter of 2000, which caused Excite@Home to conclude that intangible assets related to their acquisitions of Internet-related companies may not be recoverable. In accordance with SFAS No. 121, "Accounting For the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121"), Excite@Home conducted a detailed assessment of the recoverability of the carrying amounts of acquired intangible assets. This assessment resulted in a determination that certain acquired intangible assets, including goodwill, related to these acquisitions were impaired as of December 31, 2000. As a result, Excite@Home recorded impairment charges of $4,609 in December 2000, representing the excess of the carrying amount of the impaired assets over their fair value.

The review for impairment included a review of publicly-traded Internet companies that are comparable to the companies that Excite@Home acquired. These companies experienced a substantial decline in stock price and market capitalization during the fourth quarter of 2000.

Excite@Home also reviewed the business climate for Internet advertising and web-based infrastructure companies as of December 31, 2000, and observed the following: (i) investor and consumer enthusiasm for the Internet sector severely deteriorated during the fourth quarter of 2000; (ii) many

Internet companies, including those acquired by Excite@Home, experienced significant decelerations in their growth both as a result of economic conditions and due to Internet-sector specific issues such as competition and the weakening of the Internet advertising market; and (iii) funding sources for Internet-based consumer businesses, which require considerable amounts of capital, had substantially evaporated as of December 31, 2000. As a result, Excite@Home concluded that fundamental, permanent and significant adverse changes had occurred during the fourth quarter of 2000 in the business climate for companies providing Internet advertising and other web-based services.

In addition, Excite@Home reviewed operating and cash flow projections that existed at the time Excite@Home made the acquisitions and that were used as a basis upon which the decisions to complete acquisitions were made. These operating and cash flow projections indicated that the acquired companies, over their useful lives, would be profitable and generate positive cash flows. The operating and cash flow projections were compared to operating results after the date of the acquisitions through December 31, 2000, as well as to projected operating results for 2001. These comparisons indicated that certain acquisitions generated operating and cash flow losses through the end of 2000, and were projected to continue generating operating and cash flow losses for the foreseeable future.

As a result of these factors, Excite@Home determined that the intangible assets related to the acquisitions might not be recoverable and conducted impairment tests.

Generally, the impairment tests were performed at an asset group level corresponding to the lowest level at which cash flows independent of other assets could be identified. Each asset group consisted of the goodwill and acquired identifiable intangible assets related to a specific acquisition. Acquired intangible assets were combined for those acquisitions where separately identifiable cash flows that are largely independent of the cash flows of other groups of assets could not be identified.

For each of the asset groups to be tested for impairment, Excite@Home projected undiscounted cash flows over a future projection period of five years, based on Excite@Home's determination of the current remaining useful lives of the asset groups, plus an undiscounted terminal period cash flow to reflect disposition of the entities at the end of their useful lives. Undiscounted future cash flows were estimated using projected net realizable value in a sales transaction (undiscounted cash flows during the expected remaining holding period until disposition were estimated as negligible). The undiscounted future cash flows were compared to the carrying amount of each asset group and for those asset groups where the carrying amount exceeded the undiscounted future cash flows, Excite@Home concluded that the asset group was impaired.

Excite@Home measured the impairment loss related to impaired asset groups based on the amount by which the carrying amount of the asset group exceeded the fair value of the asset group. Measurement of fair value was based on an analysis by Excite@Home, with assistance from independent valuation experts, utilizing the best information available in the circumstances using reasonable and supportable assumptions and projections, and including the discounted cash flow and market comparison valuation techniques. The discounted cash flow analysis considered the likelihood of possible outcomes and was based on Excite@Home's best estimate of projected future cash flows, including terminal value cash flows expected to result from the disposition of the asset at the end of its useful life, discounted at Excite@Home's weighted average cost of capital. Weighted average cost of capital was based on historical risk premiums required by investors for companies of Excite@Home's size, industry and capital structure and included risk factors specific to Excite@Home. The market comparison model represented Excite@Home's estimate of the prices that a buyer would be willing to pay currently for similar assets, based on comparable products and services, customer base, risks, earnings capabilities and other factors.

Based on the foregoing, Excite@Home recorded an impairment write-down of $4,609 in aggregate, which was allocated to each asset group based on a comparison of carrying values and fair values. The impairment write-down within each asset group was allocated first to goodwill, and if goodwill was reduced to zero, to identifiable intangible assets in proportion to carrying values.

Also as a result of the foregoing, AT&T Broadband Group recorded a goodwill and acquisition-related impairment charge of $1,570 associated with the acquisition of ATTBLLC's investment in Excite@Home. The write-down of ATTBLLC's investment to fair value was determined utilizing discounted expected future cash flows.

Since AT&T Broadband Group, through ATTBLLC only owned approximately 23% of Excite@Home, 77% of the charge recorded by Excite@Home was not included as an increase in AT&T Broadband Group's net loss, but rather was eliminated in the combined statement of operations as minority interest income (expense).

In 2000, a $91 charge for restructuring and exit costs was recorded primarily as part of the integration of MediaOne, the centralization of certain functions, and the consolidation of call center facilities. The charge for the year ended December 31, 2000, included termination benefits of $61 associated with the involuntary separation of about 1,060 employees. Approximately 25% of the individuals were management employees and 75% were non-management employees. The $91 charge included a loss of $30 recognized on the disposition of facilities as a result of synergies created by the MediaOne Merger.

During 1999, AT&T Broadband Group recorded $644 of asset impairment, restructuring and other charges. Such amount included a $594 in-process research and development charge which reflected the estimated fair value of research and development projects at AT&T Broadband Group, as of the date of the TCI Merger, which had not yet reached technological feasibility or that had no alternative future use. The projects identified related to TCI's efforts to offer voice over Internet protocol, product integration efforts for advanced set-top devices that would enable AT&T Broadband Group to offer next-generation digital services, and cost-savings efforts for broadband telephone implementation. In addition, Excite@Home had research and development efforts underway, including projects to allow for self-provisioning of devices and the development of next-generation client software, network and back-office infrastructure to enable a variety of network devices, and improved design for the regional data center's infrastructure.

The 1999 charge also included a $50 loss related to a contribution agreement TCI entered into with Phoenixstar, Inc. that requires AT&T Broadband Group to satisfy certain liabilities owed by Phoenixstar, Inc. and its subsidiaries.

(6) INVESTMENTS

Subsidiaries of AT&T have investments in various companies and partnerships accounted for under the equity method which have been attributed to AT&T Broadband Group. At December 31, 2001 and 2000, equity investments of $4,286 and $6,350, respectively, had been attributed to AT&T Broadband Group. The carrying value of these investments exceeded AT&T Broadband Group's share of the underlying reported net assets by approximately $2,969 and $5,455 at December 31, 2001 and 2000, respectively. The excess cost is being amortized over periods ranging from 25 to 40 years. Pretax amortization of the excess cost of $148, $485 and $476 for the years ended December 31, 2001 and 2000 and for the ten months ended December 31, 1999, respectively, is reflected as a component of net losses from equity investments in the accompanying combined statements of operations. Effective January 1, 2002, in accordance with the provisions of SFAS 142, such excess costs will no longer be amortized (see note 16).

Ownership of significant equity investments attributed to AT&T Broadband Group was as follows:

AT DECEMBER 31,	2001	2000
Cablevision Systems Corporation	--%(a)	27.98%(a)
Texas Cable Partnerships	50.00%	50.00%
Insight Midwest LP	50.00%	50.00%
Century-TCI California Communications, LP	25.00%	25.00%
Kansas City Cable Partners	50.00%	50.00%
Parnassos Communications, LP	33.33%	33.33%
US Cable of Coastal-Texas, LP	48.16%	37.06% (b)
Midcontinent Communications	50.00%	50.00%

(a) In June 2001, as a result of AT&T no longer having representation on Cablevision's board of directors, the accounting for the investment in Cablevision was changed from equity method to cost method accounting. At December 31, 2001, AT&T Broadband Group owned 29,790,887 shares, or a 16.8% ownership interest, of Cablevision NY Class A common stock which had a closing market price of $47.45 per share. At December 31, 2000, AT&T Broadband Group, through ATTBLLC, owned 48,942,172, shares of Cablevision Systems Corporation Class A common stock, which had a closing market price of $84.94 per share.

(b) On April 1, 2001, AT&T Broadband Group contributed cable systems serving approximately 18,000 customers to US Cable of Coastal-Texas, LP ("US Cable") in exchange for an additional 11.10% ownership interest in US Cable.

Summarized combined financial information for investments accounted for under the equity method was as follows:

	FOR THE YEAR ENDED DECEMBER 31, 2001	FOR THE YEAR ENDED DECEMBER 31, 2000	FOR THE TEN MONTHS ENDED DECEMBER 31, 1999
Revenue	$4,337	$6,537	$ 6,148
Operating income (loss)	$ 1	$ 175	$(1,401)
Income (loss) from continuing operations before extraordinary items and cumulative effect of accounting change	$ 747	$ (20)	$(2,327)
Net income (loss)	$ 736	$ (20)	$(2,327)

DECEMBER 31,	2001	2000
Current assets	$ 483	$ 1,493
Noncurrent assets	$10,538	$18,262
Current liabilities	$ 1,009	$ 2,712
Noncurrent liabilities	$ 6,420	$15,034
Redeemable preferred stock	$ --	$ 1,544
Minority interests	$ 186	$ 588

At December 31, 2001, AT&T Broadband Group, through MediaOne, had a 25.51% interest in TWE. This investment is accounted for as a cost investment since AT&T Broadband Group does not have the right to exercise significant influence. On February 28, 2001, AT&T Broadband Group exercised its registration rights in TWE and formally requested TWE to begin the process of converting the limited partnership into a corporation with registered equity securities.

Other investments at December 31, 2001 for AT&T Broadband Group consisted of the following:

	COST BASIS	UNREALIZED GAINS (LOSSES)	ESTIMATED FAIR VALUE
Trading securities	$ 4,388	$ --	$4,388
Available-for-sale securities	3,246	(169)	3,077
Preferred stock	2,164	--	2,164
Cost investments, warrants and other	269	--	269
	$10,067	$(169)	$9,898

Other investments at December 31, 2000 for AT&T Broadband Group consisted of the following:

	COST BASIS	UNREALIZED GAINS (LOSSES)	ESTIMATED FAIR VALUE
Available-for-sale securities	$12,927	$(3,620)	$ 9,307
Preferred stock	1,467	105	1,572
Cost investments, warrants and other	1,109	14	1,123
	$15,503	$(3,501)	$12,002

At December 31, 2001 and 2000, $6,547 and $6,473, respectively, of investments are indexed to certain long-term debt instruments (see note 7). In addition, approximately $668 and $2,102 of such investments were classified as current assets at December 31, 2001 and 2000, respectively, since they are indexed to certain currently maturing debt instruments.

During 2001, AT&T Broadband Group recorded an impairment charge on investments of $539, including $20 recorded by Excite@Home, consisting primarily of charges related to Vodafone, plc, Quokka Sports, Inc. and Internet Pictures, Inc. The impairment charge primarily resulted from management's conclusion that declines in fair value were not temporary or the investment could not be held for a period of time to allow for recoverability of fair value as in the case of exchangeable notes due in late 2002 that can be settled with shares of Vodafone ADRs. The fair value was based on quoted market prices.

During 2000, AT&T Broadband Group recorded an impairment charge on investments of $111. Management determined the loss was not temporary due to the downturn in market conditions and its inability to hold the investments as a result of requirements related to the regulatory approval of the MediaOne Merger. The fair value was based on quoted market prices.

During the fourth quarter of 2000, Excite@Home recognized a loss on investments totaling $129 which included $107 loss on publicly held companies and $22 on privately held investments. The loss recognized on the publicly held investment was a result of Excite@Home's decision that the decline in market value of certain investments was not temporary. The loss recognized on the privately held companies was based on Excite@Home's determination that the carrying value of certain investments was not recoverable, based on indicators such as limited liquidity and poor prospects for additional funding. Since AT&T Broadband Group, through ATTBLLC owns 23% of Excite@Home, 77% of the loss recorded by Excite@Home is not included as an increase of AT&T Broadband Group's net loss, but rather is eliminated in the statement of operations as minority interest income (expense).

(7) DEBT OBLIGATIONS

LONG-TERM DEBT

DEBENTURES, NOTES AND TRUST PREFERRED SECURITIES(A):

INTEREST RATES(B)	MATURITIES	DECEMBER 31, 2001	DECEMBER 31, 2000
4.00%-6.50%	2002-2008	$ 2,855	$ 4,599
6.55%-7.49%	2002-2037	3,793	4,369
7.53%-8.50%	2002-2097	3,141	3,370
8.60%-10.75%	2002-2038	6,292	6,594
Variable rate	2002-2005	3,309	3,388
Total debentures, notes and trust preferred securities		19,390	22,320
Other (see Note 14)		247	270
Unamortized discount, net		(311)	--
Total long-term debt		19,326	22,590
Less currently maturing long-term debt		2,824	3,073
Net long-term debt		$16,502	$19,517

(a) At December 31, 2001 and 2000, these balances included $858 and $946, respectively, representing the remaining excess of the fair value over the recorded value of debt at the time of the TCI Merger and MediaOne Merger. The excess is being amortized to interest expense over the remaining lives of the underlying debt obligations.

(b) The actual interest paid on debt obligations may have differed from the stated amount due to interest rate swap contracts entered into to manage exposure to interest rate risk and other strategies used to reduce finance costs (see Note 10).

Annual maturities at December 31, 2001, of the $19,326 in total long-term obligations are as follows:

2002	$2,824
2003	3,416
2004	3,343
2005	3,056
2006	1,107
Later years	5,580

EXCHANGEABLE NOTES

During 2001, AT&T Broadband Group, through ATTBLLC, issued exchangeable notes which are mandatorily redeemable at AT&T Broadband Group's option into shares of Cablevision NY Group Class A ("Cablevision NY") common stock or its cash equivalent (the "Cablevision NY Exchangeable Notes") and Rainbow Media Group Class A ("Rainbow Media Group") tracking stock or its cash equivalent (the "Rainbow Exchangeable Notes"). During 2000, AT&T Broadband Group, through ATTBLLC and MediaOne, issued debt which is mandatorily redeemable at AT&T Broadband Group's option into shares of Comcast common stock or its cash equivalent (the "Comcast Exchangeable Notes") and Microsoft Corporation ("Microsoft") common stock or its cash equivalent (the "Microsoft Exchangeable Notes"). During 1999 and 1998, MediaOne issued exchangeable notes which are mandatorily redeemable at AT&T Broadband Group's option into (i) Vodafone ADRs held by MediaOne, (ii) the cash equivalent, or (iii) a combination of cash and Vodafone ADRs (the "Vodafone Exchangeable Notes"). The maturity value of the exchangeable notes varies based upon the fair market value of the security it is indexed to.

Following is a summary of the Cablevision NY Exchangeable Notes outstanding at December 31, 2001, which are indexed to 26.9 million shares of Cablevision NY common stock:

Maturity Date	2004
Face value	$ 970
Interest rate	6.50%
Put price per share	$36.05
Call price per share	$43.98
Carrying value	$1,030

At maturity, the Cablevision NY Exchangeable Notes will be redeemed, at AT&T Broadband Group's option, with (i) a number of shares of Cablevision NY common stock equal to the underlying shares multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at maturity in the following manner:

(a) If the fair market value of a share of Cablevision NY common stock is greater than the call price, the exchange ratio will be 0.8197;

(b) If the fair market value of a share of Cablevision NY common stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Cablevision NY common stock is less than or equal to the call price but greater than the put price, the exchange ratio will be a fraction, the numerator of which is equal to the put price, and the denominator of which is equal to the fair market value of a share of Cablevision NY common stock.

Following is a summary of the Rainbow Exchangeable Notes outstanding at December 31, 2001, which are indexed to 9.8 million shares of Rainbow Media Group tracking stock:

Maturity Date	2005
Face value	$ 220
Interest rate	6.25%
Put price per share	$22.50
Call price per share	$27.45
Carrying value	$ 196

At maturity, the Rainbow Exchangeable Notes will be redeemed, at AT&T's option, with (i) a number of shares of Rainbow Media Group tracking stock equal to the underlying shares multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at maturity in the following manner:

(a) If the fair market value of a share of Rainbow Media Group tracking stock is greater than the call price, the exchange ratio will be 0.8197;

(b) If the fair market value of a share of Rainbow Media Group tracking stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Rainbow Media Group tracking stock is less than or equal to the call price but greater than the put price, the exchange ratio will be a fraction, the numerator of which is equal to the put price, and the denominator of which is equal to the fair market value of one share of Rainbow Media Group tracking stock.

Following is a summary of the Comcast Exchangeable Notes outstanding at December 31, 2001 by year of maturity which are indexed to 25 million shares of Comcast common stock:

MATURITY DATE	2003	2004	2005
Face value	$ 371	$ 314	$ 329
Interest rate	6.75%	5.50%	4.63%
Put price per share	$41.50	$41.06	$39.13
Call price per share	$49.80	$49.27	$46.96
Carrying value at:			
December 31, 2001	$ 320	$ 277	$ 286
December 31, 2000	$ 371	$ 314	$ 329

At maturity, the Comcast Exchangeable Notes will be redeemed, at AT&T's option, into (i) a number of shares of Comcast common stock equal to the underlying shares multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at maturity in the following manner:

(a) If the fair market value of a share of Comcast common stock is greater than the call price, the exchange ratio will be 0.8333;

(b) If the fair market value of a share of Comcast common stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Comcast common stock is less than or equal to the call price but greater than the put price, the exchange ratio will be a fraction, the numerator of which is equal to the put price, and the denominator of which is equal to the fair market value of one share of Comcast common stock.

Following is a summary of the Comcast Exchangeable Notes outstanding at December 31, 2001, which are indexed to 22.3 million shares of Comcast common stock:

MATURITY DATE	2003	2004	2005
Face value	$ 267	$ 267	$ 267
Interest rate	6.76%	6.80%	6.84%
Put price per share	$35.89	$35.89	$35.89
Call price per share	$50.64	$58.39	$67.97
Carrying value at:			
December 31, 2001	$ 244	$ 244	$ 245
December 31, 2000	$ 267	$ 267	$ 267

At maturity, such Comcast Exchangeable Notes will be redeemed, at AT&T's option, with (i) a number of shares of Comcast common stock equal to the underlying shares multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at maturity in the following manner:

(a) If the fair market value of a share of Comcast common stock is greater than or equal to the call price, the exchange ratio will be a fraction the numerator of which is equal to the sum of (i) the put price, plus (ii) the excess of the fair market value of one share of Comcast common stock over the call price, and the denominator of which is equal to the fair market value of one share of Comcast common stock;

(b) If the fair market value of a share of Comcast common stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Comcast common stock is less than the call price but greater than the put price, the exchange ratio will be a fraction of which the numerator is equal to the put price, and the denominator of which is equal to the fair market value of one share of Comcast common stock.

Following is a summary of the Microsoft Exchangeable Notes outstanding at December 31, 2001, which are indexed to 10 million shares of Microsoft common stock:

MATURITY DATE	2003	2004	2005
Face value	$ 227	$ 226	$ 226
Interest rate	6.96%	7.00%	7.04%
Put price per share	$67.87	$ 67.87	$ 67.87
Call price per share	$97.39	$111.64	$128.60
Carrying value at:			
December 31, 2001	$ 201	$ 198	$ 196
December 31, 2000	$ 145	$ 144	$ 144

At maturity, the Microsoft Exchangeable Notes will be redeemed, at AT&T's option, with (i) a number of shares of Microsoft common stock equal to the underlying shares multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at maturity in the following manner:

(a) If the fair market value of a share of Microsoft common stock is greater than the call price, the exchange ratio will be a fraction the numerator of which is equal to the sum of (i) the put price, plus (ii) the excess of the fair market value of one share of Microsoft common stock over the call price, and the denominator of which is equal to the fair market value of one share of Microsoft common stock;

(b) If the fair market value of a share of Microsoft common stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Microsoft common stock is less than or equal to the call price but greater than the put price, the exchange ratio will be a fraction of which the numerator is equal to the put price, and the denominator of which is equal to the fair market value of one Microsoft common stock.

In the third quarter of 2001, exchangeable notes that were indexed to a portion of holdings of Vodafone ADR securities matured. The carrying value of the notes was $2,337 at December 31, 2000. Prior to the settlement, the carrying value of the notes was $1,634. These notes were settled with approximately 70 million shares of Vodafone ADR's and $252 in cash. Approximately 57 million shares of the Vodafone ADR's used in the settlement were accounted for as "trading" securities and the remaining shares were accounted for as "available-for-sale" securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities ("SFAS 115")." The settlement resulted in a pretax loss of approximately $392 which was reclassified from other comprehensive income to investment (expense) income in the statement of operations.

Following is a summary of the Vodafone Exchangeable Notes outstanding at December 31, 2001, which are indexed to Vodafone ADRs:

MATURITY DATE	2002
Face value	$1,129
Interest rate	7.0%
Put price	$43.44
Call price	$51.26
Carrying value at: December 31, 2001	$ 715
December 31, 2000	$1,012

The redemption formula for Vodafone Exchangeable Notes that mature in 2002, which are indexed to 26 million shares of Vodafone ADRs, is as follows:

(a) If the fair market value of a Vodafone ADR is greater than or equal to the call price, each Vodafone exchangeable Note is equivalent to 0.8475 of a Vodafone ADR;

(b) If the fair market value of a Vodafone ADR is less than or equal to the put price, each Vodafone Exchangeable Note is equivalent to one Vodafone ADR; or

(c) If the fair market value of a Vodafone ADR is less than the call price but greater than the put price, each Vodafone Exchangeable Note is equivalent to a fraction of a Vodafone ADR equal to (i) the put price divided by (ii) the fair market value of one Vodafone ADR.

AT&T Broadband Group's exchangeable notes that are indexed to Cablevision NY, Comcast and Microsoft common stock and Rainbow Media Group are secured by AT&T Broadband Group's investments in Cablevision NY, Comcast, Microsoft and Rainbow Media Group. AT&T Broadband Group's exchangeable notes which are indexed to Vodafone ADRs are unsecured obligations, ranking equally in right of payment with all other unsecured and unsubordinated obligations of AT&T Broadband Group.

These exchangeable notes are being accounted for as indexed debt instruments since the maturity value of the debt is dependent upon the fair market value of the underlying securities. These exchangeable notes contain embedded derivatives that require separate accounting as the maturity value of the debt is dependent upon the fair market value of the underlying Cablevision NY, Rainbow Media Group, Comcast, Microsoft and Vodafone ADR securities, as applicable. The economic characteristics of the embedded derivatives (i.e., equity like features) are not clearly and closely related to that of the host instruments (a debt security). As a result, the embedded derivatives are separated from the host debt instrument for valuation purposes and are carried at fair value within the host debt instrument. The embedded derivatives for Cablevision NY and Rainbow Media Group exchangeable notes are designated as cash flow hedges. These designated options are carried at fair value with changes in fair value recorded, net of income taxes, within other comprehensive income as a component of combined attributed net assets. There was no ineffectiveness recognized on the cash flow hedges. The Comcast, Microsoft, Vodafone and certain of the

Cablevision NY and Rainbow Media Group options are undesignated and are carried at fair value with changes in fair value recorded in other (expense) income in the combined statement of operations.

The options hedge the market risk of a decline in value of Cablevision NY, Rainbow Media Group, Comcast, Microsoft and Vodafone securities. The market risk of a decline in these securities, below the respective put prices has been eliminated. In addition, any market gains AT&T Broadband Group may earn have been limited to the call prices, with the exception of certain debt indexed to Comcast stock, the Cablevision NY stock, Rainbow Media Group and Vodafone ADRs, which provide for participation in a portion of the market gains above the call price.

Since all the Cablevision NY and Rainbow Media Group securities and a portion of the Comcast, Microsoft and Vodafone securities are cost method investments being accounted for as "available-for-sale" securities under SFAS 115, changes in the maturity value of the options and the underlying securities are being recorded as unrealized gains or losses, net of income taxes, within other comprehensive income as a component of combined attributed net assets. The remaining portion of the Comcast, Microsoft and Vodafone securities are cost method investments being accounted for as "trading" securities and changes in the fair value of the options and the underlying securities are being recorded as net revaluation of securities within other (expense) income.

OTHER EXCHANGEABLE NOTES

During 2000, AT&T Broadband Group, through MediaOne, also entered into a series of purchased and written options to monetize its holdings of 21.9 million shares of Microsoft common stock and issued floating rate debt, which is attributed to AT&T Broadband Group. The carrying value of the debt outstanding at both December 31, 2001 and 2000 was $1,369, which pays interest at the three month London Inter-Bank Offered Rate ("LIBOR") plus 0.4%. The debt matures annually with $458 maturing in 2003 and 2004, and $453 maturing in 2005, and is repayable at AT&T's option in either Microsoft common stock or cash. (See note 10 for discussion of the purchased and written options.)

In addition, during 1999 two subsidiaries of MediaOne, MediaOne SPC IV and MediaOne SPC VI, entered into a series of purchased and written options on Vodafone ADRs contributed to them by MediaOne and issued floating rate debt. The carrying value of the debt outstanding at both December 31, 2001 and 2000 was $1,739, which pays interest at a three-month LIBOR plus 0.5%. This debt has been attributed to AT&T Broadband Group and matures in equal quarterly installments beginning in 2003 and ending in 2005. The assets of MediaOne SPC IV, which are primarily 29.1 million Vodafone ADRs, are only available to pay the creditors of MediaOne SPC IV. Likewise, the assets of MediaOne SPC VI, which are primarily 18.0 million Vodafone ADRs, are only available to pay the creditors of MediaOne SPC VI. MediaOne SPC IV and VI will generate cash to settle these notes by selling their Vodafone ADRs to the market (or to AT&T, at AT&T's option) and cash settle the option. (See note 10 for discussions of the purchased and written options.)

SUBSIDIARY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY SUBORDINATED DEBT SECURITIES

Certain subsidiary trusts (the "Trusts") of AT&T Broadband Group, through ATTBLLC and MediaOne, had preferred securities ("Trust Preferred Securities") outstanding at December 31, 2001 and 2000 as follows:

			CARRYING AMOUNT	
SUBSIDIARY TRUST	INTEREST RATE	MATURITY DATE	2001	2000
TCI Communications Financing I	8.72%	2045	$ 527	$ 528
TCI Communications Financing II	10.00%	2045	513	514
TCI Communications Financing III	9.65%	2027	380	357
TCI Communications Financing IV	9.72%	2036	204	204
MediaOne Financing A	7.96%	2025	30	30
MediaOne Financing B	8.25%	2036	28	28
MediaOne Finance II	9.50%	2036	214	214
MediaOne Finance III	9.04%	2038	504	504
			$2,400	$2,379

The Trusts were created for the exclusive purpose of issuing the Trust Preferred Securities and investing the proceeds thereof into Subordinated Deferrable Interest Notes (the "Subordinated Debt Securities") of TCI and MediaOne. The Subordinated Debt Securities have interest rates equal to the interest rate of the corresponding Trust Preferred Securities. The TCI Communications Financing I and II Trust Preferred Securities were redeemable at face value beginning January and May 2001, respectively. The TCI Communications Financing III Trust Preferred Securities are callable at 104.825% of face value beginning in March 2007. TCI Communications Financing IV Trust Preferred Securities were callable at face value beginning in March 2002. Upon redemption of the Subordinated Debt Securities, the Trust Preferred Securities will be mandatorily redeemable. All of the MediaOne Subordinated Debt Securities are redeemable at a redemption price of $25.00 per security, plus accrued and unpaid interest. Upon redemption of the MediaOne Subordinated Debt Securities, the MediaOne Trust Preferred Securities are mandatorily redeemable at a price of $25.00 per share, plus accrued and unpaid distributions. The 7.96% MediaOne Subordinated Debt Securities became redeemable after September 11, 2000. The 9.50% and 8.25% MediaOne Subordinated Debt Securities became redeemable after October 29, 2001. The 9.04% MediaOne Subordinated Debt Securities are redeemable after October 28, 2003. The Trust Preferred Securities are recorded within short-term and long-term debt in the accompanying combined balance sheet. AT&T Broadband, LLC effectively provides a full and unconditional guarantee of all the TCI Trusts' obligations under the Trust Preferred Securities. In 2000, AT&T provided a full and unconditional guarantee on the outstanding securities issued by TCI Communications Financing I, II and IV. MediaOne has effectively provided a full and unconditional guarantee of the MediaOne trust obligations under the Trust Preferred Securities. In 2000, AT&T provided a full and unconditional guarantee of the MediaOne Trust Preferred Securities. Dividends accrued and paid on the Trust Preferred Securities aggregated $208, $182 and $114 for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively, and are included in interest expense in the accompanying combined statement of operations. AT&T has the right to defer interest payments up to 20 consecutive quarters; as a consequence, dividend payments on the Trust Preferred Securities can be deferred by the trusts during any such interest-payment period.

On February 26, 2002, AT&T announced that it was notifying holders that it will call TCI Communications Financing IV Trust Preferred Securities for early redemption on April 1, 2002. On February 28, 2002, AT&T called for early redemption the TCI Communications Financing I and II Trust Preferred Securities. On March 4, 2002, AT&T called for early redemption the MediaOne Financing A, Financing B and Financing II Trust Preferred Securities. At December 31, 2001, the TCI Communications Financing I, II and IV and MediaOne A, B and II Trust Preferred Securities were reclassed from long-term debt to short-term debt.

(8) MINORITY INTEREST

PREFERRED STOCK OF SUBSIDIARIES

Prior to the TCI Merger, TCI Pacific Communications Inc. ("Pacific"), an attributed entity of AT&T Broadband Group, issued 5% Class A Senior Cumulative Exchangeable preferred stock. Each share is exchangeable, from and after August 1, 2001, for 8.365 shares of AT&T common stock (as adjusted for the July 2001 split-off of AT&T Wireless Services, Inc. from AT&T), subject to certain antidilution adjustments. Additionally, Pacific may elect to make any dividend, redemption or liquidation payment in cash, shares of AT&T common stock or a combination of the foregoing. Dividends on the Pacific preferred stock were $31 for both the years ended December 31, 2001 and 2000 and $26 for the ten months ended December 31, 1999 and are reflected in minority interest income (expense) in the accompanying combined statements of operations. The Pacific preferred stock is reflected within minority interest in the accompanying combined balance sheets and aggregated $2.1 billion at December 31, 2001 and 2000.

As of December 31, 2001, 59,187 shares of the Pacific preferred stock had been exchanged for 494,808 shares of AT&T common stock. At December 31, 2001 and 2000 there were 6.2 million and 6.3 million shares outstanding, respectively, out of 6.3 million shares authorized. Pacific has elected to exercise its right to redeem all outstanding shares of the Pacific preferred stock that have not been exchanged as of April 26, 2002, at a price of $102.50 per share plus accrued dividends of $0.96 per share. The redemption price will be paid in AT&T common stock, up to a maximum of the 52.3 million shares which were registered with the Securities and Exchange Commission in February of 2002, with any shortfall paid in cash.

CENTAUR FUNDING CORPORATION

Prior to the MediaOne Merger, Centaur Funding Corporation ("Centaur"), a subsidiary of MediaOne, issued three series of preferred shares, the Auction Market Preference Shares, Series A ("Series A Shares"), the 9.08% Cumulative Preference Shares, Series B (the "Series B Shares"), and the Preference Shares, Series C (the "Series C Shares"). Centaur was created for the principal purpose of raising capital through the issuance of preferred shares and investing those proceeds into notes issued by MediaOne SPC II, a subsidiary of MediaOne. Principal and interest payments from the notes are expected to be Centaur's principal source of funds to make dividend and redemption payments on the preferred shares. In addition, the dividend and redemption payments on the preferred shares will be determined by reference to the dividend and redemption activity of the preferred stock of AirTouch Communications, Inc. ("ATI shares") held by MediaOne SPC II. AirTouch Communications, Inc. is a subsidiary of Vodafone. Payments on the preferred shares are neither guaranteed nor secured by MediaOne or AT&T. The assets of MediaOne SPC II, which include the ATI shares, are only available to pay creditors of MediaOne SPC II. Centaur and MediaOne SPC II are attributed entities of AT&T Broadband Group.

At December 31, 2001 and 2000, the following Centaur preferred securities, which have been attributed to AT&T Broadband Group, were outstanding:

	DIVIDEND RATE	MATURITY DATE	SHARES OUTSTANDING	CARRYING AMOUNT 2001	2000
Series A Shares................	Variable	None	400	$ 100	$ 100
Series B Shares................	9.08%	April 2020	934,500	927	927
Series C Shares................	None	April 2020	715,500	127	118
				$1,154	$1,145

The Series A Shares have a liquidation value of $250 thousand per share and dividends are payable quarterly when declared by Centaur's Board of Directors out of funds legally available. The Series B Shares have a liquidation value of $1 thousand per share and dividends are payable quarterly in arrears when declared by Centaur's Board of Directors out of funds legally available. In addition, dividends may be declared and paid only to the extent dividends have been declared and paid on the ATI shares. The Series C Shares have a liquidation value of $1 thousand per share at maturity. The value of the Series C Shares will be accreted to its liquidation value upon maturity. The Series B Shares rank equally with the Series C Shares as to the redemption payments and upon liquidation. The Series B and Series C Shares rank senior to the Series A Shares and the common stock shares of Centaur as to the redemption payments and upon liquidation. The Series B Shares rank senior to the Series A Shares and the common shares with respect to dividend payments. The preferred shares issued by Centaur are recorded within minority interest in the accompanying combined balance sheets at December 31, 2001 and 2000.

Dividends on the preferred shares were $99 and $55 for the years ended December 31, 2001 and 2000 and were included within minority interest income (expense) in the accompanying combined statements of operations.

(9) COMPANY-OBLIGATED CONVERTIBLE QUARTERLY INCOME PREFERRED SECURITIES

On June 16, 1999, AT&T Finance Trust I (the "AT&T Trust"), a wholly owned subsidiary of AT&T completed the private sale of 100 million shares of 5.0% cumulative quarterly income preferred securities ("Quarterly Preferred Securities") to Microsoft. Proceeds from the issuance were invested by the AT&T Trust in junior subordinated debentures ("Debentures") issued by AT&T due 2029, which represent the sole asset of the AT&T Trust. The Quarterly Preferred Securities have been attributed to AT&T Broadband Group.

The Quarterly Preferred Securities pay dividends at an annual rate of 5.0% of the liquidation preference of $50 per security, and are convertible at any time prior to maturity into 88.016 million shares of AT&T common stock (as adjusted for the July 2001 split-off of AT&T Wireless, Services, Inc. from AT&T). The Quarterly Preferred Securities are subject to mandatory redemption upon repayment of the Debentures at maturity or their earlier redemption. The conversion feature can be terminated, under certain conditions, after three years.

The Debentures make a quarterly payment in arrears of 62.5 cents per security on the last day of March, June, September and December of each year. AT&T has the right to defer such interest payments up to 20 consecutive quarters. As a consequence, quarterly dividend payments on the Quarterly Preferred Securities can be deferred by the AT&T Trust during any such interest-payment period. If AT&T defers any interest payments, AT&T may not, among other things, pay any dividends on AT&T common stock until all interest in arrears is paid to the AT&T Trust.

Dividends on the Quarterly Preferred Securities were $250, $250 and $135 for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively, and are reported within minority interest income (expense) in the accompanying combined statements of operations.

On June 16, 1999, AT&T also issued to Microsoft 53 million warrants, each to purchase one share of AT&T common stock at a price of $57 per share at the end of three years (as adjusted for the July 2001 split-off of AT&T Wireless Services, Inc. from AT&T). Alternatively, the warrants are exercisable on a cashless basis. If the warrants are not exercised on the three-year anniversary of the closing date, the warrants expire.

A discount on the Quarterly Preferred Securities equal to the value of the warrants of $306 was recognized at the issuance date and is being amortized over the 30-year life of the Quarterly Preferred Securities as a component of minority interest income (expense) in the accompanying combined statements of operations.

In connection with the AT&T Comcast Merger (see note 1), AT&T Comcast will assume the Quarterly Preferred Securities. In conjunction with the AT&T Comcast Merger, Microsoft has agreed to convert the Quarterly Preferred Securities into 115 million shares of AT&T Comcast common stock.

(10) FINANCIAL INSTRUMENTS

ADOPTION OF SFAS 133

Effective January 1, 2001, AT&T Broadband Group adopted SFAS 133 and its corresponding amendments under SFAS No. 138. SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. The adoption of SFAS 133 on January 1, 2001, resulted in a pretax cumulative effect decrease to net loss of $371 ($229 net-of-tax).

AT&T Broadband Group's cumulative effect decrease to net loss of $229 was attributable primarily to equity based derivative instruments related to indexed debt instruments and warrants held in both public and private companies. Included in the after tax cumulative effect benefit of $229 was a $185 benefit for the changes in valuations of both embedded and non-embedded net purchased options related to indexed debt instruments and $44 benefit for recording the fair value of warrants.

Upon adoption, as permitted by SFAS 133, AT&T Broadband Group reclassified $9.3 billion of securities from "available-for-sale" to "trading". This reclassification resulted in the recognition, in the statement of operations, of losses previously recorded within accumulated other comprehensive income. A portion of the loss ($1,638 pretax; $1,005 net-of-tax) was recorded as part of the cumulative effect of adoption. This loss completely offset a gain for amounts also previously recorded within accumulated other comprehensive income on the indexed debt obligation that had been considered a hedge of Comcast, Microsoft and Vodafone "available-for-sale" securities. The reclassification of securities also resulted in a pretax charge of $1,154 ($708 net-of-tax) recorded in other (expense) income.

FINANCIAL INSTRUMENTS

In the normal course of business, AT&T Broadband Group uses various financial instruments, including derivative financial instruments, for purposes other than trading. AT&T Broadband Group does not use derivative financial instruments for speculative purposes. Financial instruments used by AT&T Broadband Group include guarantees of debt, letters of credit, option contracts, equity hedges, warrants and interest rate swap agreements. Collateral is generally not required for these types of instruments.

By their nature, all such instruments involve risk, including the credit risk of nonperformance by counterparties. The maximum potential loss associated with such risk may exceed the amount recognized in the balance sheet. However, at December 31, 2001 and 2000, in management's opinion there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. AT&T Broadband Group controls its exposure to credit risk through credit approvals, credit limits and monitoring procedures. AT&T Broadband Group does not have any significant exposure to any individual customer or counterparty, or any major concentration of credit risk related to any financial instruments.

GUARANTEES OF DEBT

From time to time, ATTBLLC and MediaOne may guarantee the debt of their subsidiaries and certain unconsolidated joint ventures. ATTBLLC has taken certain steps to support debt compliance with respect to obligations aggregating $1,461 at December 31, 2001 and 2000 of certain cable television partnerships in which ATTBLLC has a non-controlling ownership interest and which have been attributed to AT&T Broadband Group. Although there can be no assurance, management believes that it will not be required to meet its obligations under such guarantees. Total notional amounts of guarantees for ATTBLLC and MediaOne were $1,463 and $1,486 at December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000, there were no quoted market prices for similar agreements.

LETTERS OF CREDIT

Letters of credit are purchased guarantees that ensure performance or payment to third parties in accordance with specified terms and conditions. Management has determined that letters of credit do not create additional risk to AT&T Broadband Group. Outstanding letters of credit at December 31, 2001 and 2000 were $288 and $263, respectively. The fair values of letters of credit, based on fees paid to obtain the obligations, were immaterial at December 31, 2001 and 2000.

INTEREST RATE SWAP AGREEMENTS

Interest rate swaps which are usually designated as either cash flow or fair value hedges, are entered into to manage exposure to changes in interest rates. AT&T enters into swap agreements to manage the fixed/floating mix of the debt portfolio in order to reduce aggregate risk to interest rate movements. Interest rate swaps also allow funds to be raised at floating rates and effectively swap them into fixed rates that are generally lower than those available if fixed-rate borrowings were made directly. These agreements involve the exchange of fixed-rate for floating-rate payments without the exchange of the underlying principal amount. These floating-rate payments are based on rates tied to the LIBOR.

The following table indicates the type of swaps in use at December 31, 2001 and 2000, the notional amounts, and their weighted average interest rates. Their average variable rates are those in effect at the reporting date and may change significantly over the lives of the contracts.

	2001	2000
Fixed rate to variable rate swaps		
Notional amount	$500	$500
Average receive rate	9.68%	9.68%
Average pay rate	4.02%	8.92%

At December 31, 2001 the fair value and carrying value of the swaps was a liability of $25. Such swaps were valued using current market quotes that were obtained from dealers.

EQUITY COLLARS

In 2000, AT&T Broadband Group entered into three series of option agreements (the "Microsoft Collars") with a single bank counterparty to hedge exposure to 21.9 million shares of Microsoft common stock. The Microsoft Collars, combined with the underlying shares, secure a floating-rate borrowing from the counterparty, the face value of which is equal to the product of (i) the underlying shares multiplied by (ii) the put price. (See note 7 for discussion of the debt.)

The Microsoft Collars are a series of purchased and written options that hedge a portion of AT&T Broadband Group's holdings in Microsoft common stock. The Microsoft Collars are undesignated for accounting purposes in accordance with SFAS 133 and are carried in the balance sheet at fair value, with unrealized gains or losses being recorded in other (expense) income. These unrealized gains or losses are largely offset by the changes in the fair value of a certain number of shares of Microsoft common stock that are classified as "trading". The carrying value of the Microsoft Collars was $6 and $419 at December 31, 2001 and 2000, respectively. The fluctuation of the carrying value of the Microsoft Collars was primarily due to the change in the market prices of the underlying shares, which were $66.25 per share and $43.375 per share at December 31, 2001 and 2000, respectively, and the adoption of SFAS 133 which required the instruments to be valued at fair value rather than intrinsic value.

The following is a summary of the Microsoft Collars outstanding at December 31, 2001:

MATURITY DATE	2003	2004	2005
Put price per share.....................................	$62.48	$ 62.48	$ 62.48
Call price per share....................................	$86.26	$100.44	$118.36

Since the Microsoft Collars and related debt are contracted with the same counterparty, the treatment is similar to a debt instrument with an embedded instrument and will be net settled as follows:

At the expiration of the Microsoft Collars, AT&T Broadband Group will satisfy the debt and the net obligations of the Microsoft Collars under the floating-rate debt by delivering (i) a number of Microsoft shares equal to the underlying share amount multiplied by the exchange ratio, or (ii) its equivalent cash value. The exchange ratio will be calculated at expiration in the following manner:

(a) If the fair market value of a share of Microsoft common stock is greater than the call price, the exchange ratio will be a fraction, the numerator of which is equal to the sum of (i) the put price, plus (ii) the excess of the fair market value of a share of Microsoft common stock over the call price, and the denominator of which is equal to the fair market value of a share of Microsoft common stock;

(b) If the fair market value of a share of Microsoft common stock is less than or equal to the put price, the exchange ratio will be 1;

(c) If the fair market value of a share of Microsoft common stock is less than or equal to the call price but greater than the put price, the exchange ratio will be a fraction, the numerator of which is equal to the put price, and the denominator of which is equal to the fair market value of a share of Microsoft common stock.

Prior to the MediaOne Merger, two subsidiaries of MediaOne, MediaOne SPC IV and MediaOne SPC VI, each entered into a series of option agreements (the "Vodafone Collars") with a single bank counterparty to hedge their exposure to 47.2 million Vodafone ADRs. In conjunction with the Vodafone Collars, MediaOne SPC IV and MediaOne SPC VI also issued floating-rate debt in a series of private placements, the face value of which is equal to the product of (i) the underlying shares multiplied by (ii) the put price. Simultaneous with the execution of the Vodafone Collars, MediaOne SPC IV and MediaOne SPC VI each entered into floating-to-fixed interest rate swaps in which future fixed payments were prepaid by each of MediaOne SPC IV and MediaOne SPC VI at inception. Therefore, the on-going interest payments on the floating-rate notes are paid by the counterparty with no recourse to AT&T Broadband Group. These prepaid interest rate swaps are designated as cash flow hedges in accordance with SFAS 133.

The Vodafone Collars are a series of purchased and written options that hedge a portion of AT&T Broadband Group's holdings in Vodafone ADRs. The Vodafone Collars are undesignated for accounting purposes in accordance with SFAS 133 and are carried in the balance sheet at fair value, with unrealized gains or losses being recorded to other (expense) income. These unrealized gains or losses are largely offset by the changes in the fair value of a certain number of Vodafone ADRs that are classified as "trading" in accordance with SFAS 115. The carrying value of the Vodafone Collars was $462 and $(453) at December 31, 2001 and 2000 respectively. The fluctuation of the carrying value of the Vodafone Collars is primarily due to the change in the per share market price of the underlying ADRs, which was $25.68 per share and $35.81 per share at December 31, 2001 and 2000, respectively, and the adoption of SFAS 133, which required the instruments to be valued at fair value rather than intrinsic value.

The following is a summary of the Vodafone Collars outstanding at December 31, 2001:

MATURITY DATE	2003	2004	2005
MEDIAONE SPC IV VODAFONE COLLARS			
Average put price per share................................	$34.06	$33.78	$33.53
Average call price per share...............................	$49.13	$48.85	$48.60
MEDIAONE SPC VI VODAFONE COLLARS			
Average put price per share................................	$39.85	$39.86	$39.86
Average call price per share...............................	$57.72	$57.72	$57.73

Since the Vodafone Collars and related debt are contracted with different counterparties, the instruments will be settled independently. MediaOne SPC IV and MediaOne SPC VI will satisfy its obligations to the floating-rate debt holders by delivering cash equal to the face value of the debt (see note 7). At the expiration of the Vodaphone Collars, MediaOne SPC IV and MediaOne SPC VI will cash settle its Vodaphone Collars with the counterparty. Cash settlement of the Vodafone Collars will be completed in the following manner:

(a) If the fair market value of a Vodafone ADR is greater than the call price, MediaOne SPC IV or MediaOne SPC VI (as appropriate) will pay a sum of cash equal to the excess of the fair market value of a Vodafone ADR over the call price;

(b) If the fair market value of a Vodafone ADR is less than the put price, the counterparty will pay to MediaOne SPC IV or MediaOne SPC VI (as appropriate) a sum of cash equal to the excess of the put price over the fair market price of a Vodafone ADR;

(c) If the fair market value of a Vodafone ADR is less than or equal to the call price but greater than or equal to the put price, the Vodafone Collars will expire worthless and no cash payment will be made or received by MediaOne SPC IV or MediaOne SPC VI (as appropriate).

The net value of (i) the sale of all Vodafone ADRs and (ii) the cash settlement of the Vodafone Collars will always be equal to or greater than the face value of the floating-rate notes. Any remaining cash will be retained by MediaOne SPC IV and MediaOne SPC VI and would become available to AT&T Broadband Group for general corporate purposes.

EQUITY HEDGES

Equity hedges are used to manage exposure to changes in equity prices associated with stock appreciation rights of previously affiliated companies and are undesignated in accordance with SFAS 133. The notional amount outstanding on these contracts at December 31, 2001 and 2000 was $340 and $370, respectively. These instruments are recorded at fair value based on market quotes and were liabilities of $71 and $87 at December 31, 2001 and 2000, respectively.

WARRANTS

AT&T Broadband Group may obtain warrants to purchase equity securities in other private and public companies as a result of certain transactions. Private warrants and public warrants that provide for net share settlement (i.e. allow for cashless exercise) are considered to be derivative instruments and recognized in the balance sheet at fair value in accordance with SFAS 133. Warrants are not eligible to be designated as hedging instruments because there is no underlying exposure. Instead, warrants are effectively investments in private and public companies. The fair value of warrants held by AT&T Broadband Group was $15 at December 31, 2001.

DEBT AND PREFERRED SECURITIES

The carrying value of debt maturing within one year approximates market value. The table below summarizes the carrying and fair values of long-term debt, excluding capital leases, and certain preferred securities. The market values of long-term debt were obtained based on quotes or rates available for debt with similar terms and maturities, and the market value of the preferred securities was based on market quotes. It is not practicable to estimate the fair market value of the Centaur Series A Shares, Series B Shares, Series C Shares and the Quarterly Preferred Securities that aggregated $5,874 and $5,855 at December 31, 2001 and 2000, respectively, as there are no current markets quotes available on these private placements.

	2001		2000	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Debt, excluding capital leases.................	$19,079	$17,237	$22,182	$20,275
Pacific preferred stock........................	$ 2,100	$ 948	$ 2,121	$ 595

DERIVATIVE IMPACTS

For the year ended December 31, 2001, accumulated other comprehensive income, as a component of combined attributed net assets, net of taxes, included net unrealized losses of $224 relating to derivatives that are designated as cash flow hedges. This amount included net losses of $143 related to the ongoing fair value adjustments of equity based derivative instruments embedded in certain debt instruments and net losses of $81 related to certain swap transactions.

For the year ended December 31, 2001, other (expense) income included net gains of $1,178, relating to ongoing fair value adjustments of undesignated derivatives. The fair value adjustments included net gains of $1,247 for derivatives instruments related to certain debt instruments and net losses of $69 for changes in the fair value of warrants. These gains were offset by net losses of $983 from the ongoing mark-to-market adjustments of the "trading" securities underlying the monetizations.

(11) PENSION, POSTRETIREMENT AND OTHER EMPLOYEE BENEFIT PLANS

As a result of the MediaOne Merger, AT&T sponsors a pension plan covering substantially all former MediaOne employees, and beginning in 2001, AT&T sponsors a pension plan covering substantially all AT&T Broadband Group employees. Pension benefits are principally based on pay and service. In addition, AT&T sponsors retiree benefit plans for certain former MediaOne employees.

The following table shows the components of the net periodic benefit costs included in the accompanying combined statements of operations of AT&T Broadband Group:

FOR THE YEAR ENDED DECEMBER 31,	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2001	2000	2001	2000
Service cost-benefits earned during the period	$ 31	$9	$1	$1
Interest cost on benefit obligations	13	8	2	1
Credit for expected return on plan assets	(13)	(9)	(1)	--
Amortization of gains	1	--	--	--
Net curtailment gains	(1)	--	(1)	--
Net periodic benefit cost	$ 31	$8	$1	$2

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets, and a statement of the funded status:

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	2001	2000	2001	2000
CHANGE IN BENEFIT OBLIGATIONS:				
Benefit obligation, beginning of year	$165	$ --	$ 35	$ --
Acquisition of MediaOne	--	204	--	38
Service cost	31	9	1	1
Interest cost	13	8	2	1
Plan amendments	--	(5)	--	--
Actuarial losses (gains)	--	17	3	(5)
Benefit payments	(46)	(68)	(1)	--
Curtailments	(6)	0	(1)	--
Benefit obligation, end of year	$157	$165	$ 39	$ 35
CHANGE IN FAIR VALUE OF PLAN ASSETS:				
Fair value of plan assets, beginning of year	$148	$ --	$ 5	$ --
Acquisition of MediaOne	0	205	--	5
Actual return on plan assets	(12)	(12)	--	--
Employer contributions	8	23	--	--
Benefit payments	(46)	(68)	(1)	--
Fair value of plan assets, end of year	$ 98	$148	$ 4	$ 5

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	AT DECEMBER 31,			
	2001	2000	2001	2000
Unfunded benefit obligation	$(59)	$(17)	$(35)	$(30)
Unrecognized net loss (gain)	56	38	(1)	(5)
Unrecognized prior service cost	(4)	(5)	--	--
Net amount recorded	$ (7)	$ 16	$(36)	$(35)

The following table provides the amounts recorded in AT&T Broadband Group's combined balance sheet:

	PENSION BENEFITS		POSTRETIREMENT BENEFITS	
	AT DECEMBER 31,			
	2001	2000	2001	2000
Prepaid pension cost	$ 8	$ 36	$ --	$ --
Benefit related liabilities	(53)	(21)	(36)	(35)
Accumulated other comprehensive income	38	1	--	--
Net amount recorded	$ (7)	$ 16	$(36)	$(35)

The nonqualified pension plan had an unfunded accumulated benefit obligation of $19 at December 31, 2001.

The assumptions in the following table were used in the measurement of the pension and postretirement benefit obligations and the net periodic benefit costs as applicable.

	2001	2000
Weighted-average assumptions at December 31:		
Discount rate	7.25%	7.50%
Expected return on plan assets	9.50%	9.50%
Rate of compensation increase	4.00%	4.00%

A 9.5% rate of increase in the per capita cost of covered health-care benefits (the health-care cost trend rate) was assumed. This rate was assumed to gradually decline after 2001 to 5% by the year 2011 and then remain level. Assumed health-care cost trend rates have a significant effect on the amounts reported for the health-care plans. A one percentage point increase or decrease in the assumed health-care cost trend rate would increase or decrease the health-care component of the accumulated postretirement benefit obligation by $4 and $4, respectively. A one percentage point increase or decrease in the assumed health-care cost trend rate would not have a material impact on the service and interest-cost components of net periodic postretirement health-care benefit costs.

AT&T also sponsors savings plans for the majority of its employees. The plans allow employees to contribute a portion of their pretax and/or after-tax income in accordance with specified guidelines. Employee contributions are matched up to certain limits. AT&T Broadband Group contributions amounted to $54, $70 and $38 for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999.

(12) STOCK-BASED COMPENSATION PLANS

Under AT&T's 1997 Long-term Incentive Program (the "Program"), AT&T grants stock options, performance shares, restricted stock and other awards on AT&T common stock as well as stock options or AT&T Wireless Group tracking stock prior to the split-off of AT&T Wireless Group. The exercise price of any stock option is equal to the stock price when the option is granted. Generally, the options vest over two to three years and are exercisable up to 10 years from the date of grant.

Under the Program, performance share units are awarded to key employees in the form of either common stock or cash at the end of a three-year period, based on AT&T's total shareholder return and/or certain financial-performance targets.

On July 9, 2001, AT&T completed the split-off of AT&T Wireless Group as a separate, independently-traded company. The AT&T Wireless common stock held by AT&T was distributed to AT&T common shareowners on a basis of 0.3218 of a share of AT&T Wireless for each AT&T share outstanding. All outstanding AT&T common stock options granted prior to January 1, 2001 were treated in a similar manner. AT&T modified the terms and conditions of all outstanding stock option grants to allow the AT&T Wireless Group common stock options held by AT&T employees to immediately vest and become exercisable for their remaining contractual term.

Under the AT&T 1996 Employee Stock Purchase Plan (the "Plan"), which was effective July 1, 1996, and amended on May 23, 2001, AT&T is authorized to sell up to 105 million shares of AT&T common stock to its eligible employees through June 30, 2006. Under the terms of the Plan, employees may have up to 10% of their earnings withheld to purchase AT&T's common stock. The purchase price of the stock on the date of exercise is 85% of the average high and low sale prices of shares on the New York Stock Exchange for that day. Under the Plan, AT&T sold approximately 705 thousand, 506 thousand and 102 thousand shares to AT&T Broadband Group employees in 2001, 2000 and 1999, respectively.

AT&T Broadband Group applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for stock-based compensation plans other than for performance-based and restricted stock awards and stock appreciation rights ("SARs"). Stock based-compensation (expense) income for AT&T Broadband Group was $(4), $268 and $(366) for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively. These amounts included (expense) income of $(3), $269 and $(382) for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively, related to grants of SARs of affiliated companies held by certain employees subsequent to the TCI Merger. AT&T entered into an equity hedge in 1999 to offset potential future compensation costs associated with such SARs. (Expense) income related to this hedge was $(16), $(324) and $227 for the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, respectively.

At December 31, 2001, there were 4.5 million AT&T stock options with 2.2 million tandem SARs outstanding that were originally assumed in connection with the MediaOne Merger. All of the SARs were exercisable at a price of $19.33. There were no SARs exercised during 2001 or 2000.

AT&T Broadband Group has adopted the disclosure-only provisions of SFAS 123. If AT&T Broadband Group had elected to recognize compensation costs based on the fair value at the date of grant for AT&T awards granted to AT&T Broadband Group employees, consistent with the provisions of

SFAS 123, AT&T Broadband Group's net loss would have been adjusted to reflect additional compensation expense resulting in the following pro forma amounts:

	YEAR ENDED DECEMBER 31,		TEN MONTHS ENDED DECEMBER 31,
	2001	2000	1999
Net loss...	$4,011	$5,390	$2,203

The pro forma effect on net loss for 2001 includes $10 due to the conversion of AT&T common stock options in connection with the split-off of AT&T Wireless Group, and also includes $12 due to the accelerated vesting of AT&T Wireless Group stock options held by AT&T Broadband Group employees after the split-off.

AT&T granted approximately 13.8 million, 13.4 million and 1.0 million stock options to AT&T Broadband Group employees during 2001, 2000 and 1999, respectively. At the date of grant, the weighted average exercise prices for AT&T stock options granted to AT&T Broadband Group employees during 2001, 2000 and 1999 were $22.46, $34.17 and $56.56, respectively. The weighted-average fair values at date of grant for AT&T stock options granted to AT&T Broadband Group employees during 2001, 2000 and 1999 were $7.13, $10.28 and $17.45, respectively, and were estimated using the Black-Scholes option-pricing model. The weighted-average risk-free interest rates applied for 2001, 2000 and 1999 were 4.71%, 6.24% and 5.26%, respectively. The following weighted-average assumptions were applied for 2001, 2000 and 1999, respectively: (i) expected dividend yields of 0.85%, 1.7% and 1.7% (ii) expected volatility rates of 36.5%, 33.9% and 28.6%, and (iii) expected lives of 3.8, 3.7 years and 5.7 years.

In January 2002, AT&T modified its outstanding stock option agreements for AT&T stock options and other equity awards held by current AT&T Broadband employees to provide that upon the change in control of AT&T Broadband their stock options and other equity awards granted prior to January 1, 2002 will be immediately vested and exercisable through their remaining contractual terms. The potential compensation cost associated with this modification for current AT&T Broadband employees has been measured as of the modification date is approximately $50 pre-tax. The actual charge will be finalized and recorded by AT&T Broadband at the time of the change in control in connection with the anticipated merger with Comcast.

(13) INCOME TAXES

AT&T Broadband Group is not a separate taxable entity for federal and state income tax purposes and its results of operations are included in the consolidated federal and state income tax returns of AT&T and its affiliates, as described in note 1.

The components of the provision (benefit) for income taxes are as follows:

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
Federal:			
Current	$ (245)	$ (786)	$(469)
Deferred	(3,104)	(215)	64
	(3,349)	(1,001)	(405)
State and local:			
Current	(34)	(136)	22
Deferred	(477)	(47)	(82)
	(511)	(183)	(60)
Foreign:			
Current	3	1	--
Benefit for income taxes	$(3,857)	$(1,183)	$(465)

AT&T Broadband Group also recorded current and deferred income tax benefits related to minority interest and net equity losses on other equity investments in the amounts of $100 and $37 for the years ended December 31, 2001, $100 and $370 for the years ended December 31, 2000 and $54 and $438 for the ten months ended December 31, 1999, respectively.

The following table shows the principal reasons for the difference between the effective income tax rate and the United States federal statutory income tax rate:

	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	TEN MONTHS ENDED DECEMBER 31, 1999
U.S. federal statutory income tax rate	35%	35%	35%
Federal income tax benefit at statutory rate	$3,077	$ 3,507	$ 642
Operating losses and charges relating to Excite@Home	(649)	(2,758)	--
Investment dispositions, acquisitions and legal entity restructuring	238	374	--
Deconsolidation of and put obligation settlement related to Excite@Home	1,045	--	--
In-process research and development write-off	--	--	(208)
State and local income taxes, net of federal income tax benefit	333	119	39
Amortization of intangibles	(177)	(81)	(12)
Foreign rate differential	(3)	--	--
Taxes on repatriated and accumulated foreign income, net of tax credits	3	--	--
Other	(10)	22	4
Benefit for income taxes	$3,857	$ 1,183	465
Effective tax rate	43.9%	11.8%	25.3%

Deferred income tax liabilities are taxes AT&T Broadband Group expects to pay in future periods. Similarly, deferred income tax assets are recorded for expected reductions in taxes payable in future periods. Deferred income taxes arise because of differences in the book and tax bases of certain assets and liabilities. Deferred income tax liabilities and assets consist of the following:

DECEMBER 31,	2001	2000
LONG-TERM DEFERRED INCOME TAX LIABILITIES:		
Property, plant and equipment	$ 1,335	$ 1,319
Investments	8,130	9,148
Franchises	16,939	18,571
Other	1,519	2,087
Total long-term deferred income tax liabilities	27,923	31,125
LONG-TERM DEFERRED INCOME TAX ASSETS:		
Business restructuring	13	3
Net operating loss/credit carryforwards	80	509
Employee pensions and other benefits, net	330	520
Reserves and allowances	12	65
Valuation allowances	(23)	(726)
Other	1,701	2,204
Total long-term deferred income tax assets	2,113	2,575
Net long-term deferred income tax liabilities	25,810	28,550
CURRENT DEFERRED INCOME TAX LIABILITIES:		
Investments	11	670
Other	1	6
Total current deferred income tax liabilities	12	676
CURRENT DEFERRED INCOME TAX ASSETS:		
Employee pensions and other benefits	4	22
Reserves and allowances	10	10
Valuation allowances	--	(39)
Other	36	197
Total current deferred income tax assets	50	190
Net current deferred income tax (liabilities) assets	38	(486)
Total deferred income tax liabilities	$25,772	$29,036

The valuation allowance for deferred tax assets as of December 31, 2001 and 2000 was $23 and $765, respectively. The realization of AT&T Broadband Group's deferred tax assets is not dependent upon the consolidated tax group of AT&T. On a stand alone basis, AT&T Broadband Group has sufficient reversing taxable temporary differences to warrant recognition of its deferred tax assets without the need for any additional valuation allowance.

At December 31, 2001, AT&T Broadband Group had federal net operating loss carryforwards of $4, expiring through 2013 and state net operating loss carryforwards of $60, expiring through 2016. AT&T Broadband Group also has federal tax credit carryforwards of $16 expiring through 2004. In connection with the TCI Merger, certain federal and state net operating loss carryforwards were subject to a valuation allowance of $23 at December 31, 2001. If, in the future, the realization of these acquired deferred tax assets becomes more likely than not, any reduction of the associated valuation allowance will be allocated to reduce franchise costs and other purchased intangibles.

On September 30, 2001, the assets and liabilities of Excite@Home were deconsolidated from AT&T Broadband Group's consolidated balance sheet. Accordingly, AT&T Broadband Group's deferred income tax assets and liabilities at December 31, 2001, presented above, exclude any amounts related to Excite@Home.

(14) COMMITMENTS AND CONTINGENCIES

The Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act") imposed certain rate regulations on the cable television industry. Under the 1992 Cable Act, all cable systems are subject to rate regulation, unless they face "effective competition," as defined by the 1992 Cable Act and expanded in the Telecommunications Act of 1996 (the "1996 Act"), in their local franchise area.

Management of AT&T Broadband Group believes that they have complied in all material respects with the provisions of the 1992 Cable Act and the 1996 Act, including its rate setting provisions. If, as a result of the review process, a system cannot substantiate its rates, it could be required to retroactively reduce its rates to the appropriate benchmark and refund the excess portion of rates received.

In the normal course of business AT&T Broadband Group is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, AT&T Broadband Group is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at December 31, 2001. These matters could affect the operating results of any one quarter when resolved in future periods. However, management believes after final disposition, any monetary liability or financial impact to AT&T Broadband Group beyond that provided for at year-end would not be material to AT&T Broadband Group's annual combined financial statements.

AT&T Broadband Group leases land, buildings and equipment through contracts that expire in various years through 2050. Rental expense under operating leases was $144, $122 and $68 for the years ended December 31, 2001 and 2000, and the ten months ended December 31, 1999, respectively. The following table shows the future minimum lease payments due under noncancelable operating and capital leases at December 31, 2001:

	OPERATING LEASES	CAPITAL LEASES
2002	$135	$ 58
2003	129	56
2004	117	52
2005	95	51
2006	77	36
Later years	270	36
Total minimum lease payments	$823	289
Less amount representing interest		42
Present value of net minimum lease payments		$247

In addition, under certain real estate operating leases, AT&T Broadband Group could be required to make payments to the lessor up to $155 at the end of the lease term (lease terms range from 2002 through 2006). The actual amount paid, if any, would be reduced by amounts received by the lessor upon remarketing the property.

In July 1997, ATTBLLC's predecessor, TCI, and ATTBLLC's subsidiary, Satellite Services, Inc., entered into a 25 year affiliation term sheet with Starz Encore Group (formerly Encore Media Group) pursuant to which AT&T Broadband Group may be obligated to make fixed monthly payments in exchange for unlimited access to Encore and Starz! programming. Starz Encore Group is a subsidiary of LMG, a former subsidiary of AT&T. The commitment, which is based on a fixed number of subscribers, increases annually from $306 in 2002 to $315 in 2003, and will increase annually through 2022 with inflation, subject to certain adjustments, including increases in the number of subscribers. The affiliation term sheet further provides that to the extent Starz Encore Group's programming costs increase above certain levels, AT&T Broadband Group's payments under the term sheet will be increased in proportion to the excess. Excess programming costs that may be payable by AT&T Broadband Group in future years are not presently estimable, and could be significant. By letter dated May 29, 2001, AT&T Broadband Group disputed the enforceability of the excess programming pass through provisions of the term sheet and questioned the validity of the term sheet as a whole. AT&T Broadband Group also has raised certain issues concerning the uncertainty of the provisions of the term sheet and the contractual interpretation and application of certain of its provisions to, among other things, the acquisition and disposition of cable systems. In July 2001, Starz Encore Group filed suit seeking payment of the 2001 excess programming costs and a declaration that the term sheet is a binding and enforceable contract. In October 2001, AT&T Broadband Group and Starz Encore Group agreed to stay the litigation until August 31, 2002 to allow the parties time to continue negotiations toward a potential business resolution of this dispute. The Court granted the stay on October 30, 2001. The terms of the stay order allow either party to petition the Court to lift the stay after April 30, 2002 and to proceed with the litigation.

At December 31, 2001, an entity attributed to AT&T Broadband Group has an agreement with Motorola, Inc. to purchase a minimum of 1.6 million digital set-top devices at an average price of $234 per unit in 2002. During 2001, AT&T Broadband Group satisfied its obligation under a previous agreement with Motorola, Inc. to purchase set-top devices.

AT&T Broadband Group is party to an agreement under which it purchases certain billing services from CSG Systems, Inc. ("CSG"). Unless terminated by either party pursuant to terms of the agreement, the agreement expires on December 31, 2012. The agreement calls for monthly payments which are subject to adjustments and conditions pursuant to the terms of the underlying agreements. The annual commitment under the agreement is $130 for 2002 and will increase annually with inflation.

(15) RELATED PARTY TRANSACTIONS

As discussed in Note 1, AT&T provides necessary working capital requirements through intercompany debt and capital contributions to AT&T Broadband Group. These amounts are reflected in the accompanying combined balance sheets as short-term debt due to AT&T or a component of attributed net assets. Short-term debt due to AT&T and interest was assumed based upon the methodology outlined in Note 1. Intercompany debt was $3,959 and $5,830 at December 31, 2001 and 2000, respectively. Intercompany interest expense was $320, $323 and $91 for the years ended December 31, 2001 and 2000 and for the ten months ended December 31, 1999, respectively.

AT&T Consumer Services Group provides AT&T Broadband Group with sales support and customer care services at cost based prices. For the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, such amounts totaled $190, $89 and $121, respectively, and are included in selling, general and administrative expenses in the accompanying combined statements of operations.

In addition, AT&T Business Services Group provides AT&T Broadband Group with wireline communication and other services. For the years ended December 31, 2001 and 2000 and the ten months ended December 31, 1999, charges for such services totaled $232, $104 and $31, respectively, and are included in costs of services in the accompanying combined statements of operations.

Included in current liabilities at December 31, 2001 and 2000, was $2 and $98, respectively, related to amounts due AT&T Consumer Services Group and AT&T Business Services Group for the above described services.

AT&T allocates general corporate overhead expenses, including finance, legal, marketing, use of the AT&T brand, planning and strategy and human resources to AT&T Broadband Group, as well as costs for AT&T employees who directly support the activities of the AT&T Broadband Group. Charges for such services amounted to $146, $159 and $120 for the years ended December 31, 2001 and 2000 and for the ten months ended December 31, 1999, respectively. These amounts are included in selling, general and administrative expenses in the accompanying combined statements of operations and were determined based on methodology described in note 1.

AT&T Broadband Group transferred $628 of marketable securities and equity investments and $180 of related deferred tax liabilities to AT&T through combined attributed net assets during the first quarter of 2001. No gain or loss was recorded on this transaction.

In addition, AT&T Broadband Group had various related party transactions with LMG. Included in cost of services were programming expenses related to services from LMG. These expenses amounted to $199, $239 and $184 for the seven months ended July 31, 2001, the deemed effective date of the LMG spin-off from AT&T for accounting purposes, the year ended December 31, 2000 and the ten months ended December 31, 1999, respectively.

On October 2, 2000, AT&T Broadband Group, through MediaOne, completed the sale of several equity interests in international ventures acquired as a result of the MediaOne Merger to the AT&T

Wireless Group. Such interests were sold for approximately $1 billion, which was based upon a third party valuation. AT&T Broadband Group received 120,335,081 of AT&T common shares for sale of such equity interests. The AT&T Common stock received in such transaction has been included in combined attributed net assets. In connection with such sale, $196 of related deferred tax liabilities were transferred to AT&T Wireless Group. No gain or loss was recognized on the sale of such equity interests.

(16) NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations ("SFAS 141")," which supersedes Accounting Principles Board ("APB") Opinion No. 16. SFAS 141 requires all business combinations initiated after June 30, 2001 be accounted for under the purchase method. In addition, SFAS 141 establishes criteria for the recognition of intangible assets separately from goodwill. These requirements are effective for fiscal years beginning after December 15, 2001, which for AT&T Broadband Group means January 1, 2002. The adoption of SFAS 141 will not have a material effect on AT&T Broadband Group's results of operations, financial position or cash flow.

Also in June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets ("SFAS 142")," which supercedes APB Opinion No. 17. Under SFAS 142 goodwill and indefinite lived intangible assets will no longer be amortized, but rather will be tested for impairment upon adoption and at least annually thereafter. In addition, the amortization period of intangible assets with finite lives will no longer be limited to 40 years. SFAS 142 is effective for fiscal years beginning after December 15, 2001, which for AT&T Broadband Group means the standard will be adopted on January 1, 2002. In connection with the adoption of this standard, AT&T Broadband Group's unamortized goodwill balance and excess basis related to goodwill of equity method investments will no longer be amortized, but will continue to be tested for impairment. In addition, AT&T Broadband Group has determined that franchise costs are indefinite lived assets and therefore, as of January 1, 2002 will no longer be subject to amortization, but will continue to be tested for impairment. The adoption of SFAS 142 will have a significant impact on future operating results due to the cessation of goodwill and franchise cost amortization. The goodwill balance as of December 31, 2001 was $19.3 billion with related amortization expense for the year ended December 31, 2001, of $659. The excess basis related to AT&T Broadband Group's equity method investments as of December 31, 2001 was $3.0 billion with related amortization of $148. AT&T Broadband Group performed an impairment test on the goodwill balance as of January 1, 2002. In accordance with SFAS 142, the impairment test was performed by comparing the fair value of the reporting unit to its carrying value. As of January 1, 2002, the fair value of the reporting unit exceeded its carrying value, and therefore no impairment loss will be recognized upon adoption. The franchise cost balance as of December 31, 2001 was $42.8 billion with related amortization expense for the year ended December 31, 2001 of $1,224. In accordance with SFAS 142, franchise costs were tested for impairment as of January 1, 2002, by comparing the fair values to the carrying values (at a market level). As a result of such tests, an impairment loss of $856, net of taxes of $530, will be recognized as a change in accounting principle in the first quarter of 2002.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations ("SFAS 143")." This standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002, which for AT&T Broadband Group means the standard will be adopted on January 1, 2003. AT&T Broadband Group does not expect that the adoption of this statement will have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144")," which supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121")." SFAS 144 applies to all long-lived assets, including discontinued operations, and consequently amends APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Based on SFAS 121, SFAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (i) can be distinguished from the rest of the entity and (ii) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 also amends Accounting Research Bulletin ("ARB") No. 51, "Consolidating Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS 144 is effective for AT&T Broadband Group as of January 1, 2002. The adoption of SFAS 144 will not have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

(17) AT&T COMCAST MERGER.

On November 18, 2002, in accordance with the Merger Agreement, as amended, the AT&T Comcast transaction was consummated. On such date, among other things, (i) AT&T transferred to AT&T Broadband Corp. substantially all the assets, liabilities and businesses represented by AT&T Broadband Group, (ii) AT&T spun off AT&T Broadband Corp. to its shareholders and (iii) Comcast Holdings, Inc. (formerly known as Comcast Corporation) ("Comcast Holdings") and AT&T Broadband Corp. each merged with a different, wholly-owned subsidiary of Comcast Corporation (formerly known as AT&T Comcast Corporation) ("Comcast").

AT&T assigned and transferred to AT&T Broadband Corp. all of AT&T's and its subsidiaries' right, title and interest in all of the assets of AT&T's broadband business which were not already held by AT&T Broadband Corp. or an AT&T Broadband Corp. subsidiary. The assets comprising AT&T's broadband business were generally determined in the following manner:

- assets reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000 are assets of AT&T's broadband business, except as described below;

- assets reflected in the AT&T Communications balance sheet dated as of December 31, 2000 are assets of AT&T's communications business, except as described below;

- assets acquired after December 31, 2000 by AT&T or any of its subsidiaries utilizing assets of AT&T's broadband business are assets of AT&T's broadband business, except as described below;

- assets acquired after December 31, 2000 by AT&T or any of its subsidiaries utilizing assets of AT&T's communications business are assets of AT&T's communications business, except as described below;

- certain assets are specifically assigned to AT&T's broadband business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000;

- certain assets are specifically assigned to AT&T's communications business regardless of whether or not they are reflected in the AT&T Communications balance sheet dated as of December 31, 2000; and

- assets that are not reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000, or specifically assigned to AT&T's broadband business or AT&T's communications business are assigned to the business to which they primarily relate.

At the same time as the assignment, AT&T Broadband Corp. assumed all of the liabilities of AT&T's broadband business that were not already liabilities of AT&T Broadband Corp. or an AT&T Broadband Corp. subsidiary. The liabilities of AT&T's broadband business were generally determined in the following manner:

- liabilities reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000 are liabilities of AT&T's broadband business, except as described below;

- liabilities reflected in the AT&T Communications balance sheet dated as of December 31, 2000 are liabilities of AT&T's communications business, except as described below;

- liabilities incurred after December 31, 2000 by entities transferred as part of AT&T's broadband business are liabilities of AT&T's broadband business, except as described below;

- liabilities incurred after December 31, 2000 by entities not transferred as part of AT&T's broadband business are liabilities of AT&T's communications business, except as described below;

- certain liabilities are specifically assigned to AT&T's broadband business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet dated as of December 31, 2000;

- certain liabilities are specifically assigned to AT&T's communications business regardless of whether or not they are reflected in the AT&T Communications balance sheet dated as of December 31, 2000;

- certain liabilities such as liabilities arising out of the AT&T Comcast transaction or involving At Home or AT&T Wireless (to the extent AT&T is not indemnified by AT&T Wireless for such liabilities) are divided evenly between AT&T's broadband business and AT&T's communications business regardless of whether or not they are reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000; and

- liabilities that are not reflected in the AT&T Broadband Group balance sheet or the AT&T Communications balance sheet, in each case dated as of December 31, 2000, or specifically assigned to AT&T's broadband business or AT&T's communications business are assigned to the business to which they primarily relate.

On November 19, 2002, the name of AT&T Broadband Corp. was changed to Comcast Cable Communications Holdings, Inc.

AT&T BROADBAND GROUP
(AN INTEGRATED BUSINESS OF AT&T)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Currently, AT&T Broadband Group is an integrated business of AT&T Corp. and not a stand-alone entity. AT&T Broadband Group consists primarily of the assets, liabilities and business of AT&T Broadband, LLC (formerly TCI), acquired by AT&T on March 9, 1999 in the TCI merger and MediaOne Group, Inc. ("MediaOne") acquired by AT&T on June 15, 2000 in the MediaOne acquisition. AT&T Broadband Group is one of the nation's largest broadband communications providers, providing cable television, high-speed cable Internet and broadband telephone services. AT&T intends to assign and transfer substantially all of the assets, liabilities and business of AT&T Broadband Group to AT&T Broadband Corp., a newly formed holding company for AT&T's broadband business, which will be subsequently merged with Comcast as discussed below.

Comcast and AT&T have agreed to a combination of Comcast and AT&T Broadband Corp. (the "AT&T Comcast Transaction"). The AT&T Comcast Transaction is pursuant to, and subject to the terms and conditions set forth in the Agreement and Plan of Merger, dated as of December 19, 2001. The AT&T Comcast Transaction will occur in several steps, which are expected to occur on the closing date of the AT&T Comcast Transaction. First, AT&T will assign and transfer to AT&T Broadband Corp., substantially all of the assets and liabilities of AT&T's broadband business. Following the transfer, AT&T will spin off AT&T Broadband Corp. to AT&T shareholders by distributing one share of AT&T Broadband Corp. common stock for each share of AT&T common stock, NYSE symbol "T," as of the close of business on the record date for the AT&T Broadband spin-off. Immediately following the AT&T Broadband spin-off, AT&T Broadband Corp. will merge with AT&T Broadband Acquisition Corp., a newly formed, wholly owned shell subsidiary of AT&T Comcast, with AT&T Broadband Corp. continuing as the surviving corporation. At approximately the same time, Comcast will merge with Comcast Acquisition Corp., a newly formed, wholly owned shell subsidiary of AT&T Comcast, with Comcast continuing as the surviving entity. As a result of these mergers, AT&T Comcast will become the parent company of both AT&T Broadband Corp. and Comcast.

AT&T Comcast will issue shares of AT&T Comcast common stock to the AT&T shareholders who received shares of AT&T Broadband Corp. common stock in the AT&T Broadband spin-off. As of the date of execution of the merger agreement, it was estimated that each holder of AT&T Broadband Corp. common stock would have received approximately 0.34 of a share of AT&T Comcast common stock for each of such holder's shares of AT&T Broadband Corp. common stock. Assuming Comcast retains its AT&T shares and converts them into exchangeable preferred stock of AT&T as contemplated by the merger agreement, the exchange ratio would be approximately 0.35. The exchange ratio is dependent on a number of factors that may change between the date of execution of the merger agreement and the date of completion of the AT&T Comcast Transaction, including the number of outstanding shares of AT&T common stock, the value of options and stock appreciation rights and the price of Comcast Class A common stock.

AT&T will pay Comcast a termination fee in the amount of $1.5 billion in cash if the merger agreement is terminated because (i) the AT&T Board withdraws or modifies, in a manner adverse to Comcast, its recommendation of the AT&T Comcast Transaction, (ii) AT&T willfully and materially breaches certain terms of the merger agreement and (iii) if the AT&T shareholders fail to approve the AT&T Comcast Transaction because a competing acquisition proposal made by a third party is pending at the time of the AT&T shareholder meeting and within one year of the AT&T meeting, AT&T enters into an agreement relating to an alternative material transaction. Comcast will pay to AT&T $1.5 billion termination fee in cash if the merger agreement is terminated because the Comcast shareholders fail to approve the AT&T Comcast Transaction.

Consummation of the AT&T Comcast Transaction is subject to the satisfaction or waiver of several conditions, including but not limited to, approval by the shareholders of AT&T and Comcast and receipt of all necessary governmental consents and approvals. As a result, there can be no assurance that the AT&T Comcast Transaction will be consummated, or if the AT&T Comcast Transaction is consummated, as to the date of such consummation.

AT&T Broadband Group's revenue is derived primarily from the provision of analog and digital video services, high-speed cable Internet services and broadband telephone services. AT&T Broadband Group also charges customers for installation of equipment into their homes. Additionally, AT&T Broadband Group derives revenue from the sale of advertising time via ad avails on certain cable networks. AT&T Broadband Group sells its services on an individual basis as well as through packages or on a bundled basis. AT&T Broadband Group expects revenue will continue to increase in the future as a result of increases in the number of customers for its various services as well as rate increases. AT&T Broadband Group anticipates that the mix of its customers will change over time as the number of customers receiving advanced services increases. Accordingly, AT&T Broadband Group expects revenue from advanced services to increase as a percentage of total revenue over time.

AT&T Broadband Group's operating expenses consist of service costs and selling, general and administrative expenses attributable to the management of its customer base. Service costs include fees paid to programming suppliers, expenses related to copyright fees, wages and salaries of technical personnel, franchise fees, plant operating costs, high-speed data network transport and Internet service costs, access and interconnection costs and local and long-distance wholesale costs. Programming fees have historically increased at rates in excess of inflation. AT&T Broadband Group expects video programming costs will continue to increase. Competitive factors may limit AT&T Broadband Group's ability to recover increases in programming costs through rate increases to video customers. Selling, general and administrative expenses directly attributable to AT&T Broadband Group's cable television systems include wages and salaries for customer service and administrative personnel, and expenses related to billing, marketing, advertising sales and office administration.

AT&T Broadband Group (including its predecessor entities, TCI and MediaOne) has had a history of net losses and expects to continue to report net losses for the next few years. AT&T Broadband Group reported net losses of $3.9 billion, $5.4 billion and $2.2 billion for the years ended December 31, 2001 and 2000, and the ten month period ended December 31, 1999, respectively. The ability of AT&T Broadband Group to report net income in the future is largely dependent upon AT&T Broadband Group's ability to increase future revenue and operating margins. AT&T Broadband Group plans to grow revenue by offering advanced services to more customers. In addition, AT&T Broadband Group plans to increase operating margins through cost cutting efforts and operating efficiencies. AT&T Broadband Group's strategy and business plan requires substantial capital spending in the next few years to upgrade its broadband systems to expand bandwidth capacity and add two-way capability so that it may offer advanced services to more customers. The failure to obtain necessary capital would have a material adverse effect on AT&T Broadband Group's strategy and business plan for future growth.

AT&T Broadband Group's operations have been dependent on cash infusions from AT&T in order for AT&T Broadband Group to operate and execute on its business and growth strategies. If, for any reason, AT&T is unwilling or cannot provide the level of financing necessary to fund future operations, AT&T Broadband Group will need to seek additional financing from third parties.

Debt attributed to AT&T Broadband Group includes the third party obligations of AT&T Broadband, LLC and MediaOne and monetization debt backed by assets held by AT&T Broadband Group. Additional intercompany debt has been allocated to AT&T Broadband Group to achieve a total debt level based on several factors, including prospective financing requirements, desired stand-alone credit profile, working capital and capital expenditure requirements, expected sources of future deleveraging, and comparable company profiles. Changes in historical intercompany debt are based on historical cash flows. Such cash flows include capital expenditures, operating activities, and investments in cable companies. The historical interest expense on the allocated intercompany debt was calculated based on a rate intended to be equivalent to the rate AT&T Broadband Group would receive if it were a stand-alone entity. AT&T's expected deleveraging activities that relate to AT&T Broadband Group include, but may not be limited to, the following: proceeds that may result from the exercise of AT&T's registration rights in Time Warner Entertainment ("TWE") and continued evaluation and sale of non-strategic cable systems.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

AT&T Broadband Group's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments including those related to revenue recognition, allowances for doubtful accounts, useful lives of property, plant and equipment, internal-use software and intangible assets, investments, derivative contracts, pension and other post-retirement benefits and income taxes. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. AT&T Broadband Group believes that of its significant accounting policies, the following may involve a higher degree of judgment or complexity:

Revenue recognition -- AT&T Broadband Group only records revenue for transactions which are considered to be part of its central, ongoing operations. AT&T Broadband Group recognizes video, voice and data services revenue based upon monthly service fees, fees per event or minutes of traffic processed. Revenue for customer fees, equipment rental, advertising and pay-per-view programming is recognized in the period the services are provided. Video and nonvideo installation revenue is recognized in the period the installation services are provided to the extent of direct selling costs. Any remaining amount is deferred and recognized over the estimated average period that customers are expected to remain connected to the cable distribution systems. For contracts where AT&T Broadband Group provides customers with an indefeasible right to use network capacity, AT&T Broadband Group recognizes revenue ratably over the stated life of the agreement or if the agreement has an indefinite life, over the useful life of the assets being used.

Allowances for doubtful accounts -- AT&T Broadband Group maintains allowances for doubtful accounts for estimated losses which result from the inability of its customers to make required payments. AT&T Broadband Group bases its allowances on the likelihood of recoverability of accounts receivable based on past experience and taking into account current collection trends that are expected to continue. If economic or specific industry trends worsen beyond AT&T Broadband Group's estimates, AT&T Broadband Group would increase its allowances for doubtful accounts by recording additional expense. AT&T Broadband Group's accounts receivable are fully reserved for when past due 90 days or more.

Estimated useful lives of property, plant and equipment, internal-use software and intangible assets -- AT&T Broadband Group estimates the useful lives of property, plant and equipment, internal-use software and intangible assets in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. The useful lives are estimated at the time the asset is acquired and are based on historical experience with similar assets as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of an impairment charge to reflect the write-down in value of the asset. AT&T Broadband Group reviews these types of assets for impairment annually, or when events or circumstances indicate that the carrying amount may be not be recoverable over the remaining lives of the assets. In assessing impairments, AT&T Broadband Group uses cash flows which take into account management's estimates of future operations. Beginning January 1, 2002, in accordance with the provisions of Statement of Financial Accounting Standard ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), AT&T Broadband Group will no longer amortize goodwill, excess basis related to equity-method investments and franchise costs associated with a business combination, but will test these assets at least annually for impairment.

Investments -- AT&T Broadband Group holds investments in other companies which it accounts for under either the cost method or equity method of accounting. Many of these companies are publicly traded and have volatile share prices however, some of these companies are not publicly traded and therefore the value may be difficult to determine. For investments that are not publicly traded AT&T Broadband Group estimates fair value using market-based (comparable sales) and income-based (discounted cash flow) methods. In addition, AT&T Broadband Group has monetized some of its investments by issuing debt that is tied to the trading price of the security, and which can be settled in shares or cash. Some of the cost-method investments are classified as "trading" securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and are marked-to-market through the statement of operations. However, other cost method investments are classified as "available-for-sale" under SFAS No. 115 and are marked-to-market through other comprehensive income, as a component of combined attributed net assets, on the balance sheet. AT&T Broadband Group records an investment impairment charge on its "available-for-sale" and equity-method investments when it believes the decline in the investment value is other than temporary. When determining an other than temporary decline, AT&T Broadband Group considers, among other items, the length of time the trading price has been below the carrying value, the financial condition of the investee company, including the industry in which it operates, and AT&T Broadband Group's ability or intent to retain the investment. If the financial condition of the investee company or the industry in which it operates were to be materially different than AT&T Broadband Group's expectation, AT&T Broadband Group would record an expense to reflect the other than temporary decline in value of the investment. At December 31, 2001, unrealized losses on "available-for-sale" securities included in other comprehensive income as a component of combined attributed net assets were approximately $169 million (pretax).

Derivative contracts -- AT&T Broadband Group enters into derivative contracts to mitigate market risk from changes in interest rates and equity prices. Certain exchangeable debt instruments (debt exchangeable into or tied to the value of securities AT&T Broadband Group owns) contain embedded derivatives that require accounting separate from the debt instrument, while other exchangeable debt instruments have derivatives issued in conjunction with net purchased options. The fair value of option based derivatives is determined using the Black-Scholes option pricing model, which is based on a set of inputs, including the price of the underlying stock, volatility of the underlying stock and interest rates. These inputs are based on prevailing market indications that are either directly observable in the market, received from qualified investment banking firms or are internally calculated. Changes in these inputs would result in a change in the fair value of the option contracts. Changes in the fair value of option contracts accounted for as cash flow hedges are recorded, net of income taxes, within other comprehensive income, as a component of combined attributed net assets, on the balance sheet. Changes in the fair value of option contracts undesignated for accounting purposes are recorded within other (expense) income in the statement of operations. Generally, fair value calculations of other derivative contracts (e.g., interest rate swaps) require less judgment and are valued based on market interest rates.

Pension and postretirement benefits -- The amounts recognized in the financial statements related to pension and postretirement benefits are determined on an actuarial basis, which utilizes many assumptions in the calculation of such amounts. A significant assumption used in determining the net pension and postretirement expense is the expected long-term rate of return on plan assets. In 2001, AT&T Broadband Group assumed an expected long-term rate of return on plan assets of 9.5%. On average, the actual return on plan assets over the long-term has substantially exceeded 9.5%; however, in the past two years, the plan's assets have experienced rates of return substantially lower than 9.5%.

For 2002, AT&T Broadband Group will lower its expected long-term rate of return assumption from 9.50% to 9.0%, reflecting the generally expected moderation of long-term rates of return in the financial markets. AT&T Broadband Group does not expect this decrease in the expected long-term rate of return to have a material impact on AT&T Broadband Group's results of operations.

Another estimate that affects the net pension credit and postretirement expense is the discount rate used in the annual actuarial valuations of pension and postretirement benefit plan obligations. At the end of each year, AT&T Broadband Group determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the pension and postretirement benefit obligations. The discount rate is generally based on the yield on high-quality corporate fixed-income investments. At December 31, 2001, AT&T Broadband Group lowered the discount rate to 7.25% from 7.5% at December 31, 2000. Changes in the discount rate do not have a material impact on AT&T Broadband Group's results of operations.

Income taxes -- Consolidated income tax provisions or benefits related to tax payments or refunds and deferred tax balances of AT&T have been allocated to AT&T Broadband Group based principally on the taxable income and tax credits directly attributable to AT&T Broadband Group, resulting in essentially a stand-alone presentation. AT&T Broadband Group records deferred tax assets and liabilities using enacted tax rates for the effect of temporary differences between the book and tax bases of assets and liabilities. If enacted tax rates changed, AT&T Broadband Group would adjust the deferred tax assets and liabilities, through the provision for income taxes in the period of change, to reflect the enacted tax rate expected to be in effect when the deferred tax items reverse. A one percentage point change in the enacted tax rates would increase or decrease net loss by approximately $700 million. AT&T Broadband Group records a valuation allowance on deferred tax assets to reflect the expected future tax benefits to be realized. In determining the appropriate valuation allowance, AT&T Broadband Group takes into account the level of expected future taxable income and available tax planning strategies. If future taxable income was lower than expected or if expected tax planning strategies were not available as anticipated, AT&T Broadband Group may record an additional valuation allowance through income tax expense in the period such determination was made. At December 31, 2001, AT&T Broadband Group had long-term deferred tax assets (included within long-term deferred tax liabilities) of $2.1 billion, which included a valuation allowance of $23 million.

OPERATING RESULTS

The results of operations for AT&T Broadband Group begin on March 1, 1999, the effective date of the TCI merger for accounting purposes. Accordingly, AT&T Broadband Group's results of operations for 1999 include 10 months of operations compared to 12 months of operations in 2000 and 2001.

Year-over-year comparisons were significantly impacted by events, such as acquisitions and dispositions, that occurred during 2000 and 2001. Effective June 15, 2000, AT&T completed the acquisition of MediaOne. In addition AT&T Broadband Group completed dispositions and exchanges that in the aggregate affect the comparability of financial results between periods.

Year-over-year comparisons were also impacted by At Home Corporation ("Excite@Home"). For the period January 1, 2000 through August 31, 2000, Excite@Home was accounted for as an equity method investment. On September 1, 2000, Excite@Home was consolidated due to corporate-governance changes, which gave AT&T the right to designate six of the 11 Excite@Home board members, and therefore, a controlling interest. On September 28, 2001, Excite@Home filed for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court, for the Northern District of California. As a result of the bankruptcy filing and the removal by AT&T of four of its six members from Excite@Home's board of directors, AT&T Broadband Group no longer consolidated Excite@Home as of September 30, 2001. The consolidation of Excite@Home resulted in the inclusion of 100% of its results in each line item of AT&T Broadband Group's combined statement of operations from September 1, 2000 to September 30, 2001 at which time Excite@Home was deconsolidated. Losses attributable to the other shareholders of

Excite@Home have been reflected within minority interest income (expense) in the combined statement of operations and minority interest in the combined balance sheet from September 1, 2000 to September 30, 2001. As a result of the significant losses incurred by Excite@Home, the minority interest balance was fully utilized during 2001, therefore, in September 2001 AT&T Broadband Group recognized more than its 23% of the losses of Excite@Home. Under the equity method of accounting, any earnings or losses are included as a component of net losses from equity investments in the combined statement of operations. Beginning October 1, 2001, AT&T Broadband Group no longer recorded equity earnings or losses related to Excite@Home since AT&T Broadband Group recorded losses in excess of its investment in Excite@Home.

YEAR ENDED DECEMBER 31, 2001 COMPARED WITH YEAR ENDED DECEMBER 31, 2000 AND YEAR ENDED DECEMBER 31, 2000 COMPARED WITH THE TEN MONTHS ENDED DECEMBER 31, 1999

Revenue

Revenue increased $1,687 million, or 20%, in 2001 compared to 2000. Approximately $1,500 million of this increase was due to the impact of the MediaOne acquisition. Also contributing to the revenue increase was higher revenue from advanced services (broadband telephone service and high-speed cable Internet service) of $550 million, an increase in basic-cable and digital video revenue of $291 million, an increase in other cable related revenue of $115 million and the impact from the consolidation of Excite@Home of $110 million. Basic-cable and digital video revenue increased due to an increase in digital video customers and rate increases. Such increases were partially offset by a decrease in revenue of $883 million due to net dispositions. AT&T Broadband Group expects 2002 revenue to increase as demand for advanced services continues to grow.

Revenue increased $3,365 million, or 66%, in 2000 compared to 1999. Approximately $2,765 million of this increase was due to the impacts of the MediaOne acquisition and the TCI merger. The remaining increase was primarily a result of an increase in basic cable and digital video revenue of approximately $268 million, the impact from the consolidation of Excite@Home of $248 million and an increase in revenue from advanced services of $169 million. Cable revenue increased primarily as a result of an increase in digital video customers and rate increases. Such increases were partially offset by a decrease in revenue of $104 million due to the Cox disposition.

Customers of AT&T Broadband Group consisted of the following (in millions):

DECEMBER 31,	2001	2000	1999
Basic cable service	13.6	16.0	11.4
Homes passed	24.6	28.3	19.7
Digital video service	3.5	2.8	1.8
High-speed cable Internet service	1.5	1.1	0.2
Broadband telephone service	1.0	0.5	0.0

The decrease in the number of homes and basic cable customers passed primarily reflects the net disposition of cable systems in 2001. In addition, the number of basic cable customers declined due to the impacts of competition. Competition may continue to have a detrimental impact on basic subscriber growth. AT&T Broadband Group acquired systems passing approximately 8.7 million homes with approximately 5.0 million basic cable customers in the MediaOne acquisition. The MediaOne acquisition added 0.2 million digital video service customers, 0.3 million high-speed cable Internet customers and 0.1 million broadband telephone customers.

Cost of Services

Cost of services increased $859 million, or 19%, in 2001 compared with 2000. Approximately $782 million of this increase was due to the impact of the MediaOne acquisition. The remaining increase was primarily a result of an increase of $184 million in costs associated with growth in broadband telephone and high-speed cable Internet services, an increase of $146 million in programming costs associated with basic cable and digital video services and a $140 million impact from the consolidation of Excite@Home. Such increases were partially offset by a decrease in costs of $428 million due to net dispositions.

Cost of services increased $1,914 million, or 71%, in 2000 compared with 1999. Approximately $1,409 million of this increase was primarily due to the impact of the MediaOne acquisition and the TCI merger. The remaining increase primarily was a result of a $195 million impact from the consolidation of Excite@Home, an increase of $180 million in programming costs, an increase of $142 million associated with high-speed cable Internet and broadband telephone services and an increase in salary expense and other basic cable costs of $138 million due to growth in the business. Such increases were offset by a decrease in costs of $48 million due to the Cox disposition.

Selling, General and Administrative

Selling, general and administrative expenses increased $402 million, or 18%, in 2001 compared with 2000. Approximately $264 million of this increase was due to the impact of the MediaOne acquisition. The remaining increase was primarily due to growth in high-speed cable Internet and broadband telephone services of $173 million and an increase in video costs for advertising and customer care of $62 million. Such increases were partially offset by the impact of net dispositions of $112 million and cost control efforts.

Selling, general and administrative expenses increased $927 million, or 74%, in 2000 compared to 1999. Approximately $668 million of this increase was due to the impact of the MediaOne acquisition and the TCI merger. The remaining increase primarily was a result of an increase in expenses related to high-speed cable Internet and broadband telephone service of $232 million and the impact from the consolidation of Excite@Home of $56 million.

Depreciation and Other Amortization

Depreciation and other amortization expense increased $952 million, or 57%, in 2001 compared with 2000. Approximately $417 million of this increase was due to the MediaOne acquisition and $113 million was due to the consolidation of Excite@Home. The remaining increase was primarily due to a higher asset base resulting from continued infrastructure investment. This increase was partially offset by $91 million due to net dispositions.

Depreciation and other amortization expense increased $869 million, or 108%, in 2000 compared to 1999. Approximately $630 million of this increase was due to the MediaOne acquisition and the TCI merger. The remaining increase was due to a higher asset base resulting from continued infrastructure investment and the impact from the consolidation of Excite@Home of $80 million.

Total capital expenditures for 2001, 2000 and 1999 were $3,413 million, $4,426 million and $3,161 million, respectively.

Amortization of Goodwill, Franchise Costs and Other Purchased Intangibles

Amortization expense decreased $223 million, or 9%, in 2001 compared with 2000. Such decrease was primarily due to $700 million from lower goodwill associated with Excite@Home resulting from an impairment of goodwill recorded in late 2000 and early 2001. Such decrease was partially offset by the impact of the MediaOne acquisition of $470 million.

Amortization expense increased $1,508 million, or 174%, in 2000 compared to 1999. Approximately $911 million of this increase was due to the consolidation of Excite@Home. The remaining increase was due to the MediaOne acquisition and the TCI merger.

Beginning in 2002, AT&T Broadband Group will no longer amortize goodwill or franchise costs in accordance with the provisions of SFAS 142. A further discussion of the impacts of SFAS 142 is included in "Recent Accounting Pronouncements" included herein.

Asset Impairment, Restructuring and Other Charges

Asset impairment, restructuring and other charges decreased $4,776 to $1,494 million in 2001. The 2001 charge included $1,171 million of asset impairment charges related to Excite@Home and $323 million for restructuring and exit costs, which consisted of $151 million for severance costs, $156 million for facilities closing and $16 million related to termination costs of contractual obligations.

The $1,171 million of asset impairment charges recorded during 2001 consisted of $1,032 million related to Excite@Home associated with the write-down of goodwill and other intangible assets, warrants granted in connection with distributing the @Home service, and fixed assets. These charges were due to continued deterioration in the business climate of, and reduced levels of venture capital funding activity for, Internet advertising and other Internet-related companies, continued significant declines in the market values of Excite@Home's competitors in the Internet advertising industry, and changes in their operating and cash flow forecasts for the remainder of 2001. These charges were also impacted by Excite@Home's decision to sell or shut down narrowband operations. As a result of the foregoing, and other factors, Excite@Home entered into bankruptcy proceedings in September 2001. In addition, AT&T Broadband Group recorded a related goodwill impairment charge of $139 million associated with its acquisition goodwill of Excite@Home. Since AT&T Broadband Group consolidated Excite@Home but only owned approximately 23% of Excite@Home, a portion of the charges recorded by Excite@Home has been eliminated in the statement of operations as minority interest income (expense).

The severance costs of $151 million, for the involuntary separation of approximately 7,700 employees, resulted from cost reduction efforts by AT&T Broadband and Excite@Home in addition to the synergies created by the MediaOne acquisition. Approximately 36% of the affected employees are management employees and 64% are non-management employees. Nearly all the affected employees have left their positions as of December 31, 2001.

The restructuring initiative yielded cash savings of approximately $21 million in 2001 (net of severance payouts). In subsequent years the net cash savings will continue to increase, due to the timing of actual separation and associated payments, until the completion of the exit plan, at which time AT&T Broadband Group expects to yield approximately $267 million of cash savings per year. The restructuring initiative had no benefit to operating income (net of the restructuring charges recorded) in 2001. In subsequent years, the operating income benefit will continue to increase, due to timing of actual separations, until the completion of the exit plan, at which time AT&T Broadband Group expects a benefit to operating income of approximately $267 million. The cost savings, primarily attributable to reduced personnel-related expenses, will be realized in cost of services and selling, general and administrative expenses.

As a result of continuing realignment, AT&T Broadband Group expects to record a restructuring charge in the first quarter of 2002 in the range of $50 million to $100 million.

Asset impairment, restructuring and other charges increased $5,626 million in 2000 to $6,270 million. For the year ended 2000, the charge included $6,179 million of asset impairment charges related to Excite@Home and $91 million related to restructuring and exit costs.

The impairments resulted from the deterioration of the market conditions and market valuations of Internet-related companies during the fourth quarter of 2000, which caused Excite@Home to conclude that intangible assets related to their acquisitions of Internet-related companies may not be recoverable. In accordance with SFAS 121, Excite@Home conducted a detailed assessment of the recoverability of the carrying amounts of acquired intangible assets. This assessment resulted in a determination that certain acquired intangible assets, including goodwill, related to these acquisitions were impaired as of December 31, 2000. As a result, Excite@Home recorded impairment charges of $4,609 million in

December 2000, representing the excess of the carrying amount of the impaired assets over their fair value. The impairment was allocated to each asset group based on a comparison of carrying values and fair values. The impairment write-down within each asset group was allocated first to goodwill, and if goodwill was reduced to zero, to identifiable intangible assets in proportion to carrying values. Since AT&T Broadband Group, through AT&T Broadband, LLC, owned approximately 23% of Excite@Home, 77% of the charge recorded by Excite@Home was not included as an increase of net loss, but rather was eliminated through minority interest income (expense) in the combined statements of operations.

As a result of the foregoing, AT&T Broadband Group recorded a goodwill and acquisition-related impairment charge of $1,570 million associated with the acquisition of its investment in Excite@Home. The write-down of AT&T Broadband Group's investment to fair value was determined utilizing discounted expected cash flows.

The $91 million charge for restructuring and exit plans was primarily due to headcount reductions as part of the integration of MediaOne, the centralization of certain functions, and the consolidation of call center facilities. This charge included $61 million of cash termination benefits associated with the involuntary separation of 1,060 employees. Approximately 25% of the employees were management while 75% were non-management employees. The $91 million charge also included a loss of $30 million recognized on the disposition of facilities as a result of synergies created by the MediaOne acquisition.

During 1999, AT&T Broadband Group recorded $644 million of asset impairment, restructuring and other charges. This included an in-process research and development charge of $594 million reflecting the estimated fair value of research and development projects, as of the date of the TCI merger, which had not yet reached technological feasibility or had no alternative future use. The projects identified related to efforts to offer voice-over-IP, product integration efforts for advanced set-top devices, cost-savings efforts for broadband telephone implementation, and in-process research and development related to Excite@Home.

Also in 1999, the asset impairment, restructuring and other charge included a $50 million loss related to a contribution agreement TCI entered into with Phoenixstar, Inc. This agreement requires AT&T Broadband Group to satisfy certain liabilities owed by Phoenixstar, Inc. and its subsidiaries. The remaining obligation under this contribution agreement and an agreement that MediaOne has is $35 million, which was fully accrued for at December 31, 2001.

Investment (Expense) Income

Investment (expense) income was an expense of $1,947 million in 2001 compared with an expense of $84 million in 2000. The change was a result of the net impacts of a $934 million unfavorable change in losses (gains) on sales of businesses and investments, a $392 million mark-to-market loss on Vodafone ADRs which were used to settle exchangeable notes that matured during the third quarter of 2001, an increase of $301 million in the Excite@Home put obligation settlement and mark-to-market charge, an increase in impairment of investments of $299 million and a $63 million favorable change in interest and dividend income.

Investment (expense) income was an expense of $84 million in 2000 compared with income of $47 million in 1999. Such change resulted primarily from the net impacts of a $537 million mark-to-market charge on the Excite@Home put obligation, investment impairment charges of $240 million, an increase in gains on sales of businesses and investments of $577 million and an increase of $69 million in interest and dividend income.

Other (Expense) Income

Other (expense) income in 2001 was an expense of $927 million compared to income of $45 million in 2000. Effective January 1, 2001, in conjunction with the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," AT&T Broadband Group reclassified certain investment securities, which support debt that is indexed to those securities, from "available-for-sale" to "trading." As a result, AT&T Broadband Group recorded a pre-tax loss of $1,154 million reflecting the initial reclassification impact of the adoption of SFAS 133. The ongoing investment and derivative revaluations under SFAS 133 resulted in gains of $195 million in 2001.

Other (expense) income remained relatively consistent in 2000 and 1999.

Interest Expense

Interest expense increased $412 million to $1,735 million for 2001 compared with 2000. This increase was a result of an increase in debt due primarily to the MediaOne acquisition and the monetization of investments in Cablevision, Microsoft and Comcast.

Interest expense increased $618 million in 2000 to $1,323 million compared to 1999. The increase was a result of an increase in debt of $13.5 billion due primarily to the MediaOne acquisition and the monetization of investments in Microsoft and Comcast. The remaining increase was due to two additional months of interest in 2000 as a result of the TCI merger in March of 1999 and an increase in the interest rate charged by AT&T for intercompany debt.

Benefit for Income Taxes

The benefit for income taxes in 2001 was $3,857 million, compared with a benefit of $1,183 million in 2000. The effective income tax rate in 2001 was 43.9% compared to 11.8% in 2000. The 2001 effective tax rate was positively impacted by a significant tax benefit related to Excite@Home, including a benefit from deconsolidation and the put obligation settlement with Cox and Comcast, partially offset by the prior consolidation of its operating losses (which included asset impairment charges) for which the Company was unable to record tax benefits. The effective tax rate was also positively impacted by the net impact of a tax-free gain resulting from an exchange of AT&T stock for an entity owning certain cable systems and other assets with Comcast and the resulting reduction of a previously established deferred tax liability. Such positive impacts were partially offset by the amortization of non tax-deductible goodwill and non tax-deductible losses generated by Excite@Home. The 2000 effective tax rate was positively impacted by a tax-free gain resulting from an exchange of AT&T stock for an entity owning certain cable systems and other assets with Cox. The 2000 effective tax rate was negatively impacted by non tax-deductible goodwill and non tax-deductible losses from Excite@Home.

The benefit for income taxes in 2000 was $1,183 million, compared with a benefit of $465 million in 1999. The effective income tax rate for 2000 was 11.8%, compared to 25.3% for 1999. The effective income tax rate for 2000 was impacted by the inclusion of Excite@Home as a consolidated entity, non tax-deductible goodwill and the Cox disposition. The 1999 effective income tax rate was impacted by the non tax-deductible write-off of in-process research and development.

Net Losses from Equity Investments

Net losses from equity investments, which are recorded net of income taxes, decreased from $597 in 2000 to $69 million in 2001. The improvement was due primarily to equity losses recorded for Excite@Home in the first eight months of 2000 when the investment was recorded as an equity method investment. Excite@Home was fully consolidated beginning in September 2000. Also contributing to the improvement was lower losses related to Cablevision due to a change in the accounting for the investment in Cablevision from an equity method investment to a cost method investment in June 2001 due to AT&T no longer having representation on the board of directors, as well as a gain associated with the sale of cable properties by Cablevision in early 2001. The favorable variance was also impacted by the change in the accounting for the investment in Time Warner Entertainment Company, L.P. ("TWE") from an equity method investment to a cost method investment in the fourth quarter of 2000 since AT&T Broadband Group does not have the right to exercise significant influence.

Net losses from equity investments decreased $110 million compared to 1999. The decrease was primarily due to $185 million as a result of an improvement in Cablevision's results. Partially offsetting this improvement were losses from AT&T Broadband Group's stake in TWE, which was acquired in the MediaOne acquisition, and greater equity losses in Excite@Home. The improvement in Cablevision's results was primarily due to gains from cable system sales.

The income tax benefit recorded on net losses from equity investments was $37 million, $370 million and $438 million in 2001, 2000 and 1999, respectively. Amortization of goodwill associated with non-consolidated investments totaled $148 million, $485 million and $476 million in 2001, 2000 and 1999, respectively. Effective January 1, 2002, in accordance with the provisions of SFAS 142, AT&T Broadband Group will no longer amortize excess basis related to non-consolidated investments.

Minority Interest Income (Expense)

Minority interest income (expense), which is recorded net of income taxes, represents an adjustment to AT&T Broadband Group's net loss to reflect the less than 100% ownership of entities attributed to AT&T Broadband Group as well as dividends on preferred stock issued by subsidiaries of AT&T which have been attributed to AT&T Broadband Group. AT&T Broadband Group recorded minority interest income of $833 million in 2001 compared with $4,062 million in 2000. The changes primarily resulted from lower losses generated by Excite@Home, mainly as a result of lower goodwill impairment charges recorded by Excite@Home in 2001 compared with 2000. As a result of significant losses incurred by Excite@Home, AT&T Broadband Group fully utilized the minority interest balance during the third quarter of 2001, therefore minority interest income related to Excite@Home was no longer recorded.

The increase in minority interest income (expense) of $4,188 million in 2000 primarily resulted from the consolidation of Excite@Home effective September 1, 2000. The minority interest income in 2000 primarily reflects the losses generated by Excite@Home, including the goodwill impairment charge, that were attributed to the approximate 77% of Excite@Home not owned by AT&T Broadband Group.

The income tax benefit recorded on minority interest income (expense) was $100 million for both 2001 and 2000 and $54 million for 1999.

Cumulative Effect of Accounting Change

Cumulative effect of accounting change, net of applicable income taxes, was $229 million. Such amount represents fair value adjustments of equity derivative instruments related to indexed debt and warrants.

LIQUIDITY AND CAPITAL RESOURCES

AT&T Broadband Group has funded its operations through internally generated funds, asset sales, capital contributions from AT&T and intercompany borrowings from AT&T. Capital contributions from AT&T have been treated as non-cash and include acquisitions made by AT&T that have been attributed to AT&T Broadband Group.

Currently, financing activities for AT&T Broadband Group are managed by AT&T on a centralized basis. Sources for AT&T Broadband Group's future financing requirements may include borrowing of funds, including additional debt from AT&T and/or third party debt. Loans from AT&T to any member of the AT&T Broadband Group have been made at interest rates and on other terms and conditions intended to be substantially equivalent to the interest rates and other terms and conditions that AT&T Broadband Group would be able to obtain from third parties, including the public markets, as a non-affiliate of AT&T without the benefit of any guarantee by AT&T.

AT&T performs cash management functions on behalf of AT&T Broadband Group. Substantially all of AT&T Broadband Group's cash balances are swept to AT&T on a daily basis, where they are managed and invested by AT&T. Transfers of cash to and from AT&T, after giving effect to the debt allocation methodology, are reflected as a component of combined attributed net assets.

Net cash used in operating activities for the year ended December 31, 2001 was $103 million, compared with net cash provided by operating activities of $802 million for the year ended December 31, 2000. Net cash used in operating activities for the year ended December 31, 2001 was due to net income of $926 million, exclusive of non-cash items and adjustments for net losses on sales of businesses and investments, offset by a change in other operating assets and liabilities of $1,029 million. Net cash provided by operating activities for the year ended December 31, 2000 was due to net income of $1,260 million, exclusive of non-cash items and adjustments for net gains on sales of businesses and investments less the change in other operating assets and liabilities of $458 million.

Net cash provided by investing activities for the year ended December 31, 2001 was $2,543 million compared with net cash used in investing activities of $4,511 million for the year ended December 31, 2000. For the year ended December 31, 2001, AT&T Broadband Group's net cash provided by investing activities resulted primarily from cash received from net acquisitions and dispositions of businesses of $4,898 million and sales and distributions of investments and marketable securities of $1,531 million partially offset by capital expended for property and equipment, net of proceeds from disposals, of $3,413 million, and contributions and purchases of investments and marketable securities of $294 million. For the year ended December 31, 2000, AT&T Broadband Group's cash used in investing activities resulted from capital expended for property and equipment, net of proceeds from disposals, of $4,426 million and an $85 million net use in other investing activities. Capital expenditures in both periods were primarily due to the continued expansion and upgrade of the network to provide advanced services.

Net cash used in financing activities for the year ended December 31, 2001 was $2,501 million compared with net cash provided by financing activities of $3,770 million for the year ended December 31, 2000. For the year ended December 31, 2001, AT&T Broadband Group used cash of $2,252 million to reduce short-term debt to AT&T, $938 million to retire long-term debt and $336 million to pay dividends on preferred securities. AT&T Broadband Group received proceeds of $1,025 million from the issuance of long-term debt, primarily the monetization of shares of Cablevision and Rainbow Media Group. For the year ended December 31, 2000, AT&T Broadband Group received proceeds from the issuance of long-term debt, net of retirement of long-term debt and redeemable securities, of $2,281 million and net cash from AT&T through transfers and short-term debt borrowings of $2,298 million. This was offset by $294 million of dividends paid on redeemable securities and $515 million of other net financing activities.

The continued expansion and upgrade of AT&T Broadband Group's network to provide advanced services will continue to require substantial capital. AT&T Broadband Group anticipates that it will spend approximately $4.2 billion in 2002 primarily to expand and upgrade its networks for the provision of advanced services and to add new customers. It is anticipated that AT&T Broadband Group's operating cash flows will not be sufficient to provide for AT&T Broadband Group's capital needs. In this regard, prior to the AT&T Comcast Transaction, it is anticipated that AT&T will continue to provide funding to AT&T Broadband Group in the form of short-term interest-bearing loans for capital expenditures not covered by cash flows from operations and divestments. AT&T Comcast has arranged additional AT&T Broadband financing to enable AT&T Broadband Group to distribute to AT&T an amount equal to the short-term debt due to AT&T at the time of the proposed AT&T Comcast Transaction. Following the proposed AT&T Comcast Transaction, it is anticipated that AT&T Comcast will fund future capital expenditures not covered by cash flows from operations from AT&T Comcast's cash and cash equivalents, amounts available under existing and new lines of credit, and through the sale of investments. A failure to obtain necessary capital would have a material adverse effect on AT&T Broadband Group's/AT&T Comcast's strategy and business plan for future growth.

At December 31, 2001, AT&T Broadband Group had current assets of $1,650 million and current liabilities of $9,630 million. A significant portion of the current liabilities, $6,783 million, relates to short-term debt of which $3,959 million was due to AT&T and $715 million was monetized by an investment, where such investment can be delivered in full satisfaction of the underlying debt.

AT&T Broadband Group expects to fund operations, including contractual obligations, primarily with cash from operations and borrowings from AT&T. If economic conditions worsen or do not improve and/or competition and product substitution accelerate beyond current expectations, AT&T Broadband Group's cash flow from operations would decrease, negatively impacting liquidity.

As of December 31, 2001, total debt was $23,285 million of which $7,260 million was monetized by investments, where such investments can be delivered in full satisfaction of the underlying debt at the time of maturity. Subsequent to December 31, 2001, AT&T announced that it will redeem $1,431 million of trust preferred securities with a carrying value of $1,516 million in February, March and April of 2002. These amounts are classified as short-term debt in the combined balance sheet.

AT&T Broadband Group expects that it will retire a portion of the third-party current debt with other financing arrangements, including the sales of certain non-strategic assets and investments and funding from AT&T.

In addition, AT&T has exercised its registration rights in TWE and formally requested TWE to begin the process of converting the limited partnership into a corporation with registered equity securities. In May 2001, AT&T named Credit Suisse First Boston as its investment banker for the registration process under the TWE partnership agreement.

The following summarizes AT&T Broadband Group's contractual cash obligations and commercial commitments at December 31, 2001, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	2 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
	(DOLLARS IN MILLIONS)				
Long-term debt, including current portion(a)	$11,254	$2,023	$2,034	$2,232	$ 4,965
Short-term debt due to AT&T	3,959	3,959	--	--	--
Operating leases(b)	823	135	246	172	270
Unconditional purchase obligations(c),(d)	8,441	810	894	910	5,827
Total Contractual Cash Obligations	$24,477	$6,927	$3,174	$3,314	$11,062

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(a) Long-term debt excludes debt that is exchangeable or collateralized by securities (monetized debt) since AT&T Broadband Group has the option to settle this debt in shares or cash. Amounts of monetized debt due less than one year were $679 million; two to three years $4,918 million; and four to five years $1,938 million at December 31, 2001. In addition, debt excludes discounts and excess of fair value over the recorded value of debt in connection with the TCI and MediaOne mergers.

(b) Under certain real estate operating leases, AT&T Broadband Group could be required to make payments to the lessor of up to $155 million at the end of the lease term (lease terms range from 2002 through 2006). The actual amount paid, if any, would be reduced by amounts received by the lessor upon remarketing of the property.

(c) In 1997, AT&T Broadband LLC's predecessor, TCI, and AT&T Broadband LLC's subsidiary, Satellite Services, Inc., entered into a 25 year affiliation term sheet with Starz Encore Group (formerly Encore Media Group) pursuant to which AT&T Broadband Group may be obligated to make fixed monthly payments in exchange for unlimited access to Encore and Starz! programming. The future commitment, which is based on a fixed number of subscribers, increases annually from $306 million in 2002 to $315 million in 2003, and will increase annually through 2022 with inflation, subject to certain adjustments, including increases in the number of subscribers. The amounts in the above table do not take into account any increase in subscribers or expected inflation. The affiliation term sheet further provides that to the extent Starz Encore Group's programming costs increase above certain levels, AT&T Broadband Group's payments under the term sheet will be increased in proportion to the excess. Excess programming costs that may be payable by AT&T Broadband Group in future years are not presently estimable, but could be significant. AT&T Broadband Group has disputed the enforceability of the excess programming pass through provisions of the term sheet and questioned the validity of the term sheet as a whole. AT&T Broadband Group has also raised certain issues concerning the uncertainty of the provisions of the term sheet and the contractual interpretation and application of certain of its provisions to, among other things, the acquisition and disposition of cable systems.

(d) AT&T Broadband Group is party to an agreement under which it purchases certain billing services from CSG Systems, Inc. Unless terminated by either party pursuant to terms of the agreement, the agreement expires on December 31, 2012. The agreement calls for monthly payments which are subject to adjustments and conditions pursuant to the terms of the underlying agreements.

		COMMITMENTS BY PERIOD			
OTHER COMMERCIAL COMMITMENTS	TOTAL AMOUNTS COMMITTED	LESS THAN 1 YEAR	2 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
	(DOLLARS IN MILLIONS)				
Guarantees..............................	$1,463	$2	$--	$--	$1,461

FINANCIAL CONDITION

Total assets were $103,187 million as of December 31, 2001, which represented a decrease of $14,347 million compared to December 31, 2000. The decrease primarily resulted from the net disposition of cable systems and investments during 2001. Additional decreases resulted from the deconsolidation of Excite@Home; the exchange of an investment in Vodafone Group plc for the settlement of exchangeable notes; the transfer of investments to AT&T; the unfavorable mark-to-market adjustments on investments and amortization of franchise costs and goodwill. Such decrease was partially offset by capital expenditures, net of depreciation.

Total liabilities were $53,001 million as of December 31, 2001, representing a decrease of $12,085 million compared to December 31, 2000. The decrease was primarily due to the settlement of the Excite@Home put options; the deconsolidation of Excite@Home; the reductions of short-term debt due to AT&T; the dispositions and exchanges of cable systems; the settlement of exchangeable notes and other retirements of long-term debt. Such decreases were partially offset by an increase in debt due to the monetization of shares of Cablevision and Rainbow Media Group.

Minority interest decreased $1,119 million to $3,302 million at December 31, 2001 as compared to December 31, 2000. The decrease was primarily due to Excite@Home. Due to the significant losses of Excite@Home, AT&T Broadband Group fully utilized the minority interest balance during the third quarter of 2001, and therefore no longer has a minority interest balance related to Excite@Home.

Combined attributed net assets were $42,164 million as of December 31, 2001, which represented a decrease of $1,153 million compared to December 31, 2000. The decrease was primarily due to the net loss of AT&T Broadband Group. Such decrease was partially offset by contributions from AT&T and an increase in accumulated other comprehensive income due to the adoption of SFAS 133.

AT&T, Comcast and AT&T Comcast have entered into an agreement with Microsoft pursuant to which at the time of the AT&T Broadband spin-off, Microsoft will exchange the $5 billion company-obligated convertible quarterly income preferred securities for shares of AT&T Broadband Corp. common stock that will be converted into, subject to adjustments, 115 million shares of AT&T Comcast common stock in the AT&T Comcast Merger.

RISK MANAGEMENT

AT&T Broadband Group is exposed to market risk from changes in interest rates, as well as changes in equity prices associated with previously affiliated companies. In addition, AT&T Broadband Group is exposed to market risk from fluctuations in the prices of securities, some of which have been monetized through the issuance of debt. On a limited basis, certain derivative financial instruments, including interest rate swaps, equity hedges and options are used to manage these risks. Financial instruments are not used for trading or speculative purposes. All financial instruments are used in accordance with AT&T board-approved policies.

Interest rate swaps are used to manage the impact of interest rate changes on earnings and cash flows. Interest rate risk is monitored on the basis of changes in fair value. The fair value of fixed rate long term debt is sensitive to changes in interest rates. Interest rate changes would result in gains or losses in the market value of debt due to differences between the market interest rates and rates at the inception of the obligation. A sensitivity analysis is performed on fixed-rate long term debt to assess the risk of changes in fair value. The model to determine sensitivity assumes a hypothetical 10% parallel shift in interest rates. Assuming a 10% downward shift in interest rates, the fair value of interest rate swaps and the underlying hedged debt would have increased by $9 million and $15 million at December 31, 2001 and 2000, respectively. Assuming a 10% downward shift in interest rates at December 31, 2001 and 2000, the fair value of unhedged debt would have increased by $401 million and $563 million, respectively.

AT&T Broadband Group has certain debt instruments which are indexed to the market prices of equity securities it owns. Certain of these notes contain embedded derivatives while other debt is issued in conjunction with net purchased options. Changes in the market prices of these securities result in changes in the fair value of the derivatives. Assuming a 10% downward change in the market price of these securities, the fair value of the combined collars and underlying debt would decrease by $557 million and $534 million at Decembers 31, 2001, and 2000 respectively. Because these collars hedge the underlying equity securities monetized, AT&T Broadband Group believes that the increase in the fair value of the collars would be largely offset by decreases in the fair value of the underlying equity securities. The changes in fair values referenced above do not represent the actual changes in fair value AT&T Broadband Group would incur under normal market conditions because all variables other than the equity prices were held constant in the calculations.

Equity hedges are used to manage exposure to changes in equity prices associated with stock appreciation rights or SARs. Assuming a 10% decrease in equity prices of affiliated companies, the fair value of equity hedges (net liability) would have increased by $27 million and $29 million at December 31, 2001 and 2000, respectively. Because these contracts are entered into for hedging purposes, it's believed that the decrease in fair value would be largely offset by decreases in the underlying SAR liability.

In order to determine the changes in fair value of the various financial instruments, including options, equity collars and SARs, AT&T Broadband Group uses certain modeling techniques, including Black-Scholes. Rate sensitivity changes are directly applied to interest rate swap transactions.

The changes in fair value, as discussed above, assume the occurrence of certain adverse market conditions. They do not consider the potential effect of favorable changes in market factors and do not represent projected losses in fair value expected to be incurred. Future impacts would be based on actual developments in global financial markets. There are no significant foreseen changes in the strategies used to manage interest rate risk or equity price risk in the near future.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 141, "Business Combinations ("SFAS 141")," which supercedes Accounting Principles Board ("APB") Opinion No. 16. SFAS 141 requires all business combinations initiated after June 30, 2001 be accounted for under the purchase method. In addition, SFAS 141 establishes criteria for the recognition of intangible assets separately from goodwill. These requirements are effective for fiscal years beginning after December 15, 2001, which for AT&T Broadband Group means January 1, 2002. The adoption of SFAS 141 will not have a material effect on AT&T Broadband Group's results of operations, financial position or cash flow.

Also in June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets ("SFAS 142")," which supercedes APB Opinion No. 17. Under SFAS 142 goodwill and indefinite lived intangible assets will no longer be amortized, but rather will be tested for impairment upon adoption and at least annually thereafter. In addition, the amortization period of intangible assets with finite lives will no longer be limited to 40 years. SFAS 142 is effective for fiscal years beginning after December 15, 2001, which for AT&T Broadband Group means the standard will be adopted on January 1, 2002. In connection with the adoption of this standard, AT&T Broadband Group's unamortized goodwill balance and excess basis related to goodwill of equity method investments will no longer be amortized, but will continue to be tested for impairment. In addition, AT&T Broadband Group has determined that franchise costs are indefinite lived assets and therefore, as of January 1, 2002 will no longer be subject to amortization, but will continue to be tested for impairment. The adoption of SFAS 142 will have a significant impact on future operating results due to the cessation of goodwill and franchise cost amortization. The goodwill balance as of December 31, 2001 was $19.3 billion with related amortization expense for the year ended December 31, 2001 of $659 million. The excess basis related to AT&T Broadband Group's equity method investments as of December 31, 2001 was $3.0 billion with related amortization of $148 million. AT&T Broadband Group performed an impairment test on the goodwill balance as of January 1, 2002. In accordance with SFAS 142, the impairment test was performed by comparing the fair value of the reporting unit to its carrying value. As of January 1, 2002, the fair value of the reporting unit exceeded its carrying value, and therefore no impairment loss will be recognized upon implementation. The franchise cost balance as of December 31, 2001 was $42.8 billion with related amortization expense for the year ended December 31, 2001 of $1,224 million. In accordance with SFAS 142, franchise costs were tested for impairment as of January 1, 2002, by comparing the fair values to the carrying values (at a market level). As a result of such tests, an impairment loss of $856 million, net of taxes of $530 million, will be recognized as a change in accounting principle in the first quarter of 2002.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations ("SFAS 143")." This standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002, which for AT&T Broadband Group means the standard will be adopted on January 1, 2003. AT&T Broadband Group does not expect that the adoption of this statement will have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144")," which supercedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of ("SFAS 121")." SFAS 144 applies to all long-lived assets, including discontinued operations, and consequently amends APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Based on SFAS 121, SFAS 144 develops one accounting model for long-lived assets that are to be disposed of by sale, as well as addresses the principal implementation issues. SFAS 144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell. Additionally, SFAS 144 expands the scope of discontinued operations to include all components of an entity with operations that (i) can be distinguished from the rest of the entity and (ii) will be eliminated from the ongoing operations of the entity in a disposal transaction. SFAS 144 also amends ARB No. 51, "Consolidating Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. SFAS 144 is effective for AT&T Broadband Group as of January 1, 2002. The adoption of SFAS 144 will not have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

AT&T BROADBAND GROUP
(an integrated business of AT&T Corp.)

September 30, 2002

AT&T BROADBAND GROUP
(an integrated business of AT&T Corp.)

Combined Statements of Operations
(Dollars in millions)
(Unaudited)

	Three months ended September 30, 2002	Three months ended September 30, 2001	Nine months ended September 30, 2002	Nine months ended September 30, 2001
Revenue	$ 2,547	$ 2,500	$ 7,512	$ 7,756
Operating expenses:				
Cost of services (excluding depreciation of $542, $453, $1,607 and $1,374, included below)	1,298	1,325	3,889	4,245
Selling, general and administrative	695	608	2,037	1,951
Depreciation and amortization	738	1,141	2,204	3,633
Goodwill and franchise impairment charges	--	--	16,525	--
Asset impairment, restructuring and other charges	--	399	56	1,494
Total operating expenses	2,731	3,473	24,711	11,323
Operating loss	(184)	(973)	(17,199)	(3,567)
Investment income (expense), net	45	(420)	(1,172)	(1,265)
Other income (expense), net	192	168	523	(891)
Interest expense	(379)	(386)	(1,111)	(1,347)
Loss before income taxes, net earnings (losses) related to equity investments, minority interest and dividends on subsidiary preferred stock, extraordinary gain and cumulative effect of accounting changes	(326)	(1,611)	(18,959)	(7,070)
Benefit for income taxes	30	1,036	5,536	3,214
Net earnings (losses) related to equity investments	2	(53)	(615)	(37)
Minority interest and dividends on subsidiary preferred stock	(66)	169	(206)	905
Loss before extraordinary gain and cumulative effect of accounting changes	(360)	(459)	(14,244)	(2,988)
Extraordinary gain (net of income taxes of $(30))	--	--	48	--
Cumulative effect of accounting changes (net of income taxes of $530 and $(142))	--	--	(856)	229
Net loss	$ (360)	$ (459)	$(15,052)	$ (2,759)

See Accompanying Notes to Combined Financial Statements.

AT&T BROADBAND GROUP
(an integrated business of AT&T Corp.)

Combined Balance Sheets
(Dollars in millions)
(Unaudited)

	September 30, 2002	December 31, 2001
Assets		
Cash and cash equivalents	$ --	$ --
Accounts receivable less allowances of $72 and $73	624	584
Other receivables	172	214
Investments	459	668
Taxes receivable	443	--
Derivative asset	229	--
Other current assets	155	184
Total current assets	2,082	1,650
Property, plant and equipment, net of accumulated depreciation of $4,746 and $2,958	15,263	14,519
Franchise costs, net of accumulated amortization of $2,501 in 2001	29,084	42,819
Goodwill, net of accumulated amortization of $741 in 2001	15,162	19,361
Other purchased intangible assets, net of accumulated amortization of $602 and $458	1,416	1,561
Investments	17,321	21,913
Other assets	2,093	1,364
Total assets	$ 82,421	$103,187
Liabilities and Combined Attributed Net Assets		
Accounts payable	$ 775	$ 678
Payroll and benefit-related liabilities	375	478
Debt maturing within one year	2,329	2,824
Short-term debt due to AT&T	7,823	3,959
Other current liabilities	2,032	1,691
Total current liabilities	13,334	9,630
Long-term debt	12,701	16,502
Deferred income taxes	20,219	25,810
Other long-term liabilities and deferred credits	811	1,059
Total liabilities	47,065	53,001
Minority interest	1,214	3,302
Company-Obligated Convertible Quarterly Income Preferred Securities of Subsidiary Trust Holding Solely Subordinated Debt Securities of AT&T	4,728	4,720
Combined attributed net assets	29,414	42,164
Total liabilities and combined attributed net assets	$ 82,421	$103,187

See Accompanying Notes to Combined Financial Statements.

AT&T BROADBAND GROUP
(an integrated business of AT&T Corp.)

Combined Statements of Changes in Combined Attributed Net Assets
(Dollars in millions)
(Unaudited)

	Nine months ended September 30, 2002	Nine months ended September 30, 2001
Combined attributed net assets:		
Balance at beginning of period	$ 42,164	$ 43,317
Net loss	(15,052)	(2,759)
Contributions from AT&T, net	2,122	2,485
Issuance of common stock by affiliates	--	39
Net revaluation of financial instruments	(589)	(711)
Recognition of previously unrealized losses	775	990
Other comprehensive (loss) income	(6)	35
Balance at end of period	$ 29,414	$ 43,396
Summary of total comprehensive loss:		
Net loss	$(15,052)	$ (2,759)
Net revaluation of financial instruments (net of income taxes of $370 and $447)	(589)	(711)
Recognition of previously unrealized net losses (net of income taxes of $(486) and $(624))	775	990
Other comprehensive (loss) income (net of income taxes of $4 and $(7))	(6)	35
Total comprehensive loss	$(14,872)	$ (2,445)

See Accompanying Notes to Combined Financial Statements.

AT&T BROADBAND GROUP
(an integrated business of AT&T Corp.)

Combined Statements of Cash Flows
(Dollars in millions)
(Unaudited)

	Nine months ended September 30, 2002	2001
Operating activities:		
Net loss	$(15,052)	$ (2,759)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Cumulative effect of accounting change, net of income taxes	856	(229)
Extraordinary gain, net of income taxes	(48)	--
Net (gains) losses on sales of businesses and investments	(4)	451
Goodwill and franchise impairment charges	16,525	--
Asset impairment, restructuring and other charges, net of cash payments	11	1,386
Depreciation and amortization	2,204	3,633
Provision for uncollectible receivables	189	181
Net losses related to equity investments	1,001	43
Deferred income taxes	(4,757)	(3,353)
Investment impairment charges, net	1,272	88
Put option mark-to-market charge	--	838
Minority interest and dividends on subsidiary preferred stock	197	(936)
Net revaluation of certain financial instruments	(499)	924
(Increase) decrease in accounts receivable	(152)	78
Increase (decrease) in accounts payable	109	(393)
Net change in other operating assets and liabilities	(757)	(774)
Other adjustments, net	122	43
Net cash provided by (used in) operating activities	1,217	(779)
Investing activities:		
Capital expended for property and equipment, net of proceeds from disposal	(2,718)	(2,521)
Sales of marketable securities	--	102
Purchase of marketable securities	--	(18)
Investment distributions and sales	17	379
Investment contributions and purchases	(21)	(273)
Net cash (paid) received for acquisitions and dispositions of businesses	(1)	4,812
Other investing activities, net	(154)	(153)
Net cash (used in) provided by investing activities	(2,877)	2,328
Financing activities:		
Proceeds from long-term debt issuances	49	98
Retirement of long-term debt	(2,009)	(905)
Dividends paid on preferred securities	(255)	(190)
Change in short-term debt due to AT&T	3,852	(440)
Transfers from (to) AT&T, net	23	80
Net cash provided by (used in) financing activities	1,660	(1,357)
Net change in cash and cash equivalents	--	192
Cash and cash equivalents at beginning of period	--	61
Cash and cash equivalents at end of period	$ --	$ 253

See Accompanying Notes to Combined Financial Statements.

(1) Basis of Presentation

AT&T Broadband Group is an integrated business of AT&T Corp. ("AT&T") and not a stand-alone entity. AT&T Broadband Group consists primarily of the assets, liabilities and business of AT&T Broadband, LLC (formerly Tele-Communications, Inc. ("TCI")), and MediaOne Group, Inc. ("MediaOne"). As of September 30, 2002, AT&T Broadband, LLC ("ATTBLLC") and MediaOne were both separate subsidiaries of AT&T. AT&T Broadband Group is one of the nation's largest broadband communications providers, providing cable television, high-speed cable Internet and broadband telephone services.

On November 18, 2002, AT&T and Comcast Holdings Corporation (formerly named Comcast Corporation) ("Old Comcast") completed the combination of Old Comcast and AT&T Broadband Corp., a newly formed company for AT&T's broadband business (the "AT&T Comcast Merger"). The AT&T Comcast Merger occurred in several steps. First, AT&T assigned and transferred to AT&T Broadband Corp. substantially all of the assets, liabilities and business of AT&T Broadband Group. Following the transfer, AT&T spun off AT&T Broadband Corp. to AT&T shareholders (the "AT&T Broadband Spin-Off"). Immediately following the AT&T Broadband Spin-Off, AT&T Broadband Corp. and Old Comcast were merged into separate subsidiaries of Comcast Corporation (formerly named AT&T Comcast Corporation) ("New Comcast"). AT&T shareholders received 0.3235 of a share of New Comcast Corporation Class A common stock for each share of AT&T common stock owned at the close of business on November 15, 2002. In the following text, "Comcast" refers to both Old Comcast and New Comcast.

(continued)

On May 3, 2002, AT&T Broadband Corp. and New Comcast, as co-borrowers, entered into definitive credit agreements with a syndicate of lenders for an aggregate of approximately $12.8 billion in order to obtain the financing necessary to complete the AT&T Comcast Merger. On November 18, 2002, AT&T Broadband Corp. borrowed $6.5 billion under such credit facility to complete the AT&T Comcast Merger. Approximately $5.9 billion of such proceeds were used to make a cash payment to AT&T for repayment of intercompany debt owed by AT&T Broadband Group to AT&T. See notes 7 and 9 for additional discussion of the repayment of all intercompany debt owed by AT&T Broadband Group to AT&T in connection with the AT&T Comcast Merger.

The combined financial statements of AT&T Broadband Group are prepared in accordance with generally accepted accounting principles and in management's opinion, include all adjustments necessary for a fair presentation of combined operations, financial position and statement of cash flows for the periods presented. The combined financial statements of AT&T Broadband Group reflect the assets, liabilities, revenue and expenses directly attributable to AT&T Broadband Group, as well as allocations deemed reasonable by management, to present the results of operations, financial position, and cash flows of AT&T Broadband Group on a stand-alone basis. The allocation methodologies have been described within the notes to the combined financial statements where appropriate, and management considers the allocations to be reasonable. All significant intercompany accounts and transactions within the AT&T Broadband Group have been eliminated. The financial information included herein may not necessarily reflect the combined results of operations, financial position, changes in combined attributed net assets and cash flows of AT&T Broadband Group in the future or what they would have been had AT&T Broadband Group been a separate, stand-alone entity during the periods presented. In addition, the combined results for interim periods presented are not necessarily indicative of results for the full year. Earnings per share disclosure has not been presented as AT&T Broadband Group is a business unit of AT&T and earnings per share data is not considered meaningful.

Prior to the AT&T Comcast Merger, AT&T Broadband Group's operations were dependent on cash infusions from AT&T in order for AT&T Broadband Group to operate and execute on its business and growth strategies. At the time of the AT&T Comcast Merger, substantially all of the assets and liabilities of AT&T Broadband Group were assigned and transferred to AT&T Broadband Corp. which was then merged into New Comcast.

Certain prior period amounts have been reclassified to conform to the 2002 presentation.

(continued)

Debt attributed to AT&T Broadband Group includes the third party obligations of ATTBLLC and MediaOne and monetization debt backed by assets held by AT&T Broadband Group. Additional intercompany debt was allocated to AT&T Broadband Group to achieve a total debt level based on several factors, including prospective financing requirements, desired stand-alone credit profile, working capital and capital expenditure requirements, expected sources of future deleveraging, and comparable company profiles. Changes in historical intercompany debt were based on historical cash flows. Such cash flows include capital expenditures, operating activities, and investments in and dispositions of cable companies. The historical interest expense on the allocated intercompany debt was calculated based on a rate intended to be equivalent to the rate AT&T Broadband Group would receive if it were a stand-alone entity.

AT&T performed cash management functions on behalf of the AT&T Broadband Group. Substantially all of AT&T Broadband Group's cash balances were swept to AT&T on a daily basis, where they were managed and invested by AT&T. Transfers of cash to and from AT&T, after giving consideration to the debt allocation methodology, were reflected as a component of combined attributed net assets. Net transfers to or from AT&T were assumed to be settled in cash. AT&T's capital contributions for purchase business combinations and initial investments in joint ventures and partnerships which AT&T attributed to AT&T Broadband Group have been treated as noncash transactions. In addition, certain transactions in which AT&T issued AT&T common stock in exchange for net assets and obligations attributed to AT&T Broadband Group have been treated as noncash transactions.

General corporate overhead related to AT&T's corporate headquarters and common support divisions has been allocated to AT&T Broadband Group as it was not deemed practicable to specifically identify such common costs to AT&T Broadband Group. The allocation of corporate overhead was divided into an allocation of shared services and other corporate overhead. Costs of shared services were allocated to AT&T Broadband Group based on transaction based prices. Other corporate overhead was allocated to AT&T Broadband Group based on the ratio of AT&T Broadband Group's external costs and expenses adjusted for any functions AT&T Broadband Group performed on its own. The costs of these services charged to AT&T Broadband Group are not necessarily indicative of the costs that would have been incurred if AT&T Broadband Group had performed these functions entirely as a stand-alone entity. However, management believes such allocations are reasonable.

(continued)

Consolidated income tax provisions or benefits, related tax payments or refunds, and deferred tax balances of AT&T have been allocated to AT&T Broadband Group based principally on the taxable income and tax credits directly attributable to AT&T Broadband Group, resulting in essentially a stand-alone presentation. AT&T and AT&T Broadband Corp. entered into a tax sharing agreement effective as of January 1, 2002, which, consistent with the principles described in the preceding sentence, provided for tax sharing payments based on the tax expense or tax benefits of a hypothetical affiliated group consisting of AT&T Broadband Group and AT&T. Based on this agreement, the consolidated tax liability before credits were allocated between the groups, based on each group's contribution to the consolidated taxable income of the hypothetical group. Consolidated tax credits of the hypothetical group were allocated between groups based on each group's contribution to such tax credit.

(2) Significant Accounting Policies

Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets"

Effective January 1, 2002, AT&T Broadband Group adopted SFAS No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead be tested for impairment at least annually. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. In addition, the amortization period of intangible assets with finite lives will no longer be limited to 40 years. AT&T Broadband Group has determined that franchise costs are indefinite-lived assets, as defined in SFAS 142, and therefore are not subject to amortization beginning in 2002. In accordance with SFAS 142, goodwill was tested for impairment by comparing the fair value of the reporting units to its carrying value. As of January 1, 2002, the fair value of the reporting unit's goodwill exceeded its carrying value, and therefore no impairment loss was recognized upon adoption. Franchise costs were tested for impairment as of January 1, 2002, by comparing the fair value to the carrying value (at the market level). An impairment loss of $856, net of taxes of $530, was recorded in the first quarter of 2002 and included in the cumulative effect of accounting changes in the accompanying combined statement of operations. (See Note 4 for interim testing of goodwill and franchise costs.)

(continued)

(Dollars in millions,
except per share amounts and unless otherwise noted)

The following table presents the impact of amortization under SFAS 142 on net loss had the standard been in effect for the three and nine months ended September 30, 2001.

	Three months ended September 30, 2002	Three months ended September 30, 2001	Nine months ended September 30, 2002	Nine months ended September 30, 2001
Reported loss before extraordinary gain and cumulative effect of accounting changes	$ (360)	$ (459)	$(14,244)	$ (2,988)
Add back amortization, net of tax:				
Goodwill*	--	147	--	465
Equity method excess basis	--	12	--	74
Franchise costs	--	181	--	572
Adjusted reported loss before extraordinary gain and cumulative effect of accounting changes	(360)	(119)	(14,244)	(1,877)
Extraordinary gain, net of income taxes	--	--	48	--
Cumulative effect of accounting changes, net of income taxes	--	--	(856)	229
Adjusted net loss	$ (360)	$ (119)	$(15,052)	$ (1,648)

*Goodwill amortization is net of the At Home Corporation ("Excite@Home") minority interest impact on goodwill.

(continued)

As of September 30, 2002, goodwill declined $4.2 billion compared with December 31, 2001 primarily as a result of impairment losses recorded in the second quarter of 2002 (see Note 4).

Other purchased intangible assets consist primarily of customer lists. The amortization expense associated with other purchased intangible assets for the three and nine months ended September 30, 2002 was $49 and $148, respectively. Annual amortization expense for other purchased intangible assets is estimated to be $196 for the years 2002 through 2006.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"

On January 1, 2002, AT&T Broadband Group adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), which supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). SFAS 144 applies to all long-lived assets, including discontinued operations, and consequently amends Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." SFAS 144 also amends Accounting Research Bulletin No. 51, "Consolidated Financial Statements" to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The adoption of SFAS 144 had no impact on AT&T Broadband Group's results of operations, financial position or cash flows.

For a detailed discussion of significant accounting policies, please refer to AT&T Broadband's Group's combined financial statements for the year ended December 31, 2001.

(continued)

(Dollars in millions,
except per share amounts and unless otherwise noted)

(3) Summary of Recognition of Previously Unrealized Losses

AT&T Broadband Group has investment holdings classified as "available-for-sale" under the scope of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). These securities are carried at fair value with any unrealized gains or losses, net of income taxes, included within other comprehensive income as a component of combined attributed net assets. Under SFAS 115, when the "available-for-sale" securities are sold or when management of AT&T Broadband Group believes a decline in the investment value is other-than-temporary, the previously unrealized gains or losses shall be recognized in earnings. AT&T Broadband Group recognizes such gains or losses through investment income (expense) in the accompanying combined statement of operations. If these securities are part of a hedging relationship in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") to the extent that there are offsetting amounts generated by the related derivatives, these amounts are also recognized in earnings in investment income (expense). In addition, upon the adoption in January 2001, of SFAS 133, AT&T Broadband Group reclassified certain securities to "trading", resulting in the recognition in earnings of previously unrealized losses through other income (expense). Following is a summary of the recognition of previously unrealized losses that were recognized in the consolidated statement of operations for the nine months ended September 30, 2002 and 2001:

	Nine months ended September 30, 2002	Nine months ended September 30, 2001
Other than temporary investment impairments, net (net of income taxes of $486 and $26)	$775	$ 42
Reclassification of securities to "trading" in conjunction with the adoption of SFAS 133 (net of income taxes of $446)	--	708
Settlement of exchangeable notes (net of income taxes of $152)	--	240
Total recognition of previously unrealized losses	$775	$990

(continued)

(4) Impairment Charges

Goodwill and Franchise Impairment Charges

SFAS 142 requires that intangible assets not subject to amortization and goodwill shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test shall consist of a comparison of the fair value of the intangible asset/goodwill with its carrying amount.

In the second quarter of 2002, AT&T Broadband Group noted significant changes in the general business climate as evidenced by the severe downward movement in the U.S. stock market (including the decline in values of publicly traded cable industry stocks). At June 30, 2002, five cable competitors as a group experienced an average decline in total market capitalization of over 20% since January 1, 2002. AT&T Broadband Group has also witnessed corporate bankruptcies. AT&T Broadband Group believed these factors coupled with the then pending AT&T Comcast Merger created a "trigger event" which necessitated the testing of goodwill and franchise costs for impairment as of the end of the second quarter.

AT&T Broadband Group assessed impairment on the same principles employed during the initial adoption of SFAS 142. Such testing resulted in the recognition of a $12,298 franchise cost impairment charge and a $4,227 goodwill impairment charge (aggregating to $11,781 after-tax) recorded in goodwill and franchise impairment charges in the accompanying combined statement of operations.

Investment Impairment Charges

In accordance with SFAS 115 and APB Opinion No. 18 "The Equity Method of Accounting for Investments in Common Stock," ("APB 18"), AT&T Broadband Group evaluated its portfolio of investments as of September 30, 2002 for potential impairments. SFAS 115 and APB 18 both require the recognition in earnings of declines in value of cost and equity method securities which are other than temporary.

Given the significant decline in stock prices, the length of time these investments have been below market and industry specific issues, AT&T Broadband Group believed that certain investments would not recover their cost basis in the foreseeable future. Accordingly, AT&T Broadband Group believed the declines in value were other than temporary and, as a result, AT&T Broadband Group recorded total net investment impairments of $2,261 pretax ($1,389 after tax) in the first nine months of 2002. The following is a breakout of the investment impairment charges recorded by type of investment.

(continued)

Cost Method Investments

In the first nine months of 2002, AT&T Broadband Group recorded net investment impairment charges on cost method investments of $1,272 pretax ($781 after tax), within investment expense, net in the accompanying combined statement of operations. These charges primarily related to securities that are classified as "available-for-sale" and were marked-to-market through other comprehensive income as a component of combined attributed net assets. These charges primarily consisted of impairments on investments in Cablevision Systems Corporation ("Cablevision") ($608 pretax, $374 after-tax), Comcast ($278 pretax, $171 after-tax) and Microsoft Corporation ($158 pretax, $97 after-tax).

AT&T Broadband Group's investment in Cablevision stock is monetized by debt which is indexed to the value of Cablevision shares. The debt contains an embedded derivative which is designated as a cash-flow hedge under the provisions of SFAS 133 and is marked-to-market through other comprehensive income. At the time AT&T Broadband Group recognized the other than temporary decline in the value of the Cablevision stock as an expense, AT&T Broadband Group also recognized, in investment income (expense), net in the accompanying combined statement of operations, the unrealized gain on the embedded derivative that was previously recorded in other comprehensive income, resulting in the $608 pretax impairment discussed above, as permitted by SFAS 133.

Equity Method Investments

In the first nine months of 2002, AT&T Broadband Group recorded investment impairment charges on equity method investments of $989 pretax ($608 after-tax) within net (losses) earnings related to equity investments in the accompanying combined statement of operations. These charges consisted of impairments of cable partnerships, primarily Texas Cable Partners, LP ($398 pretax, $245 after-tax), Insight Midwest LP ($162 pretax, $99 after-tax), Kansas City Cable Partners ($157 pretax, $96 after-tax), Parnassos Communications, LP ($132 pretax, $81 after-tax) and Century-TCI California Communications, LP ($101 pretax, $62 after-tax). Parnassos Communications, LP and Century-TCI California Communications, LP represent the only partnership investments AT&T Broadband Group has with Adelphia Communications Corporation. Adelphia Communications Corporation and subsidiaries (including Parnassos Communications, LP and Century-TCI California Communications, LP) filed for Chapter 11 bankruptcy on June 25, 2002.

(5) Restructure of Time Warner Entertainment Company L.P.

AT&T Broadband Group holds a 27.64% interest in Time Warner Entertainment L.P. ("TWE"). In February 2001, AT&T requested that TWE begin the process of converting its limited partnership into a corporation with registered equity securities.

(continued)

On August 21, 2002, AT&T, Comcast and AOL Time Warner ("AOL") entered into an agreement to restructure the TWE partnership. The restructuring agreement is intended to provide for a more orderly and timely disposition of AT&T Broadband Group's entire stake in TWE than would be available under the registration rights provisions of the TWE partnership agreement. Under the agreement, AT&T Broadband Group will receive $2.1 billion in cash, $1.5 billion in common stock of AOL (valued as of the time of closing and subject to certain limitations), and an effective 21% equity interest in a new cable company to be named Time Warner Cable, which will consist of all of AOL's cable properties, including those already in TWE. As a result of the AT&T Comcast Merger, Comcast has assumed all of AT&T Broadband Group's interest in TWE and in the restructuring agreement, and Comcast will have registration rights enabling it to dispose of its shares in Time Warner Cable and in AOL. The TWE restructuring is expected to close in the first quarter of 2003.

Additionally, AT&T Broadband, Comcast and AOL have reached a three year non-exclusive agreement under which AOL's high speed broadband service would be made available on New Comcast cable systems which pass approximately 10 million homes.

The TWE restructuring is subject to receipt of certain regulatory approvals and other closing conditions, certain of which are outside the control of AT&T and Comcast. There can be no assurance that the transaction contemplated by the TWE restructuring agreement will be consummated. If the restructuring agreement is terminated, the parties will return to the registration rights process under the TWE partnership agreement.

(6) Asset Impairment, Restructuring and Other Charges

For the three months ended September 30, 2002, AT&T Broadband Group had no asset impairment, restructuring and other charges. For the nine months ended September 30, 2002, AT&T Broadband Group recorded $56 of asset impairment, restructuring and other charges associated with efforts to reorganize and streamline certain centralized and field functions. The $56 includes headcount reductions of $42 associated with employee separation costs resulting from this exit plan, $27 in connection with facility closings and $4 for other charges. These charges were partially offset by the reversal of $17 related to the business restructuring plan from the third quarter of 2001 which was due to the redeployment of certain employees to different functions within AT&T Broadband Group. Approximately 900 employees will be involuntarily separated in conjunction with this exit plan. Approximately 75% of the affected employees are management employees and 25% are non-management employees. Approximately 80% of the affected employees have left their positions as of September 30, 2002 with the remaining reductions expected to occur throughout the remainder of 2002. More than $34 of termination benefits were paid to employees during the first nine months of 2002 related to this exit plan.

(continued)

(Dollars in millions,
except per share amounts and unless otherwise noted)

The following table displays the activity and balances of the restructuring reserve account from January 1, 2002 to September 30, 2002.

Type of Cost	January 1, 2002 Balance	Additions	Deductions	September 30, 2002 Balance
Employee separations	$22	$42	$56	$ 8
Facility closings and lease terminations	12	27	12	27
Other	--	4	4	--
Total	$34	$73	$72	$35

Total deductions included cash payments of $55 related to employee separations and facility closings and a reversal of $17 related to the second quarter 2001 business restructuring plan.

During the third quarter of 2001, $399 of net restructuring and other charges were recorded by Excite@Home. Included in these charges were $376 of asset impairment charges and $23 of restructuring and exit costs, primarily due to continued weakness in the on-line media market and the bankruptcy filing of Excite@Home. These charges included the write-off of goodwill and other intangible assets, warrants granted in connection with distributing the @Home service and fixed assets.

Net restructuring and other charges for the nine months ended September 30, 2001, totaled $1,494. The charge included $1,171 of asset impairment charges related to Excite@Home, $323 for restructuring and exit costs, which consisted of $151 for severance costs, $156 for facility closings and $16 primarily related to termination of contractual obligations. Since AT&T Broadband Group consolidated, but only owned approximately 23% of Excite@Home, a portion of the charges recorded by Excite @Home was not included as an increase to AT&T Broadband Group's net loss, but rather eliminated in the statement of operations as a component of minority interest and dividends on subsidiary preferred stock.

The severance costs, for approximately 7,700 employees, primarily resulted from synergies created by the MediaOne merger as well as continued cost reduction efforts by Excite@Home. These business restructuring plans were substantially completed by March 31, 2002.

(continued)

(7) Debt Obligations

During the first nine months of 2002, AT&T Broadband Group called $1,516 of TCI Communications Financing I, II and IV, MediaOne Financing Trust A and B and MediaOne Finance II Trust Preferred Securities for early redemption. This redemption resulted in a gain on early extinguishment of debt recorded as an extraordinary gain of $48, net of tax ($78 pretax). The gain represents the difference between the carrying value of the debt and the cash paid to extinguish the debt.

On August 12, 2002, in connection with the AT&T Comcast Merger, AT&T filed a preliminary prospectus contemplating a potential offer to exchange an aggregate of $11.8 billion of AT&T's existing debt securities. The exchange offer involved two types of transactions. The first involved an exchange of certain series of AT&T notes for new notes that would ultimately become obligations of AT&T Broadband Corp. Comcast and certain of its subsidiaries would guarantee these obligations upon completion of the AT&T Comcast Merger. The second involved an exchange of other series of AT&T notes for new notes that would remain obligations of AT&T.

On October 4, 2002, AT&T and Comcast commenced the exchange offer. On November 14, 2002, the exchange offer was consummated with $3.5 billion of AT&T debt exchanged for AT&T Broadband debt which were obligations of AT&T and AT&T Broadband Corp. Effective as of the date of the AT&T Comcast Merger, the AT&T Broadband debt became primary obligations of AT&T Broadband Corp. and became fully and unconditionally guaranteed by New Comcast and certain of its subsidiaries. Such debt ultimately reduced the amount that AT&T Broadband Group was required to pay AT&T on the date of the AT&T Comcast Merger. (See Note 9). In the exchange offer, $4.7 billion of debt was exchanged for new AT&T debt. Neither AT&T, AT&T Broadband Group, nor any other entity received any proceeds from the issuance of the new notes in the exchange offer.

At December 31, 2001, AT&T Broadband Group had exchangeable notes outstanding, which were indexed to 9.8 million shares of Rainbow Media Group common stock. On August 20, 2002, Cablevision Systems Corporation exchanged each share of Rainbow Media Group common stock for 1.19093 shares of Cablevision NY Group (Cablevision) common stock. As a result of the exchange, AT&T Broadband Group's exchangeable notes outstanding at September 30, 2002, were now indexed to 11.7 million shares of Cablevision common stock, with a put price of $18.89 per share and a call price of $23.05 per share. All other provisions of the exchangeable notes remain the same.

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(8) Minority Interest

Pursuant to the AT&T Comcast Merger agreement, AT&T was required to redeem the outstanding TCI Pacific Communications, Inc. 5% Class A Senior Cumulative Exchangeable Preferred Stock ("TCI Pacific Preferred Stock") for AT&T common stock. Each share of TCI Pacific Preferred Stock was exchangeable at the option of the holder for 8.365 shares of AT&T common stock. As of September 30, 2002, all outstanding shares (approximately 6.2 million) of TCI Pacific preferred Stock with a carrying value of $2.1 billion at December 31, 2001 had either been exchanged or redeemed for approximately 51.8 million shares of AT&T common stock. The value of these shares of AT&T common stock were contributed to AT&T Broadband Group by AT&T and are reflected in combined attributed net assets. The TCI Pacific Preferred Stock was reflected in minority interest in the accompanying combined balance sheets prior to its exchange. No gain or loss was recorded on the exchange/redemption of the TCI Pacific Preferred Stock.

(9) Related Party Transactions

As discussed in Note 1, AT&T provided necessary working capital requirements through intercompany debt and capital contributions to AT&T Broadband Group. These amounts are reflected in the accompanying combined balance sheets as short-term debt due to AT&T or a component of combined attributed net assets. Short-term debt due to AT&T and interest was assumed based upon the methodology outlined in Note 1. Intercompany debt was $7,823 and $3,959 at September 30, 2002 and December 31, 2001, respectively. Intercompany interest expense was $98 and $53 for the three months ended September 30, 2002 and 2001, respectively, and $253 and $257 for the nine months ended September 30, 2002 and 2001, respectively. Simultaneously with the AT&T Comcast Merger, the short-term debt due to AT&T was contributed by AT&T to AT&T Broadband Corp. AT&T Broadband Corp. then paid a dividend to AT&T in an amount equal to the short-term debt due to AT&T reduced by the $3.5 billion AT&T Broadband Corp. notes which became the obligation of AT&T Broadband Corp. in the exchange offer (see Note 7).

AT&T Consumer Services Group provided AT&T Broadband Group with sales support and customer care services at cost based prices. For the three months ended September 30, 2002 and 2001, such amounts totaled $27 and $46, respectively, and for the nine months ended September 30, 2002 and 2001, such amounts totaled $110 and $142, respectively, and were included in selling, general and administrative expenses in the accompanying combined statements of operations.

In addition, AT&T Business Services Group provided AT&T Broadband Group with wireline communication and other services. For the three months ended September 30, 2002 and 2001, such amounts totaled $94 and $61, respectively, and for the nine months ended September 30, 2002 and 2001, charges for such services totaled $265 and $171, respectively, and were included in costs of services in the accompanying combined statements of operations.

(continued)

AT&T allocated general corporate overhead expenses, including finance, legal, marketing, use of the AT&T brand, planning and strategy and human resources to AT&T Broadband Group, as well as costs for AT&T employees who directly supported the activities of the AT&T Broadband Group. Charges for such services amounted to $18 and $41 for the three months ended September 30, 2002 and 2001, respectively and $80 and $127 for the nine months ended September 30, 2002 and 2001, respectively. These amounts were included in selling, general and administrative expenses in the accompanying combined statements of operations and were determined based on the methodology described in note 1.

During 2001, AT&T Broadband Group had related party transactions with a Liberty Media Group ("LMG") subsidiary. Included in cost of services in the accompanying combined statement of operations were programming expenses related to such LMG subsidiary. Those expenses amounted to $27 and $199, respectively, for the quarter-to-date and year-to-date periods through July 31, 2001, the deemed effective LMG spin-off date from AT&T for accounting purposes.

AT&T Broadband Group transferred $628 of marketable securities and equity investments and $180 of related deferred tax liabilities to AT&T through combined attributed net assets during the first quarter of 2001. No gain or loss was recorded in this transaction.

(10) New Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). This standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its future value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. For AT&T Broadband Group, this means that the standard will be adopted on January 1, 2003. AT&T Broadband Group does not expect that the adoption of this statement will have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

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On April 30, 2002 the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145"). SFAS 145 eliminates the requirement that gains and losses from the extinguishments of debt be aggregated and classified as an extraordinary item, net of the related income tax. An entity is not prohibited from classifying such gains and losses as extraordinary items, as long as they meet the criteria in paragraph 20 of APB No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." In addition, SFAS 145 requires that capital leases that are modified so that the resulting lease agreement is classified as an operating lease be accounted for in the same manner as sale-leaseback transactions. The rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" is effective for fiscal years beginning after May 15, 2002, which for AT&T Broadband Group means January 1, 2003. Earlier application is encouraged. Any gain or loss on extinguishment of debt that was previously classified as an extraordinary item would be reclassified to other income (expense). The remainder of the statement is generally effective for transactions occurring after May 15, 2002. AT&T Broadband Group does not expect that the adoption of SFAS No. 145 will have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

On June 28, 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities ("SFAS 146"). This statement addresses the recognition, measurement and reporting of costs that are associated with exit and disposal activities. This statement includes the restructuring activities that are currently accounted for pursuant to the guidance set forth in Emerging Issues Task Force ("EITF") 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to exit an Activity (including Certain Costs incurred in a Restructuring)" ("EITF 94-3"), costs related to terminating a contract that is not a capital lease and one-time benefit arrangements received by employees who are involuntarily terminated - nullifying the guidance under EITF 94-3. Under SFAS 146 the cost associated with an exit or disposal activity is recognized in the periods in which it is incurred rather than at the date the company committed to the exit plan. This statement is effective for exit or disposal activities initiated after December 31, 2002 with earlier application encouraged. Previously issued financial statements will not be restated. The provisions of EITF 94-3 shall continue to apply for exit plans initiated prior to the adoption of SFAS 146. Accordingly, the initial adoption of SFAS 146 will not have an effect on AT&T Broadband Group's results of operations, financial position or cash flows. However, liabilities associated with future exit and disposal activities will not be recognized until actually incurred.

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(11) Commitment and Contingencies

In the normal course of business AT&T Broadband Group is subject to proceedings, lawsuits and other claims, including proceedings under laws and regulations related to environmental and other matters. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, AT&T Broadband Group is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at September 30, 2002. These matters could affect the operating results of any one quarter when resolved in future periods. However, management believes after final disposition, any monetary liability or financial impact to AT&T Broadband Group beyond that provided for at September 30, 2002 would not be material to AT&T Broadband Group's annual combined financial statements.

On March 13, 2002, AT&T Broadband Group informed CSG Systems, Inc. ("CSG") that it was considering the initiation of an arbitration against CSG relating to a Master Subscriber Management System Agreement ("Master Agreement") that the two companies entered into in 1997. Pursuant to the Master Agreement, CSG provides billing support to AT&T Broadband Group. On May 10, 2002, AT&T Broadband Group filed a demand for arbitration against CSG before the American Arbitration Association. On May 30, 2002, CSG answered AT&T Broadband Group's arbitration demand and asserted various counterclaims against AT&T Broadband Group. In the event that this process results in the termination of our agreement with CSG, AT&T Broadband Group may incur significant costs in connection with its replacement of these customer care and billing services and may experience temporary disruption to its operations.

On August 11, 2002, US Airways Group Inc. ("US Airways") filed for Chapter 11 bankruptcy protection. AT&T Broadband Group leased airplanes under leveraged lease arrangements to US Airways. Under the leveraged leases, the leased assets are secured with debt which is non-recourse to AT&T Broadband Group. In connection with the bankruptcy filing, US Airways rejected its leases with AT&T Broadband Group. AT&T Broadband Group recorded an after-tax loss of approximately $39 on such leases during the third quarter of 2002.

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(12) Subsequent Events

On November 7, 2002, certain creditors of At Home Corporation filed a class action against AT&T in California state court asserting claims relating to the conduct of AT&T and its designees on the At Home Corporation board of directors in connection with At Home Corporation's declaration of bankruptcy and subsequent efforts to dispose of some of its businesses or assets, as well as in connection with other aspects of AT&T's relationship with At Home Corporation. Liability (if any) arising from this lawsuit would be shared equally between AT&T and AT&T Broadband Group, and then following the AT&T Comcast Merger, any such liability would be shared equally between AT&T and New Comcast.

In October 2002, AT&T Broadband Group transferred to AT&T, through combined attributed net assets, $91, representing half of the liability, net of related deferred taxes, resulting from the deconsolidation of At Home Corporation in 2001.

On November 15, 2002, exchangeable notes that were indexed to a portion of holdings of Vodafone securities matured. Prior to the settlement, the carrying value of the notes was $489. These notes were settled with 26 million shares of Vodafone ADR's. Approximately 21 million shares of Vodafone ADR's used in the settlement were accounted for as "trading" securities and the remaining shares were accounted for as "available-for-sale" under SFAS 115. The settlement resulted in a pretax gain of approximately $27.

On December 9, 2002, UAL Corp ("UAL") filed for Chapter 11 bankruptcy protection. AT&T Broadband Group leases airplanes under leveraged leases to UAL. Under a leveraged lease, the assets are secured with debt, which is non-recourse to AT&T Broadband Group. In connection with the bankruptcy filing, UAL can reject or reaffirm its leases. AT&T Broadband Group does not know if the leases will be rejected or affirmed. If the leases are rejected and the non-recourse debtholder forecloses on the assets, AT&T Broadband Group could incur an after-tax loss of approximately $33 million based on September 30, 2002 balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

AT&T Broadband Group is an integrated business of AT&T Corp. and not a stand-alone entity. AT&T Broadband Group consists primarily of the assets, liabilities and business of AT&T Broadband, LLC, and MediaOne Group, Inc. ("MediaOne"). As of September 30, 2002, AT&T Broadband, LLC and MediaOne were both separate subsidiaries of AT&T. AT&T Broadband Group is one of the nation's largest broadband communications providers, providing cable television, high-speed cable Internet and broadband telephone services.

On November 18, 2002, AT&T and Comcast Holdings Corporation (formerly named Comcast Corporation) ("Old Comcast") completed the combination of Old Comcast and AT&T Broadband Corp., a newly formed company for AT&T's broadband business, (the "AT&T Comcast Merger"). The AT&T Comcast Merger occurred in several steps. First, AT&T assigned and transferred to AT&T Broadband Corp. substantially all of the assets, liabilities and businesses of AT&T Broadband Group. Following the transfer, AT&T spun off AT&T Broadband Corp. to AT&T shareholders (the "AT&T Broadband Spin-Off"). Immediately following the AT&T Broadband Spin-Off, AT&T Broadband Corp. and Old Comcast were merged into separate subsidiaries of Comcast Corporation (formerly named AT&T Comcast Corporation) ("New Comcast"). AT&T shareholders received 0.3235 of a share of New Comcast Corporation Class A common stock for each share of AT&T common stock owned at the close of business on November 15, 2002.

AT&T Broadband Group's revenue is derived primarily from the provision of analog and digital video services, high-speed cable Internet services and broadband telephone services. AT&T Broadband Group also charges customers for installation of equipment into their homes. Additionally, AT&T Broadband Group derives revenue from the sale of advertising time via ad avails on certain cable networks. AT&T Broadband Group sells its services on an individual basis as well as through packages or on a bundled basis. AT&T Broadband Group expects revenue will continue to increase in the future as a result of increases in customers for its various services as well as rate increases. AT&T Broadband Group anticipates that the mix of its customers will change over time as the number of customers receiving advanced services (broadband telephone and high-speed cable Internet services) increases. Accordingly, AT&T Broadband expects revenue from advanced services to increase as a percentage of total revenue over time.

Operating expenses consist of service costs and selling, general and administrative expenses attributable to management of its customer base. Service costs include fees paid to programming suppliers, expenses related to copyright fees, wages and salaries of technical personnel, franchise fees, plant operating costs, high-speed data network transport and Internet service costs, access and interconnection costs and local and long-distance wholesale costs. Programming fees have historically increased at rates in excess of inflation. AT&T Broadband Group expects video programming costs will continue to increase. Competitive factors may limit AT&T Broadband Group's ability to recover increases in programming costs through rate increases to video customers. Selling, general and administrative expenses directly attributable to AT&T Broadband Group's cable television systems include wages and salaries for customer service and administrative personnel, and expenses related to billing, marketing, advertising sales and office administration.

Prior to the AT&T Comcast Merger, AT&T Broadband Group's operations were dependent on cash infusions from AT&T in order for AT&T Broadband Group to operate and execute on its business and growth strategies. Immediately prior to the AT&T Comcast Merger, substantially all of the assets and liabilities of AT&T Broadband Group were assigned and transferred to AT&T Broadband Corp. which was then merged into New Comcast.

Debt attributed to AT&T Broadband Group includes the third party obligations of AT&T Broadband, LLC (formerly TCI) and MediaOne and monetization debt backed by assets held by AT&T Broadband Group. Additional intercompany debt was allocated to AT&T Broadband Group to achieve a total debt level based on several factors, including prospective financing requirements, desired stand-alone credit profile, working capital and capital expenditure requirements, expected sources of future deleveraging, and comparable company profiles. Changes in historical intercompany debt are based on historical cash flows. Such cash flows include capital expenditures, operating activities, and investments in cable companies. The historical interest expense on the allocated intercompany debt was calculated based on a rate intended to be equivalent to the rate AT&T Broadband Group would receive if it were a stand-alone entity.

Critical Accounting Policies

AT&T Broadband Group's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments including those related to revenue recognition, allowances for doubtful accounts, the carrying values and useful lives of property, plant and equipment, internal use software and intangible assets, investments, derivative contracts, pension and other postretirement benefits and income taxes. Management based its estimates and judgment on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. For a detailed discussion of accounting policies that may involve a higher degree of judgment or complexity, refer to AT&T Broadband Group's "Management Discussion and Analysis of Results of Operations and Financial Condition" for the year ended December 31, 2001.

Operating Results

This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, the effects of the AT&T Comcast merger. As a result of the AT&T Comcast transaction, the historical results of operations of AT&T Broadband Group for the three and nine months ended September 30, 2002 and 2001 may not be indicative of AT&T Broadband Group's future results of operations.

The comparison of results for the third quarter and nine months ended September 30, 2002, with the corresponding periods in 2001 was impacted by events, such as net cable dispositions, which affect comparability. In 2001, AT&T Broadband Group disposed of several cable systems, which were therefore not included in 2002 results, but were included in the prior period results until the date of disposition.

Comparability was also impacted by the deconsolidation of At Home Corporation ("Excite@Home"). In 2001, Excite@Home was fully consolidated for the period from January 1, 2001 through September 28, 2001, the date that Excite@Home filed for Chapter 11 bankruptcy protection. As a result of the bankruptcy and AT&T removing its members from the Excite@Home board of directors, AT&T Broadband Group no longer consolidated Excite@Home as of September 30, 2001.

Revenue

Revenue for the third quarter 2002 of $2,547 million remained relatively consistent as compared to the third quarter of 2001. Revenue increases due to growth in advanced services (broadband telephone and high-speed cable Internet services) of $131 million and a basic cable rate increase on January 1, 2002 were offset by a decline of $107 million due to the impact of the deconsolidation of Excite@Home, the effects of 2001 net cable dispositions of $38 million and a loss of basic subscribers.

Revenue decreased $244 million, or 3%, for the nine months ended September 30, 2002 compared to the corresponding prior year period. Such decrease resulted primarily from a decline in revenue of $626 million due to the 2001 net cable dispositions and $332 million due to the impact of the deconsolidation of

Excite@Home. Such decreases were largely offset by $464 million of growth from advanced services and a $222 million increase in video services. The increase in basic video services was primarily due to an increase in digital video services, a basic cable rate increase, as well as increased advertising and pay-per-view revenue, partially offset by subscriber losses.

Customers of AT&T Broadband Group consisted of the following (in millions):

	September 30	
	2002	2001
Basic cable service	13.1	13.7
Homes passed	25.1	24.6
Digital video service	4.2	3.2
High-speed cable Internet service	1.9	1.4
Broadband telephone service	1.3	0.9

The decrease in the number of homes passed and basic cable customers results primarily from the 2001 cable dispositions, increased competition and, to a lesser extent, current economic conditions. A continued loss of basic subscribers could have a significant impact on projected growth in revenue and net losses. Growth in revenue is largely dependent on AT&T Broadband Group's ability to offer advanced services, and the completion of AT&T Broadband Group's plant upgrade is an important factor in offering such services. Failure to complete AT&T Broadband Group's plant upgrade as anticipated could have a significant adverse impact on future revenue growth and net losses.

Cost of Services

Cost of services for the third quarter of 2002 of $1,298 million remained relatively consistent as compared to the third quarter of 2001. Cost of services decreases due to the deconsolidation of Excite@Home of $108 million and the effects of the 2001 net cable dispositions of $23 million were offset by higher programming costs.

Cost of services decreased $356 million, or 8%, for the nine months ended September 30, 2002 compared to the corresponding prior year period. The decrease was primarily due to the effects of the 2001 net cable dispositions of $346 million and the impact of the deconsolidation of Excite@Home of $308 million. Such decreases were partially offset by higher cable programming costs due to higher rates, as well as to higher bad debt expense, and higher salary and benefit costs.

Selling, General and Administrative

Selling, general and administrative expenses increased $87 million, or 14% for the third quarter of 2002 compared to the third quarter of 2001. The increase resulted primarily from $106 million of AT&T Comcast Merger related costs recorded in 2002, offset by the $23 million impact from the deconsolidation of Excite@Home.

Selling, general and administrative expenses increased $86 million, or 4% for the nine months ended September 30, 2002 compared to the corresponding prior year period. The increase resulted from $239 million of AT&T Comcast Merger related costs recorded in 2002 and increased customer care costs. Such increase was partially offset by the $77 million impact from the deconsolidation of Excite@Home, $52 million from 2001 net cable disposition and cost control efforts.

Depreciation and Amortization

Depreciation and amortization expense declined $403 million and $1,429 million or 35% and 39%, for the third quarter and first nine months of 2002, respectively, compared to the corresponding prior year periods. The decline in both periods was primarily due to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") as of January 1, 2002, which eliminated the amortization of goodwill and franchise costs. In the third quarter and first nine months of 2001, AT&T Broadband Group recorded $441 million and $1,392 million of amortization expense on goodwill and franchise costs. The effects of the deconsolidation of

Excite@Home and the 2001 net cable dispositions also contributed to the declines. The declines were partially offset by increased depreciation expense due to a higher asset base resulting from continued infrastructure investment. Total capital expenditures were $1,031 million and $746 million for the third quarter of 2002 and 2001, respectively, and $2,718 million and $2,521 million for the first nine months of 2002 and 2001, respectively.

Goodwill and Franchise Impairment Charges

In the second quarter of 2002, AT&T Broadband Group noted significant changes in the general business climate as evidenced by the severe downward movement in the U.S. stock market (including the decline in values of publicly traded cable industry stocks). At June 30, 2002, five cable competitors as a group experienced an average decline in total market capitalization of over 20% since January 1, 2002. AT&T Broadband Group also witnessed corporate bankruptcies. AT&T Broadband Group believed these factors coupled with the then pending AT&T Comcast Merger created a "trigger event" which necessitated the testing of goodwill and franchise costs for impairment as of the end of the second quarter.

AT&T Broadband Group assessed impairment on the same principles employed during the initial adoption of SFAS 142. Such testing resulted in the recognition of a $12,298 million franchise cost impairment charge and a $4,227 million goodwill impairment charge (aggregating to $11,781 million after-tax) recorded in goodwill and franchise impairment charges in the accompanying combined statement of operations.

Asset Impairment, Restructuring and Other Charges

For the three months ended September 30, 2002, AT&T Broadband Group had no asset impairment, restructuring and other charges. For the nine months ended September 30, 2002, AT&T Broadband Group recorded $56 million of asset impairment, restructuring and other charges associated with efforts to reorganize and streamline certain centralized and field functions. The $56 million includes headcount reductions of $42 million associated with employee separation costs resulting from this exit plan, $27 million in connection with facility closings and $4 million for other charges. These charges were partially offset by the reversal of $17 million related to the business restructuring plan from the third quarter of 2001 which was due to the redeployment of certain employees to different functions within AT&T Broadband Group. Approximately 900 employees will be involuntarily separated in conjunction with this exit plan. Approximately 75% of the affected employees are management employees and 25% are non-management employees. Approximately 80% of the affected employees have left their positions as of September 30, 2002 with the remaining reductions expected to occur throughout the remainder of 2002. More than $34 million of termination benefits were paid to employees during the first nine months of 2002 related to this plan.

The restructuring and exit plan recorded in 2002 is expected to yield cash savings of approximately $4 million (net of severance benefit payouts) in 2002. There will be no benefit to operating loss (net of restructuring charges recorded) in 2002.

During the third quarter of 2001, $399 million of net restructuring and other charges were recorded by Excite@Home. Included in these charges were $376 million of asset impairment charges and $23 million of restructuring and exit costs, primarily due to continued weakness in the on-line media market and the bankruptcy filing of Excite@Home. These charges included the write-off of goodwill and other intangible assets, warrants granted in connection with distributing the Excite@Home service and fixed assets.

Net restructuring and other charges for the nine months ended September 30, 2001, totaled $1,494 million. The charge included $1,171 million of asset impairment charges related to Excite@Home, $323 million for restructuring and exit costs, which consisted of $151 million for severance costs, $156 million for facility closings and $16 million primarily related to termination of contractual obligations.

The severance costs, for approximately 7,700 employees, primarily resulted from synergies created by the MediaOne merger as well as continued cost reduction efforts by Excite@Home. These business restructuring plans were substantially completed by March 31, 2002.

Investment income (expense), net

Investment income (expense), net changed from an expense of $420 million for the third quarter of 2001 to income of $45 million for the third quarter of 2002. The change resulted from a favorable impact of $444 million in net gains/losses on sales of businesses and investments primarily resulting from a $392 million loss recognized in 2001 on Vodafone ADRs, which were used to settle exchangeable notes that matured during the third quarter of 2001.

Investment income (expense), net for the first nine months of 2002 was $1,172 million of expense compared with $1,265 million of expense for the first nine months of 2001. Investment expense for the first nine months of 2002 consisted primarily of cost method investment impairment charges of $1,272 million related to investments in Cablevision Systems Corporation, Comcast, Vodafone plc and Microsoft Corporation offset by $96 million of dividend and interest income. Investment expense for the first nine months of 2001 consisted of a $451 million net loss on sales of businesses and investments (primarily a $392 million loss recognized on Vodafone ADRs, which were used to settle exchangeable notes that matured) and an $838 million loss from the settlement and mark-to-market on the Excite@Home put obligations, offset by $112 million of dividend and interest income.

Other income (expense), net

Other income (expense), net for the third quarter of 2002 was $192 million of income compared with $168 million of income for the third quarter of 2001. The increase resulted primarily from an increase in gains from the ongoing fair value adjustments of derivative instruments.

Other income (expense), net for the nine months ended September 30, 2002 was income of $523 million compared to an expense of $891 million for the same period in 2001. Effective January 1, 2001, in conjunction with the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") AT&T Broadband Group reclassified certain investment securities, which support debt that is indexed to those securities, from "available-for-sale" to "trading." As a result, AT&T Broadband Group recorded a pre-tax loss of $1,154 million reflecting the initial reclassification impact of the adoption of SFAS 133. Also contributing to the change was an increase in gains from the ongoing fair value adjustments of derivative instruments of $269 million.

Interest Expense

Interest expense remained relatively consistent for the third quarter of 2002 compared to the third quarter of 2001.

Interest expense decreased $236 million to $1,111 million for the nine months ended September 30, 2001 compared to the corresponding prior year period. The decrease was primarily due to a lower average debt balance in 2002 compared with 2001, reflecting debt reduction efforts.

Benefit for Income Taxes
The benefit for income taxes for the third quarter of 2002 was $30 million, compared with a benefit of $1,036 million for the third quarter of 2001. The effective income tax rate for the third quarter of 2002 was 9.2%, compared to 64.3% for the third quarter of 2001. The third quarter of 2002 effective tax rate was negatively affected by impacts of charges recorded in connection with certain investments in leveraged leases. The third quarter 2001 effective tax rate was positively impacted by a net tax benefit related to Excite@Home, including a benefit from deconsolidation, partially offset by the prior consolidation of its operating losses, for which the company was unable to record tax benefits.

The benefit for income taxes for the nine months ended September 30, 2002, was $5,536 million, compared with a benefit of $3,214 million for the corresponding prior year period. The effective income tax rate for the nine months ended September 30, 2001 was 29.2% compared to 45.5% for the corresponding prior year. The 2002 effective tax rate was negatively affected by the non tax-deductible goodwill impairment charge and by impacts of charges recorded in connection with certain investments in leveraged leases. The 2001 effective tax rate was positively impacted by a significant tax benefit related to Excite@Home, including a benefit from deconsolidation and the put obligation settlement with Cox and Comcast, partially offset by the prior consolidation of its operating losses for which the company was unable to record tax benefits. The effective tax rate was also positively impacted by a tax-free gain resulting from an exchange of AT&T stock for an entity owning certain cable systems and other assets with Comcast. Such positive impacts were partially offset by the amortization of non tax-deductible goodwill and non tax-deductible losses generated by Excite@Home.

Net Earnings (Losses) Related to Equity Investments
Net earnings (losses) related to equity investments, which are recorded net of income taxes, was $2 million of earnings for the third quarter of 2002 compared with losses of $53 million for the third quarter of 2001. The change is primarily due to lower losses recorded by equity investees in the third quarter of 2002 as compared with the third quarter of 2001. Also contributing to the change was the adoption of SFAS 142 on January 1, 2002. In accordance with SFAS 142, AT&T Broadband Group no longer amortizes excess basis related to nonconsolidated investments. This amortization totaled $12 million, net of income taxes, for the third quarter of 2001.

Net earnings (losses) related to equity investments, which are recorded net of income taxes, increased from a loss of $37 million for the nine months ended September 30, 2001 to $615 million for the nine months ended September 30, 2002. This increase was primarily due to $608 million after-tax investment impairment charges on equity method investments. Also contributing to the change was the adoption of SFAS 142 on January 1, 2002. In accordance with SFAS 142, AT&T Broadband Group no longer amortizes excess basis related to nonconsolidated investments. This amortization totaled $74 million, net of income taxes, for the first nine months of 2001.

Minority Interest and Dividends on Subsidiary Preferred Stock
Minority interest and dividends on subsidiary preferred stock, which is recorded net of income taxes, was $66 million of expense in the third quarter of 2002 compared with $169 million of income in the third quarter of 2001 and was $206 million of expense for the first nine months of 2002 compared with income of $905 million for the first nine months of 2001. These variances were due to income recorded in the three and nine months ended September 30, 2001, primarily related to losses generated by Excite@Home, including asset impairment charges that were attributable to the other shareholders of Excite@Home. In 2002, Excite@Home was not consolidated, therefore no minority interest income was recorded related to Excite@Home.

Extraordinary Gain
The year-to-date gain of $48 million, net of $30 million of income taxes, relates to $1.5 billion of trust preferred securities called for early

redemption in the first half of 2002. The gains represent the difference between the carrying value of the debt and the cash paid to extinguish the debt.

Cumulative Effect of Accounting Change

Cumulative effect of accounting change, net of applicable income taxes, was a loss of $856 million for the nine months ended September 30, 2002, compared with a gain of $229 million for the nine months ended September 30, 2001. Effective January 1, 2002, AT&T Broadband Group adopted SFAS 142, and in accordance with SFAS 142, goodwill and franchise costs were tested for impairment by comparing the fair values to carrying values. As a result of the franchise cost impairment test, an impairment loss of $856 million, net of income taxes of $530 million, was recorded.

In the nine months ended September 30, 2001, the cumulative effect of accounting change represented the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and was attributable to fair value adjustments of equity derivative instruments related to indexed debt instruments and warrants held in public and private companies.

Liquidity and Capital Resources

Financing activities for AT&T Broadband Group have been managed by AT&T on a centralized basis. Prior to the AT&T Comcast Merger, AT&T Broadband Group's operations were dependent on cash infusions from AT&T in order for AT&T Broadband Group to operate and execute on its business and growth strategies. At the time of the AT&T Comcast Merger, substantially all of the assets and liabilities of AT&T Broadband Group were assigned and transferred to AT&T Broadband Corp. which was then merged into New Comcast. Sources for AT&T Broadband Corp.'s future financing requirements may include cash flow from operations, borrowing of funds, including additional debt from its parent and/or third party debt. If economic conditions worsen or do not improve and/or competition and product substitution accelerate beyond current expectations, AT&T Broadband Group's cash flow from operations would decrease, negatively impacting liquidity.

Loans from AT&T to any member of the AT&T Broadband Group have been made at interest rates and on other terms and conditions intended to be substantially equivalent to the interest rates and other terms and conditions that AT&T Broadband Group would be able to obtain from third parties, including the public markets, as a non-affiliate of AT&T.

(continued)

AT&T performed cash management functions on behalf of AT&T Broadband Group. Substantially all of AT&T Broadband Group's cash balances were swept to AT&T on a daily basis, where they were managed and invested by AT&T. Transfers of cash to and from AT&T, after giving effect to the debt allocation methodology, have been reflected as a component of combined attributed net assets. Net transfers to or from AT&T were assumed to be settled in cash. Capital contributions from AT&T have been treated as non-cash and include acquisitions made by AT&T that have been attributed to AT&T Broadband Group and certain transactions in which AT&T issued AT&T common stock in exchange for net assets and obligations attributed to AT&T Broadband Group.

Net cash provided by operating activities for the nine months ended September 30, 2002 was $1,217 million, compared with net cash used in operating activities of $779 million for the corresponding prior year period. Net cash provided by operating activities for the nine months ended September 30, 2002 was due to net income of $1,895 million, exclusive of non-cash items and adjustments for net losses on sales of businesses and investments, offset by a change in other operating assets and liabilities of $678 million. Net cash used in operating activities for the nine months ended September 30, 2001 was due to the change in other operating assets and liabilities of $1,046 million offset by net income of $267 million, exclusive of non-cash items and adjustments for net gains on sales of businesses and investments.

Net cash used in investing activities for the nine months ended September 30, 2002 was $2,877 million compared with net cash provided by investing activities of $2,328 million for the corresponding prior year period. For the nine months ended September 30, 2002, AT&T Broadband Group's cash used in investing activities resulted primarily from capital expended for property and equipment, net of proceeds from disposals, of $2,718 million. For the nine months ended September 30, 2001, AT&T Broadband Group's net cash provided by investing activities resulted primarily from cash received from net acquisitions and dispositions of businesses of $4,812 million partially offset by capital expended for property and equipment, net of proceeds from disposals, of $2,521 million. Capital expenditures in both periods were primarily due to the continued expansion and upgrade of the network to provide advanced services.

Net cash provided by financing activities for the nine months ended September 30, 2002 was $1,660 million compared with net cash used in financing activities of $1,357 million for the corresponding prior year period. For the nine months ended September 30, 2002, AT&T Broadband Group received proceeds of $3,875 million from AT&T through short-term debt borrowings and transfers. AT&T Broadband Group used cash of $2,009 million to retire long-term debt and $255 million to pay dividends on preferred securities. For the nine months ended September 30, 2001, AT&T Broadband Group used cash of $905 million to retire long term debt, $440 million to reduce short-term debt to AT&T and $190 million to pay dividends on preferred securities. AT&T Broadband Group received proceeds of $178 million from the issuance of long-term debt and transfers from AT&T.

The continued expansion and upgrade of AT&T Broadband Group's network to provide advanced services will continue to require substantial capital. It is anticipated that AT&T Broadband Group's operating cash flows will not be sufficient to provide for AT&T Broadband Group's capital needs. In this regard, AT&T continued to provide funding to AT&T Broadband Group for capital expenditures not covered by cash flows from operations and divestments up to the date of the AT&T Comcast Merger.

At September 30, 2002, AT&T Broadband Group had current assets of $2,082 million and current liabilities of $13,334 million. A significant portion of the current liabilities, $10,152 million, relates to short-term debt of which $7,823 million was due to AT&T and $692 million was monetized by an investment, where such investment can be delivered in full satisfaction of the underlying debt.

As of September 30, 2002, total debt was $22,853 million of which $5,046 million was monetized by investments, where such investments can be delivered in full satisfaction of the underlying debt at the time of maturity.

On August 12, 2002, in connection with the AT&T Comcast Merger, AT&T filed a preliminary prospectus contemplating a potential offer to exchange an aggregate of $11.8 billion of AT&T's existing debt securities. The exchange offer involved two types of transactions. The first involved an exchange of certain series of AT&T notes for new notes that would ultimately become obligations of AT&T Broadband Corp. Comcast and certain of its subsidiaries would guarantee these obligations upon completion of the AT&T Comcast Merger. The second involved an exchange of other series of AT&T notes for new notes that would remain obligations of AT&T.

On October 4, 2002, AT&T and Comcast commenced the exchange offer. On November 14, 2002, the exchange offer was consummated with $3.5 billion of AT&T debt exchanged for AT&T Broadband debt which were obligations of AT&T and AT&T Broadband Corp. Effective as of the date of the AT&T Comcast Merger, the AT&T Broadband debt became primary obligations of AT&T Broadband Corp. and became fully and unconditionally guaranteed by New Comcast and certain of its subsidiaries. Such debt ultimately reduced the amount that AT&T Broadband Group was required to pay AT&T on the date of the AT&T Comcast Merger. In the exchange offer, $4.7 billion of debt was exchanged for new AT&T debt. Neither AT&T, AT&T Broadband Group, nor any other entity received any proceeds from the issuance of the new notes in the exchange offer.

In August 2002, AT&T and Comcast Corporation reached an agreement with AOL Time Warner to restructure the Time Warner Entertainment ("TWE") partnership. As part of the AT&T Broadband merger agreement, AT&T Comcast assumed AT&T's interest in TWE upon the closing of the AT&T Comcast Merger. Under the TWE agreement, AT&T Broadband will receive $2.1 billion in cash, $1.5 billion in common stock of AOL Time Warner, Inc. and an effective 21% equity interest in a new cable company. This agreement is expected to close in the first quarter of 2003.

Financial Condition

Total assets were $82,421 million as of September 30, 2002, which represented a decrease of $20,766 million compared to December 31, 2001. This decrease was largely driven by a $13,684 million decrease in franchise costs and a $4,227 million decrease in goodwill, reflecting the asset impairment charges under SFAS 142. Investment impairment charges of $2,261 million also contributed to the decrease.

Total liabilities were $47,065 million as of September 30, 2002, representing a decrease of $5,936 million compared to December 31, 2001. The decrease was primarily a result of $5,591 million of lower deferred taxes, primarily resulting from deferred tax benefits associated with the impairment of franchise costs and certain investments.

Minority interest decreased $2,088 million to $1,214 million at September 30, 2002 as compared to December 31, 2001. The decrease was primarily due to the exchange and redemption of all TCI Pacific preferred shares for AT&T common shares.

Combined attributed net assets were $29,414 million as of September 30, 2002, which represented a decrease of $12,750 million compared to December 31, 2001. The decrease was primarily due to the net loss of AT&T Broadband Group. Such decrease was partially offset by contributions from AT&T.

At the time of the AT&T Broadband Spin-Off, Microsoft Corporation ("Microsoft") exchanged the $5 billion company-obligated convertible quarterly income preferred securities for shares of AT&T Broadband Corp. common stock, which were converted at the AT&T Comcast Merger into 115 million shares of New Comcast common stock.

Risk Management

AT&T Broadband Group is exposed to market risk from changes in interest rates, as well as changes in equity prices associated with previously affiliated companies. In addition, AT&T Broadband Group is exposed to market risk from fluctuations in the prices of securities, some of which have been monetized through the issuance of debt. On a limited basis, certain derivative financial instruments, including interest rate swaps, equity hedges and options are used to manage these risks. Financial instruments are not used for trading or speculative purposes. All financial instruments are used in accordance with AT&T board-approved policies.

AT&T Broadband Group has certain notes which are indexed to the market price of equity securities owned by AT&T Broadband Group. Certain of these notes contain embedded derivatives, while other debt was issued in conjunction with net purchased options. Changes in the market prices of these securities result in changes in the fair value of the derivatives. Assuming an upward 10% change in the market price of these securities, the fair value of the combined collars and underlying debt would increase by $308 million at September 30, 2002. The changes in fair value referenced above does not represent the actual change in fair value AT&T Broadband Group would incur under normal market conditions because all variables other than the equity prices were held constant in the calculations.

Recent Accounting Pronouncements

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations ("SFAS 143")." This standard requires that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. Upon initially recognizing a liability for an asset retirement obligation, an entity must capitalize the cost by recognizing an increase in the carrying amount of the related long-lived asset. Over time, this liability is accreted to its present value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002, which for AT&T Broadband Group means the standard will be adopted on January 1, 2003. AT&T Broadband Group does not expect that the adoption of this statement will have a material impact on AT&T Broadband Group's results of operations, financial position or cash flows.

On April 30, 2002, the FASB issued SFAS No. 145, "Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS Statement No. 13 and Technical Corrections." SFAS No. 145 eliminates the requirement (in SFAS No. 4) that gains and losses from the extinguishments of debt be aggregated and classified as extraordinary items, net of the related income tax. An entity is not prohibited from classifying such gains and losses as extraordinary items, as long as they met the criteria of APB No. 30. In addition, SFAS No. 145 requires sale-lease back treatment for certain modifications of a capital lease that result in the lease being classified as an operating lease. The rescission of SFAS No. 4 is effective for fiscal years beginning after May 15, 2002, which for AT&T Broadband Group would be January 1, 2003. Earlier application is encouraged. Any gain or loss on extinguishment of debt that was previously classified as an extraordinary item would be reclassified to other income (expense). The remainder of the statement is generally effective for transactions occurring after May 15, 2002. AT&T Broadband Group does not expect that the adoption of SFAS No. 145 will have a material impact on its results of operations, financial position or cash flows.

On June 28, 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities". This statement addresses the recognition, measurement and reporting of costs that are associated with exit and disposal activities. This statement includes the restructuring activities that are currently accounted for pursuant to the guidance set forth in EITF 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred ina Restructuring)," costs related to terminating a contract that is not a capital lease and one-time benefit arrangements received by employees who are involuntarily terminated-nullifying the guidance under EITF 94-3. Under SFAS No. 146 the cost associated with an exit or disposal activity is recognized in the periods in which it is incurred rather than at the date the company committed to the exit plan. This statement is effective for exit or disposal activities initiated after December 31, 2002, with earlier application encouraged. Previously issued financial statements will not be restated. The provisions of EITF 94-3 shall continue to apply for exit plans initiated prior to the adoption of SFAS No. 146. Accordingly, the initial adoption of SFAS No. 146 will not have an effect on AT&T Broadband Group's results of operations, financial position or cash flows. Liabilities associated with future exit and disposal activities will not be recognized until actually incurred.

Subsequent Events

On November 7, 2002, certain creditors of At Home Corporation filed a class action against AT&T in California state court asserting claims relating to the conduct of AT&T and its designees on the At Home Corporation board of directors in connection with At Home Corporation's declaration of bankruptcy and subsequent efforts to dispose of some of its businesses or assets, as well as in connection with other aspects of AT&T's relationship with At Home Corporation. Liability (if any) arising from this lawsuit would be shared equally between AT&T and AT&T Broadband Group, and then following the AT&T Comcast Merger, any such liability would be shared equally between AT&T and New Comcast.

In October 2002, AT&T Broadband Group transferred to AT&T, through combined attributed net assets, $91 million, representing half of the liability, net of related deferred taxes, resulting from the deconsolidation of At Home Corporation in 2001.

On November 15, 2002, exchangeable notes that were indexed to a portion of holdings of Vodafone securities matured. Prior to the settlement, the carrying value of the notes was $489 million. These notes were settled with 26 million shares of Vodafone ADR's. Approximately 21 million shares of Vodafone ADR's used in the settlement were accounted for as "trading" securities and the remaining shares were accounted for as "available-for-sale" under SFAS 115.

On December 9, 2002, UAL Corp ("UAL") filed for Chapter 11 bankruptcy protection. AT&T Broadband Group leases airplanes under leveraged leases to UAL. Under a leveraged lease, the assets are secured with debt, which is non-recourse to AT&T Broadband Group. In connection with the bankruptcy filing, UAL can reject or reaffirm its leases. AT&T Broadband Group does not know if the leases will be rejected or affirmed. If the leases are rejected and the non-recourse debtholder forecloses on the assets, AT&T Broadband Group could incur an after-tax loss of approximately $33 million based on September 30, 2002 balances.