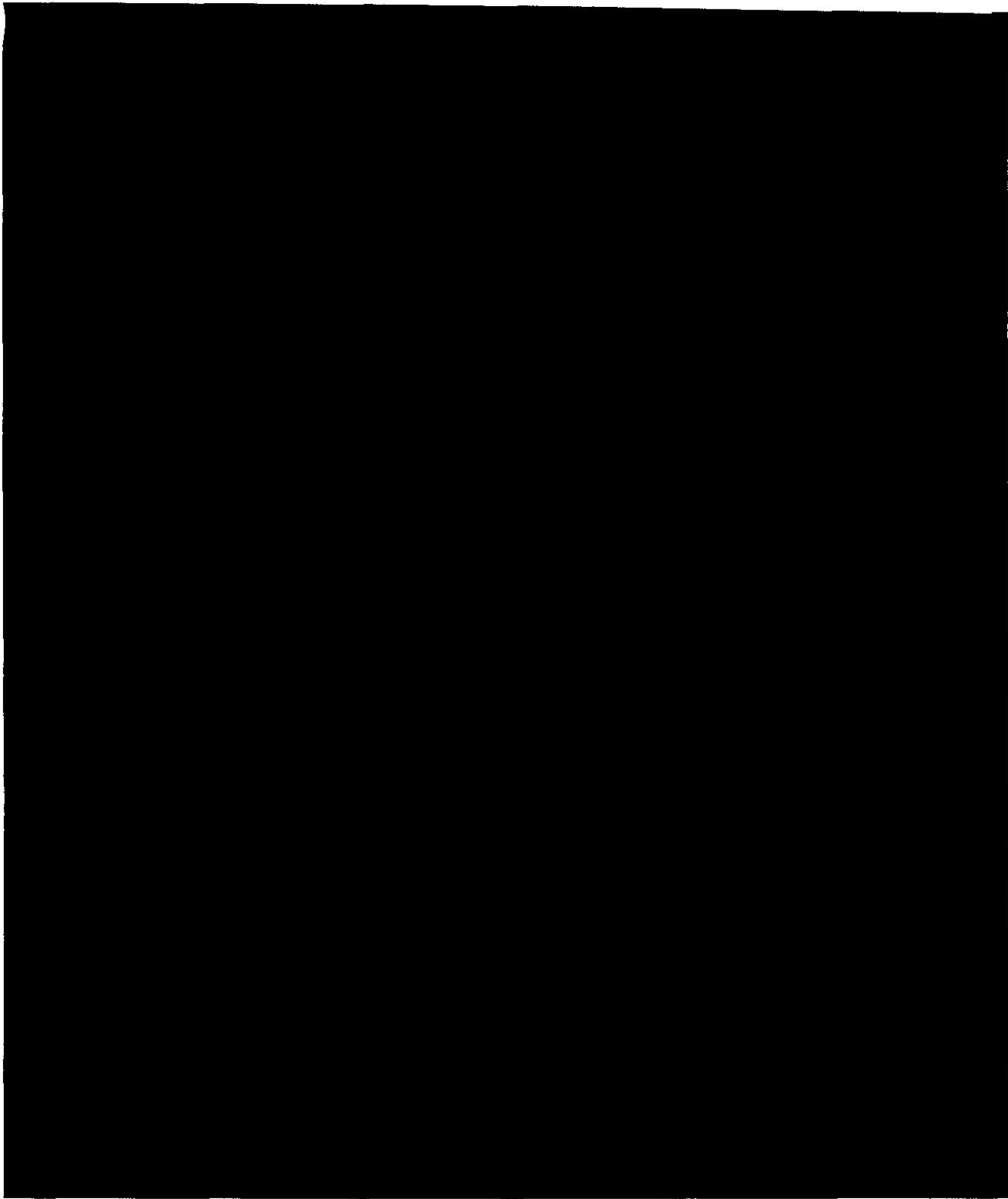
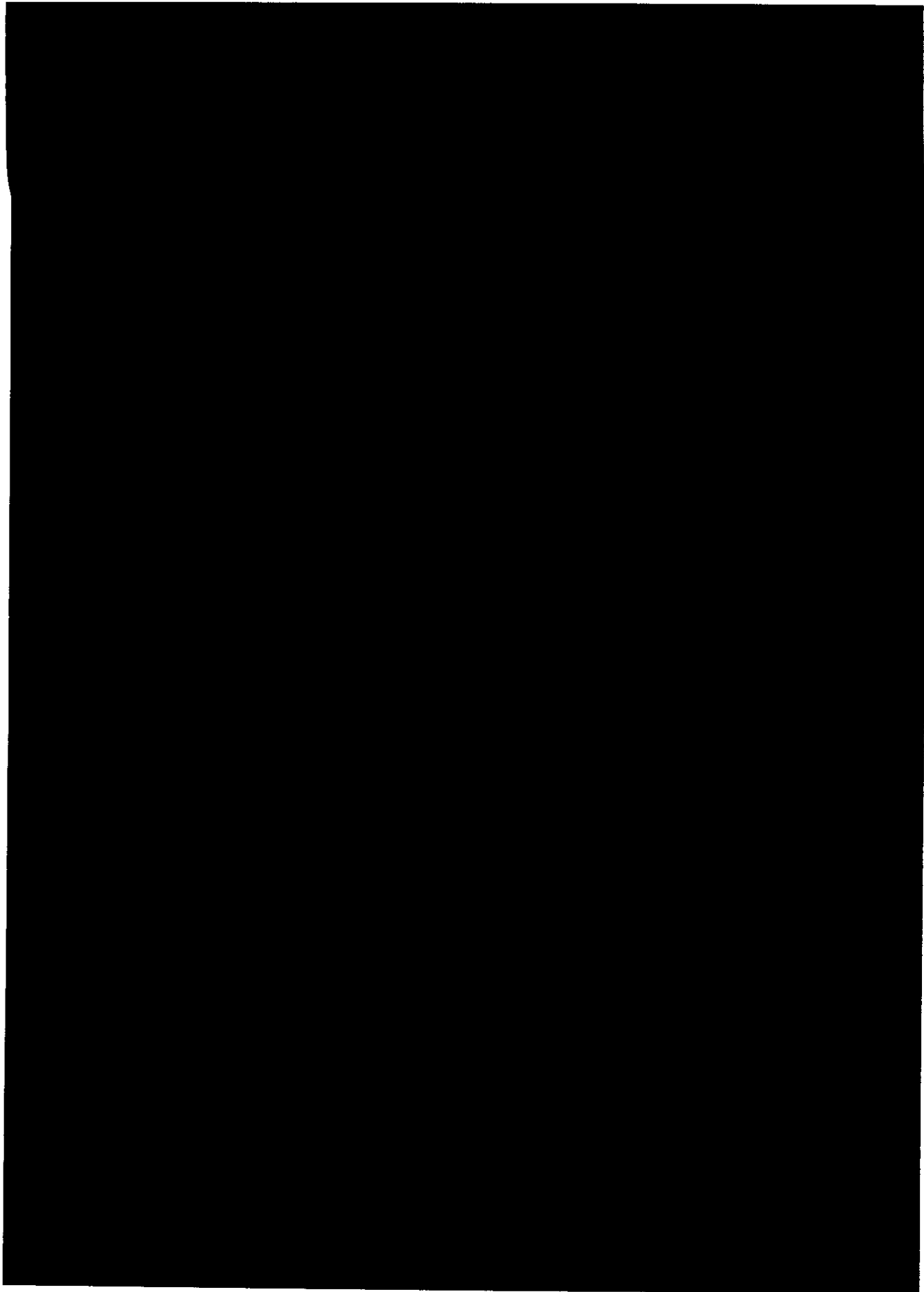
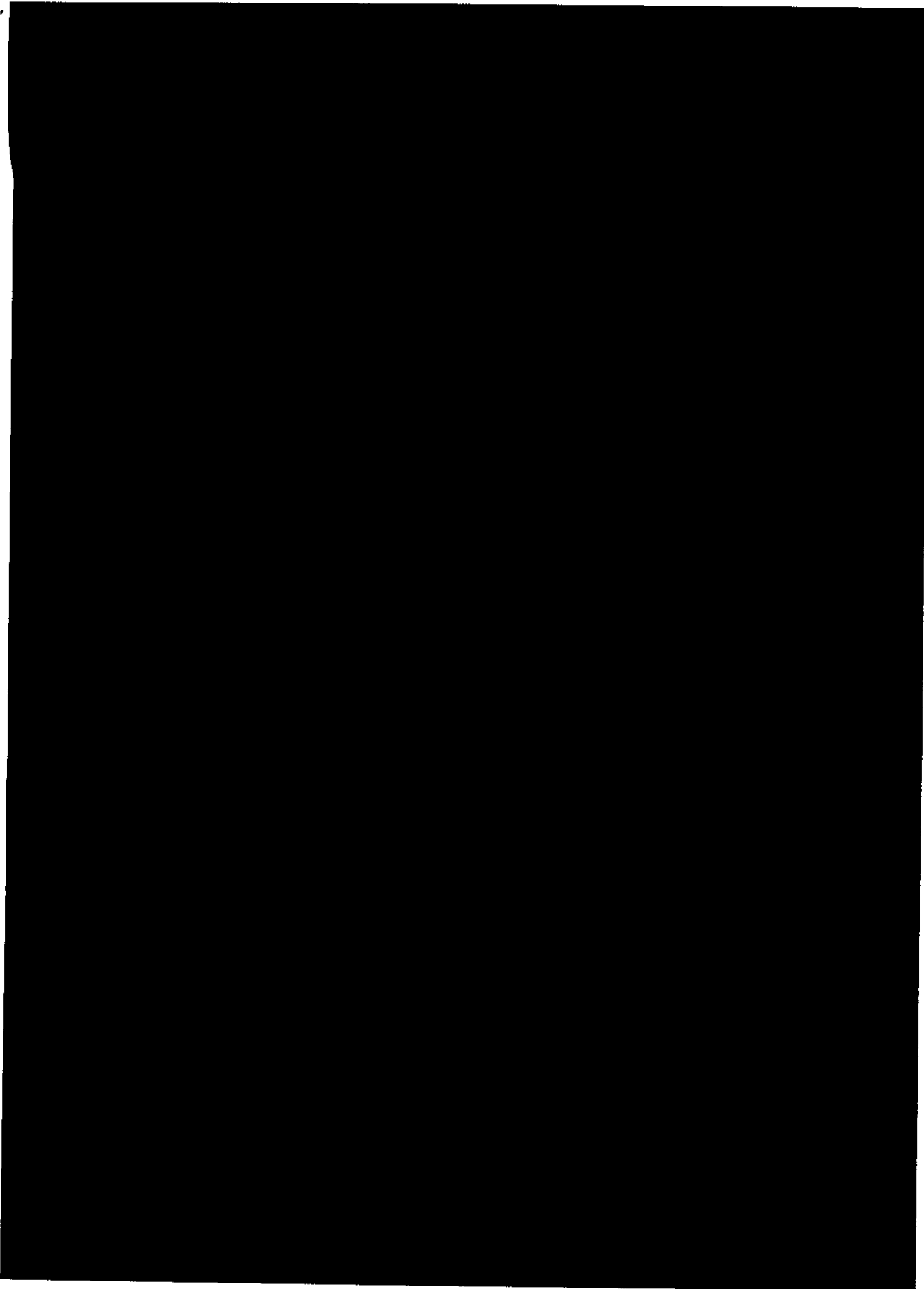
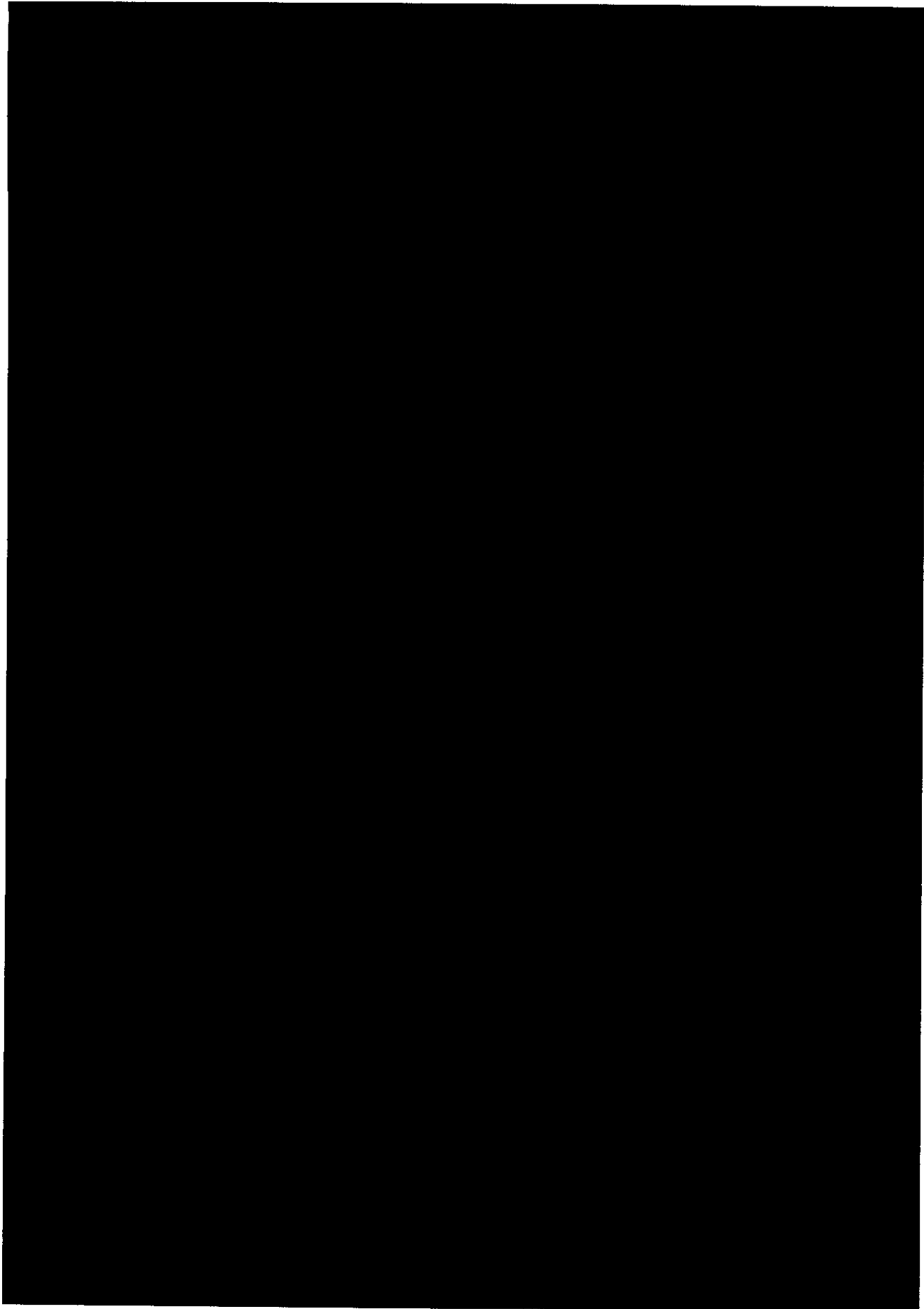


*** Slip Sheet ***

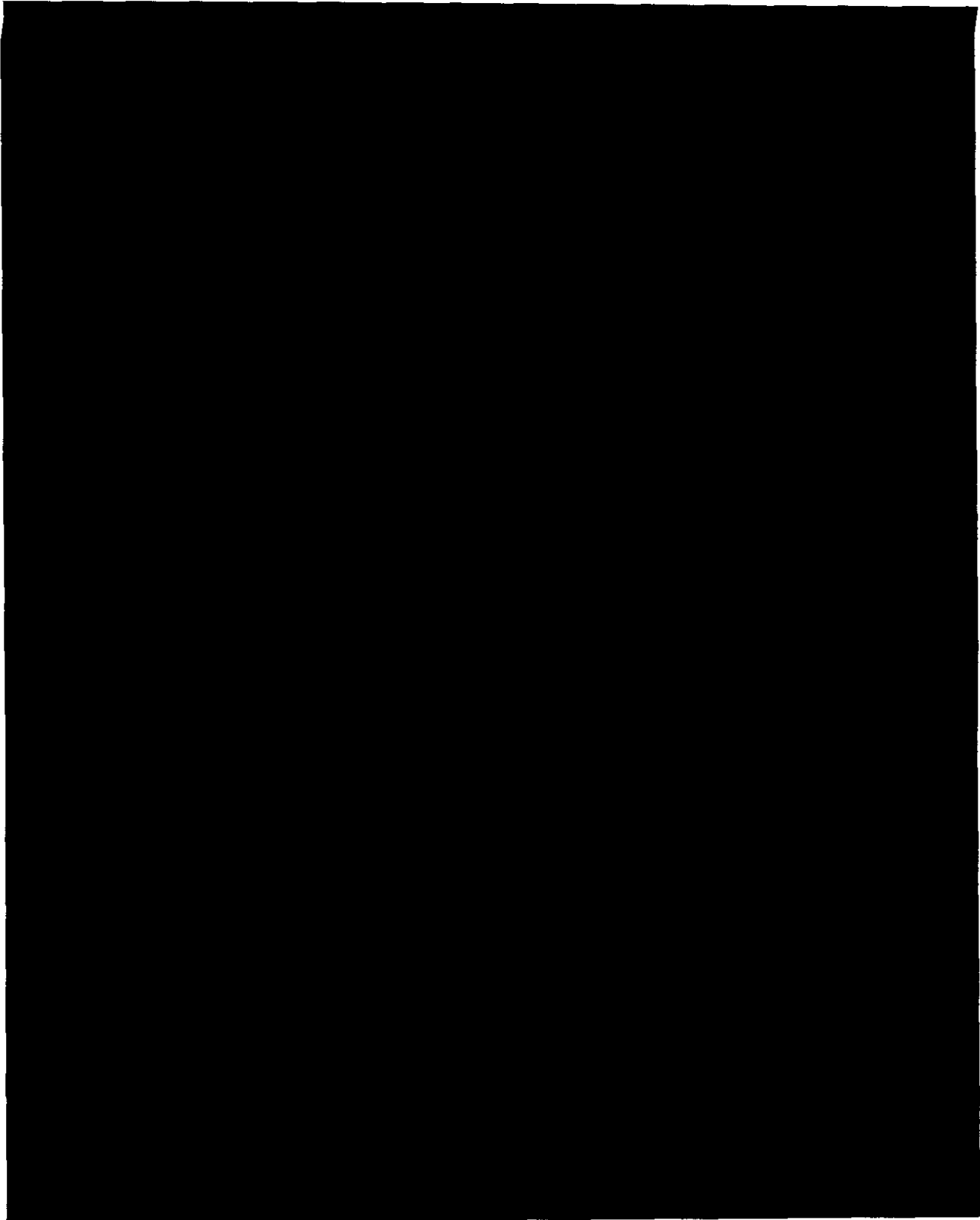


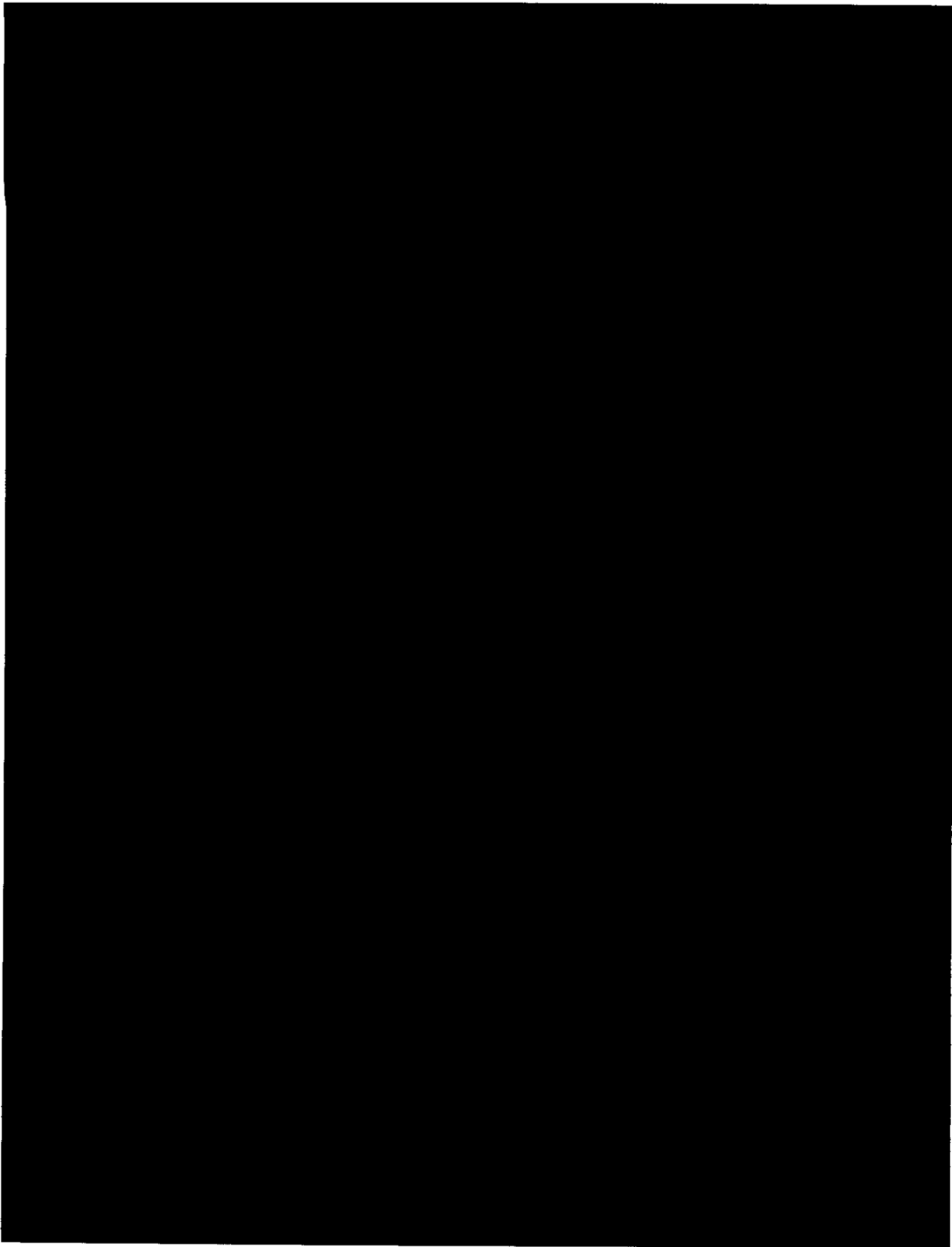






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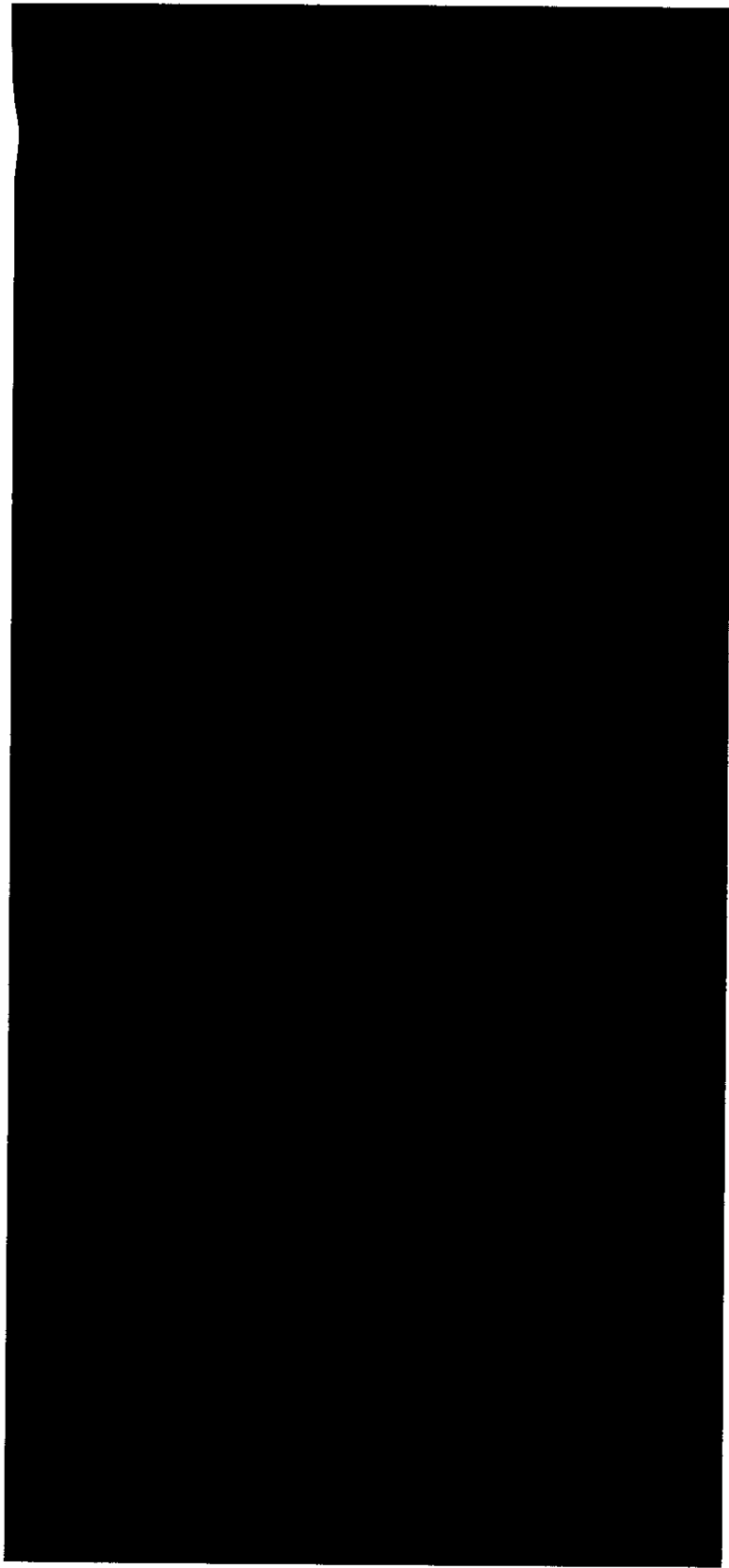




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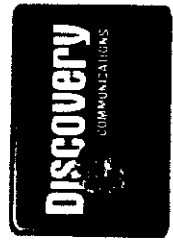


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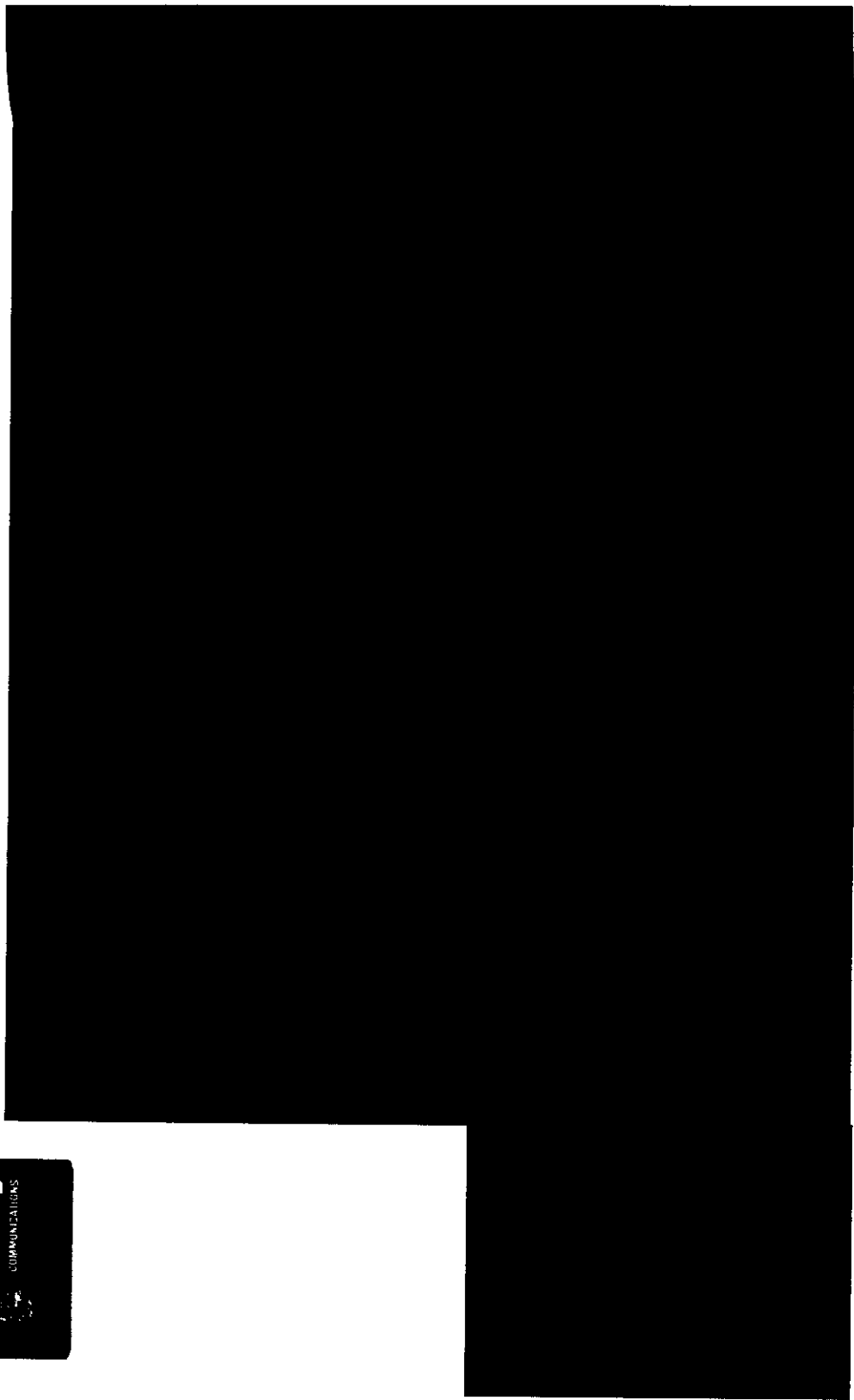


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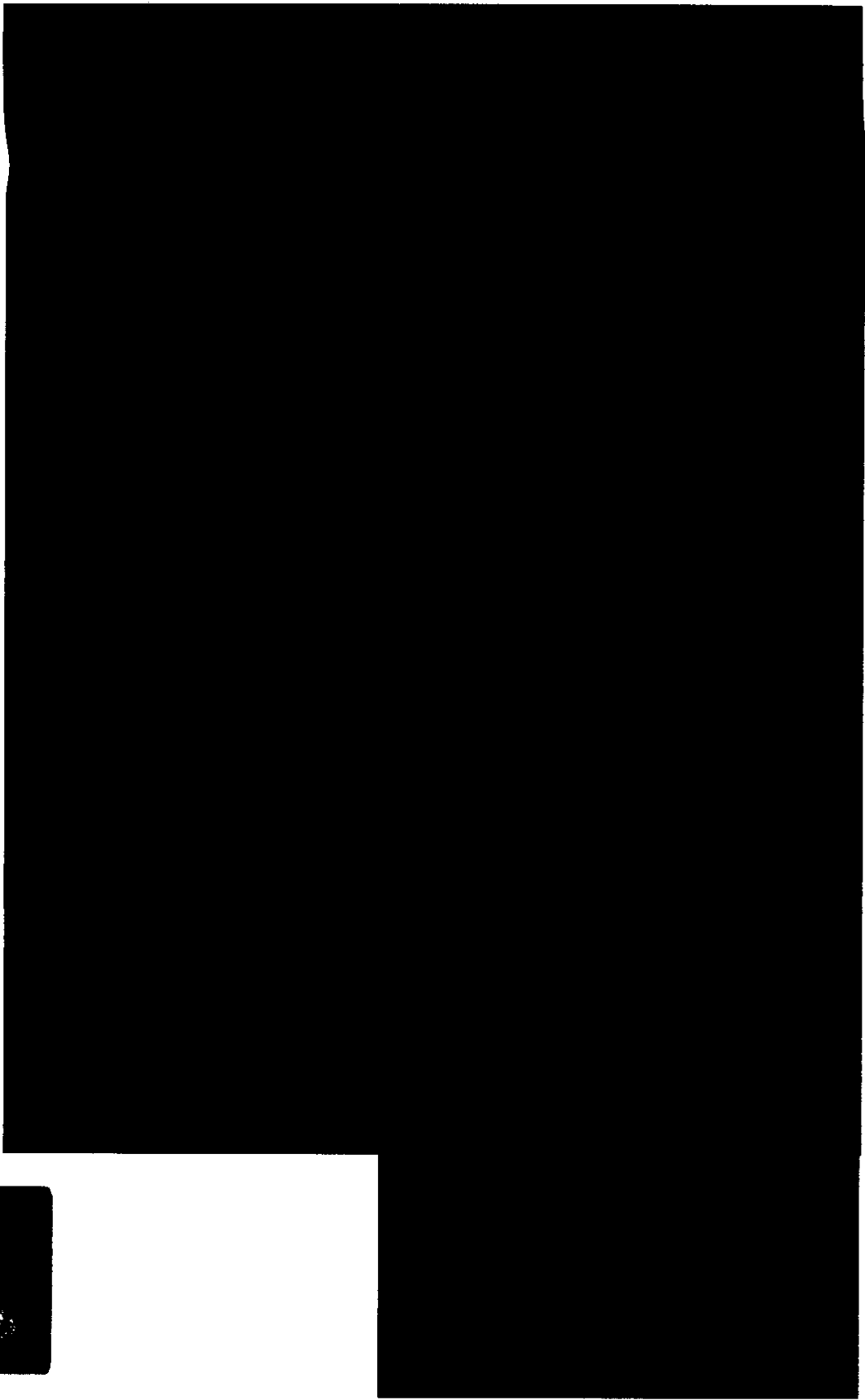
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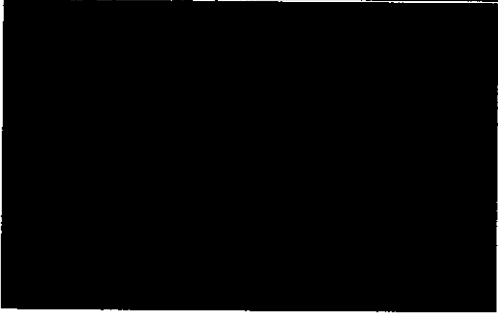
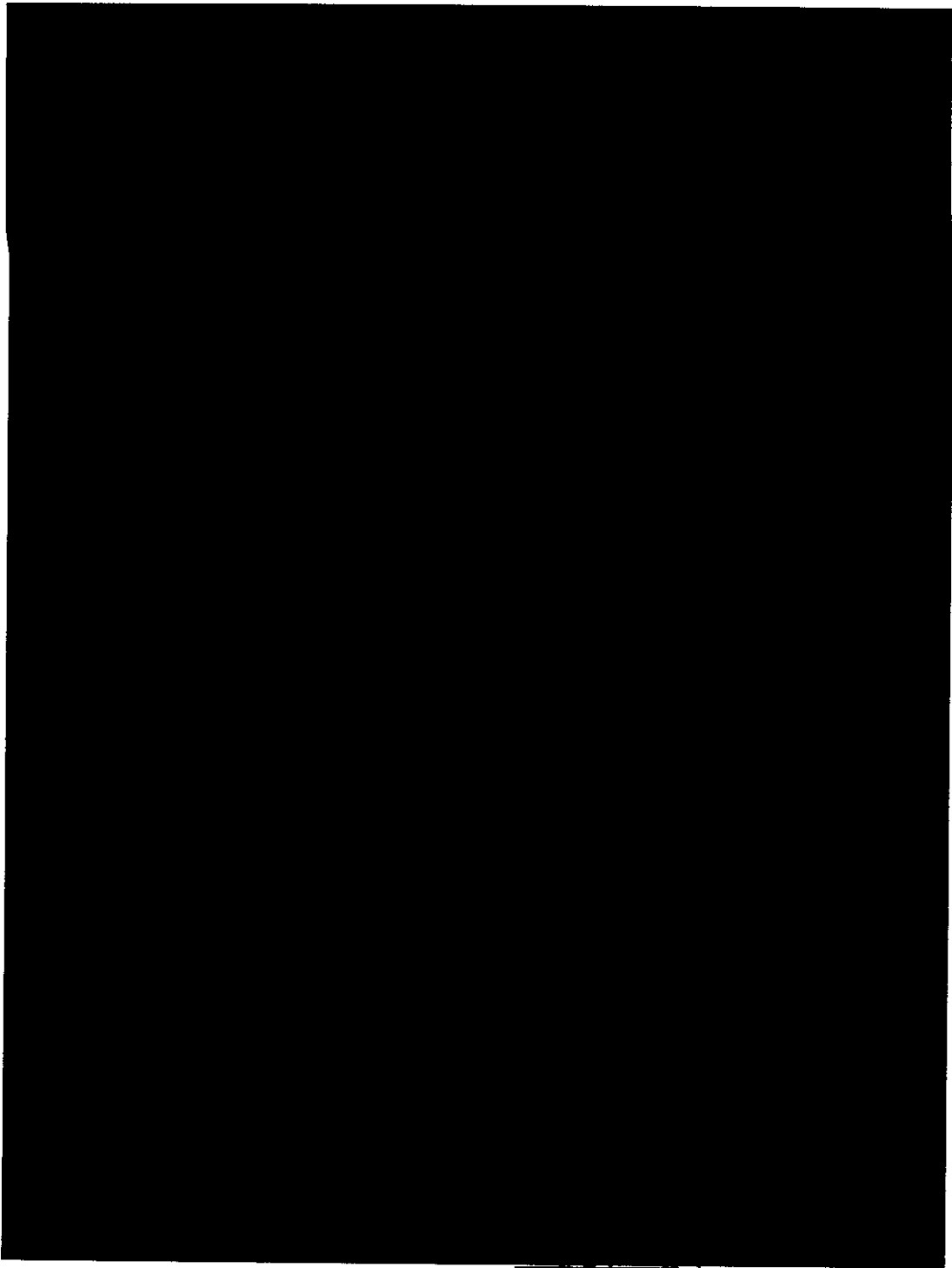


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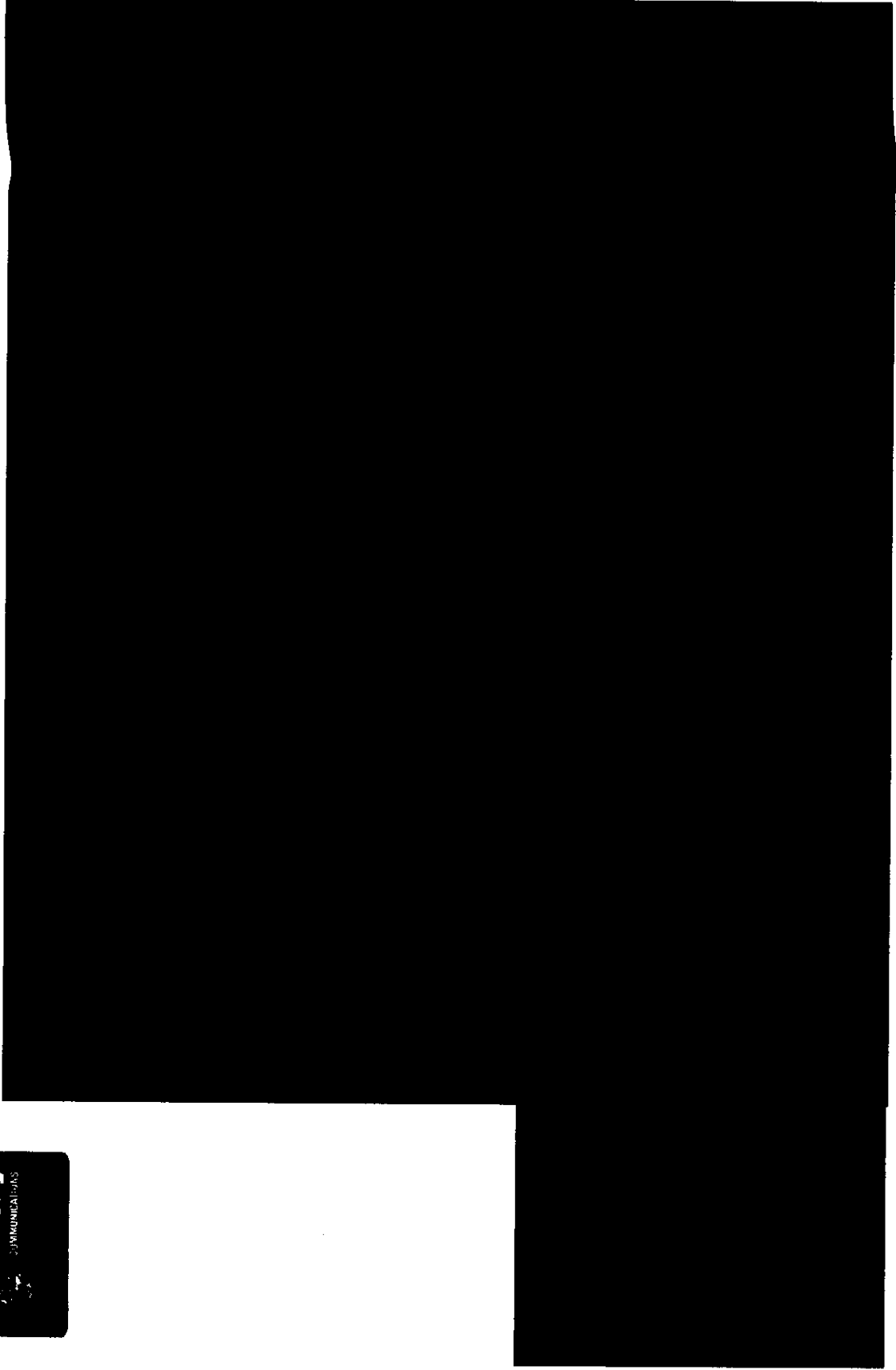
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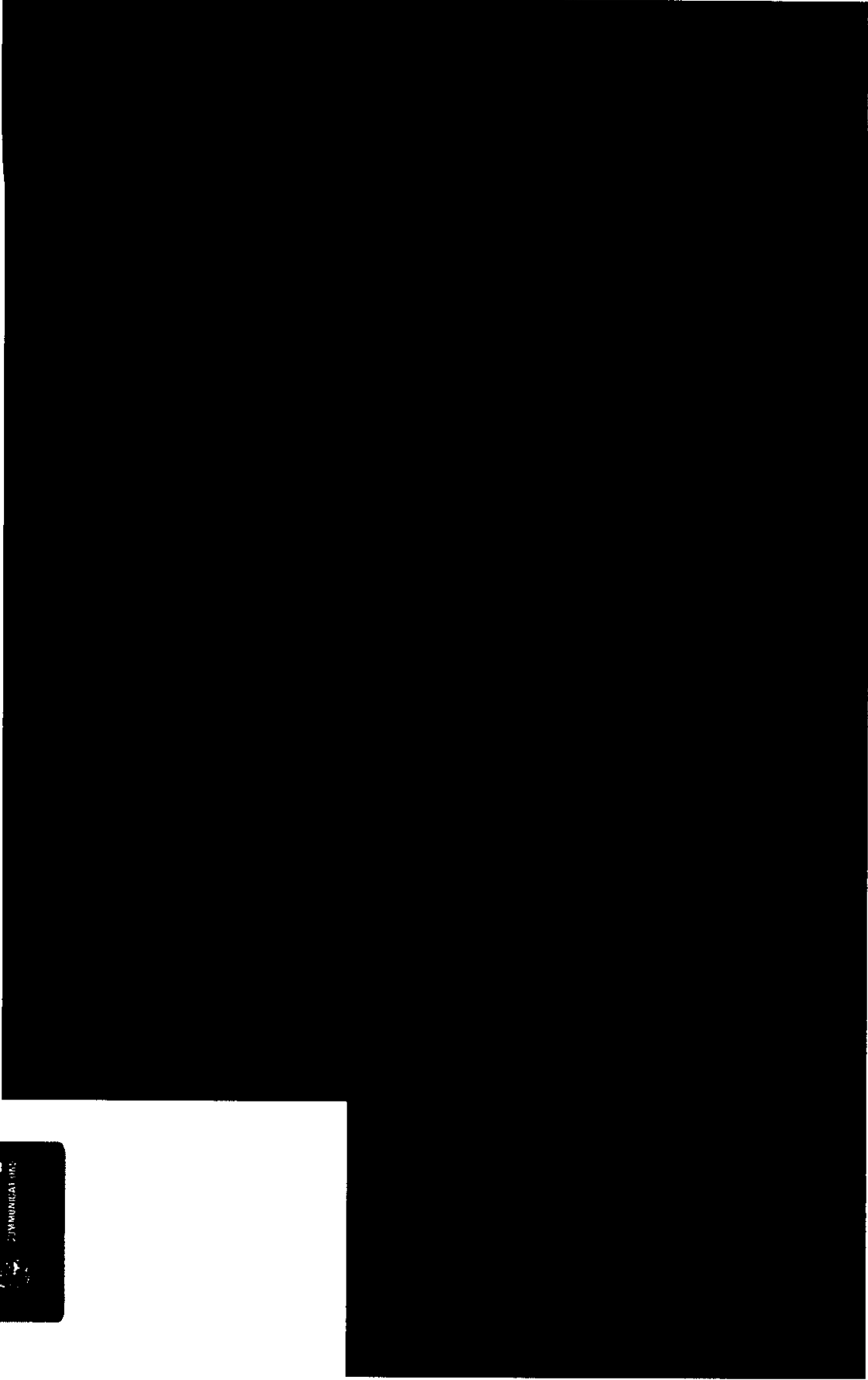
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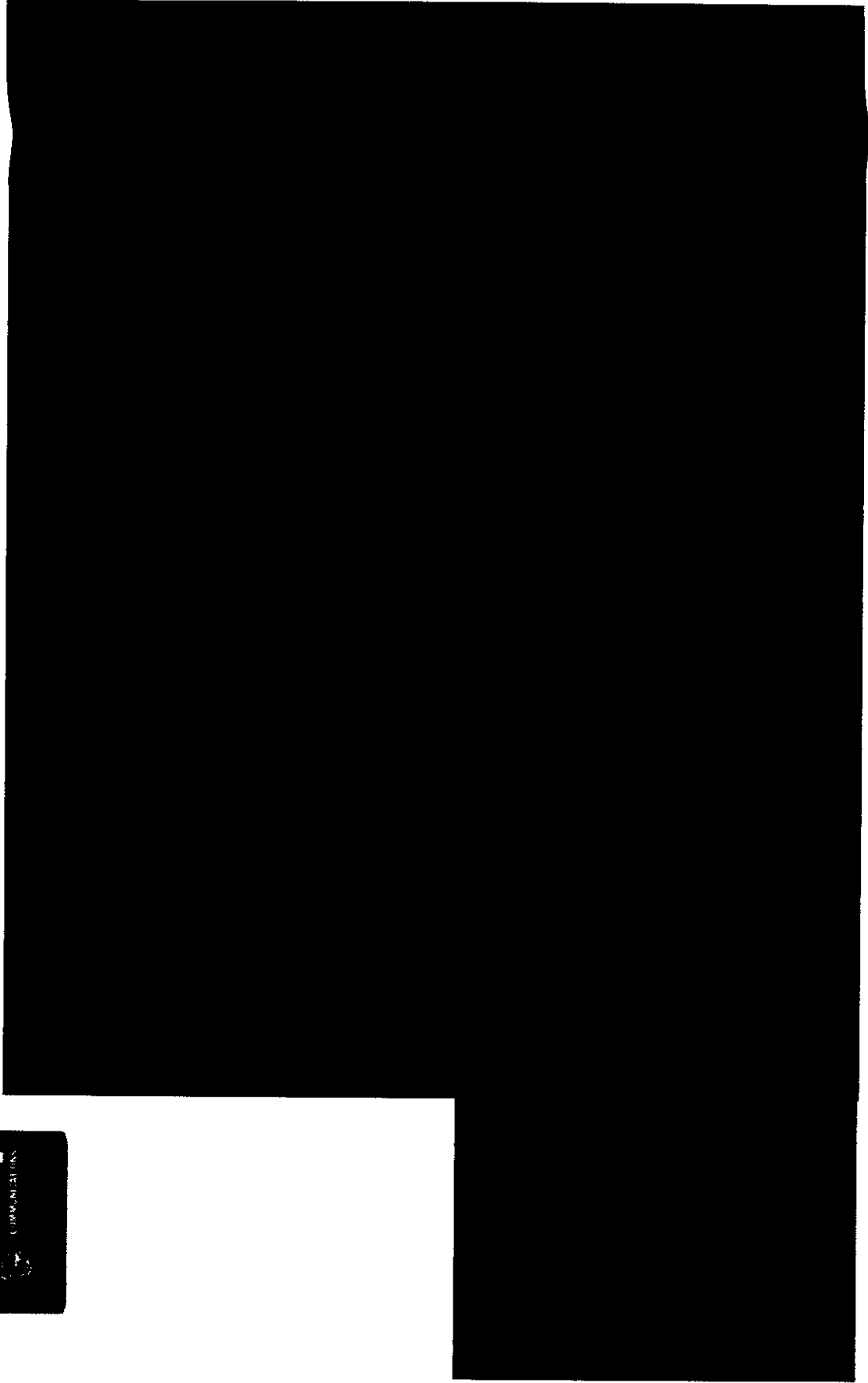


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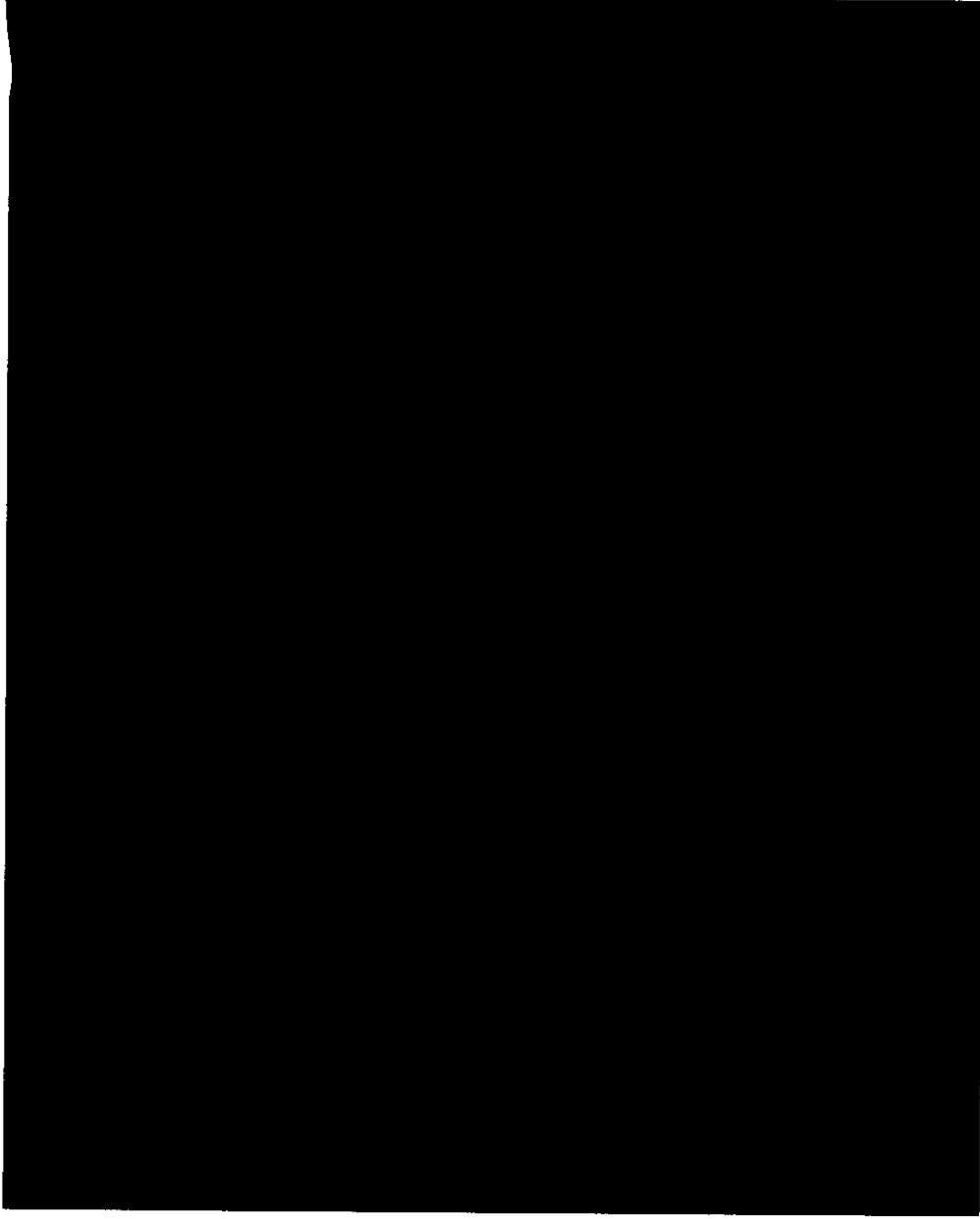


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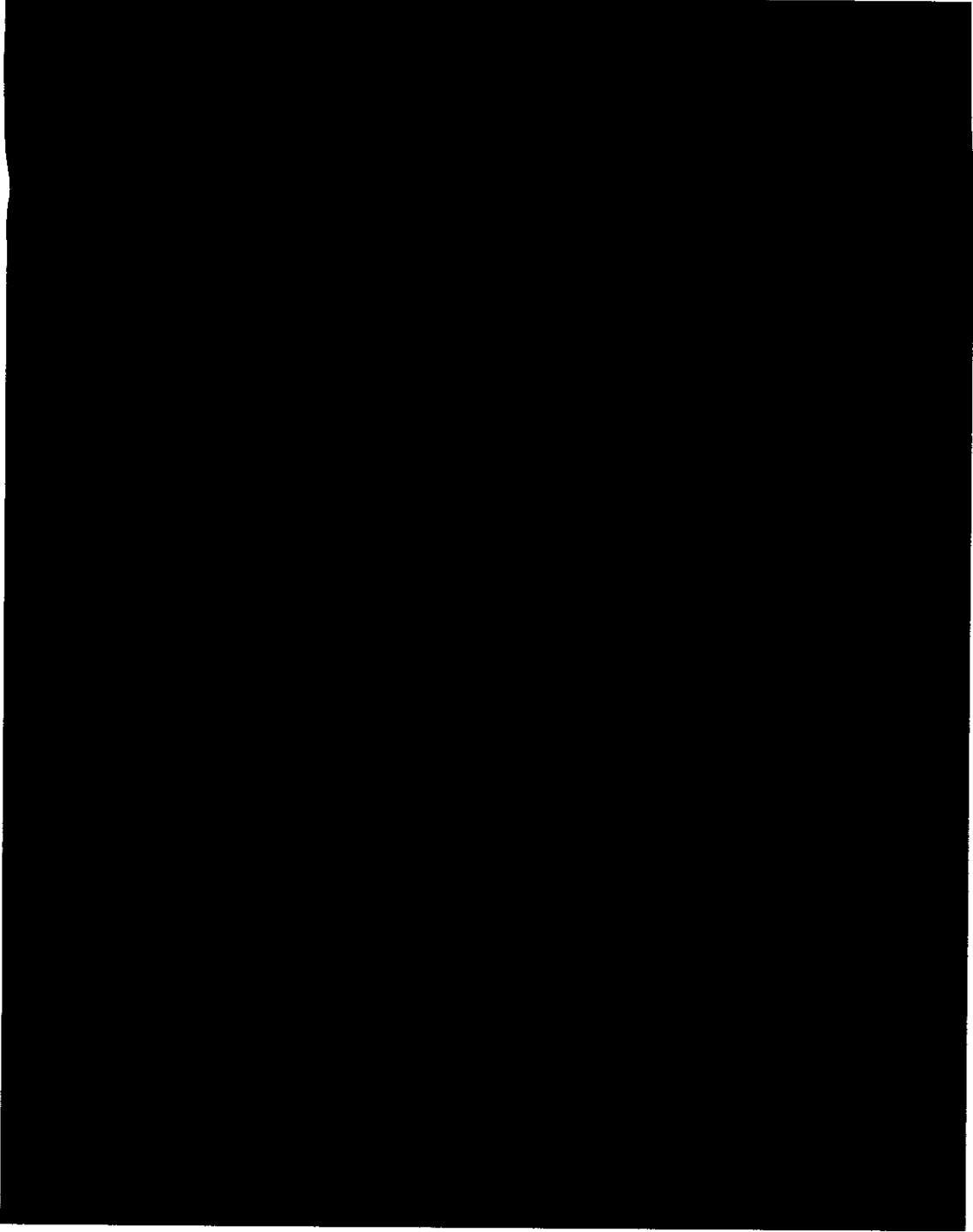


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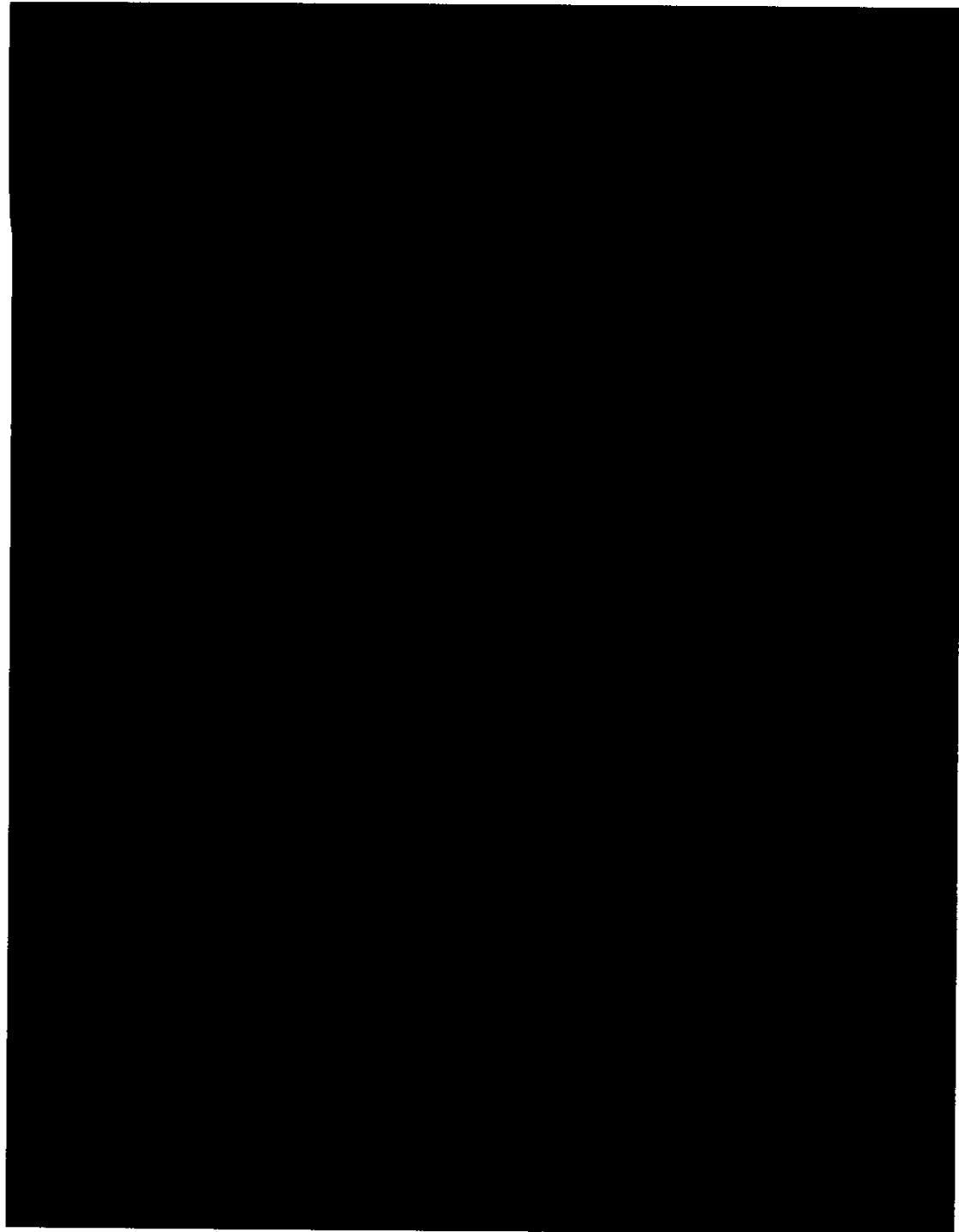
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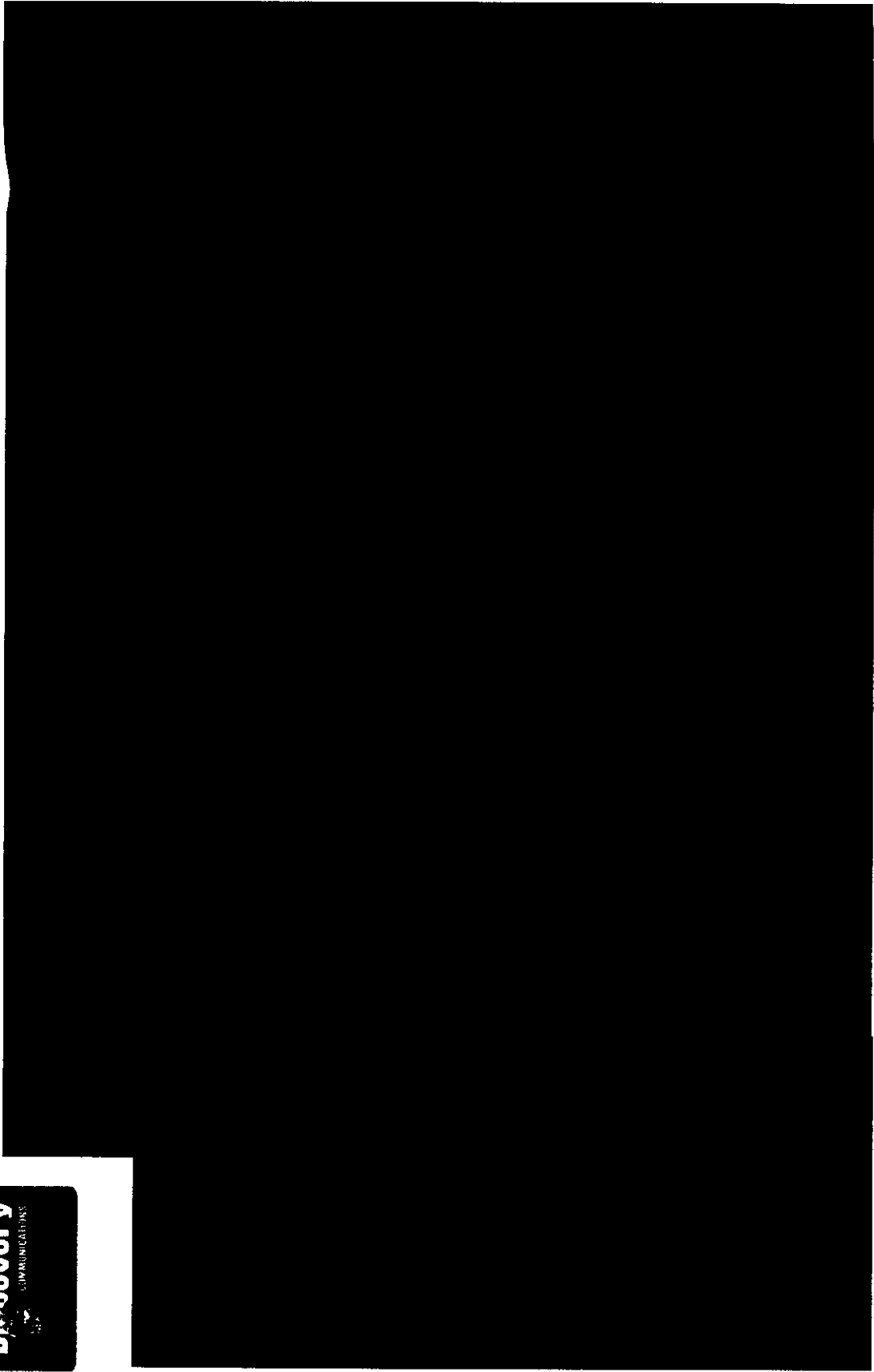
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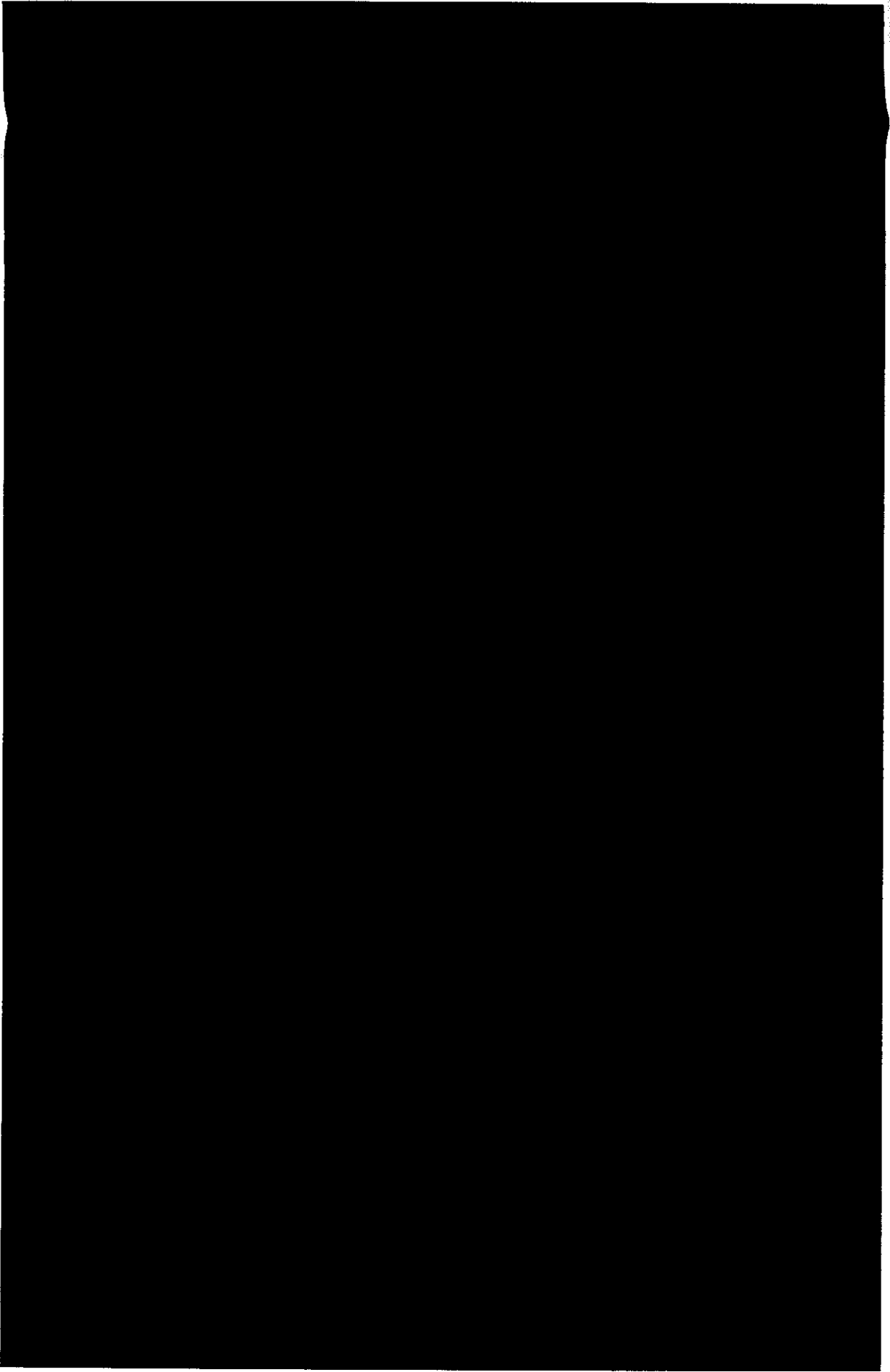
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11

Discovery Holding Company ("DHC")
Sum of the Parts



*** Slip Sheet ***

Cox closed, 2Q focus on restructuring

2Q focus on restructuring, margin improvement

Discovery Communications (Discovery) announced May 17 that it will close its 103 retail stores by 3Q07. Instead the company will focus on increasing its partnerships with large retailers and improving its e-commerce platform. The stores are estimated to have annual revenues of \$130mn with an operating loss of ~\$30mn. Discovery recorded an \$11mn restructuring charge in 1Q and we anticipate further charges as Discovery realigns and restructures its business segments.

While CEO David Zaslav has indicated that he intends to reinvest cost savings derived from headcount reductions into more original programming and higher marketing spend, we believe there is also an opportunity to improve the company's margins. Consolidated Discovery margins of 30% lag industry peers, eg Viacom, Disney, Rainbow, by 300 to 1500bps. Since beginning his tenure, Mr. Zaslav has announced the elimination of over 1,300 positions or more than 25% of the company's total workforce.

Cox transaction closed, next steps?

On May 14, Discovery completed its previously announced transaction with Cox Communications, in which Cox redeemed its 25% interest in Discovery for \$1.28bn in cash and 100% of the interest in the Travel Channel (est value \$880mn-1.1bn) and Travel Channel.com. Discovery Holdings Company (DHC) now owns 66.7% of Discovery and Advance/Newhouse (A/N) holds the remaining 33% stake. We anticipate the Cox deal will result in greater investor transparency, as, in our view, the lack of information at DHC remains a negative for the stock. The Cox transaction may also increase the likelihood that A/N contributes its post-closing 33% interest in Discovery into publicly traded DHC or, alternatively, exits Discovery in a similar fashion as Cox, which could be a material positive for DHC.

Estimates (Dec)

(US\$)	2005A	2006A	2007E	2008E	2009E
EPS	0.10	(0.16)	0.38	0.49	0.62
GAAP EPS	0.10	(0.16)	0.38	0.49	0.62
EPS Change (YoY)	-58.3%	NM	NM	28.9%	26.5%
Consensus EPS (First Call: 31-may-2007)			0.30	0.40	0.51
Dividend Rate	0	0	0	0	0
EPS (DISCB - US\$)	0.10	(0.16)	0.38	0.49	0.62
Dividend Rate (DISCB - US\$)	0	0	0	0	0

Valuation (Dec)

	2005A	2006A	2007E	2008E	2009E
P/E	238.2x	NM	62.7x	48.6x	38.4x
GAAP P/E	238.2x	NM	62.7x	48.6x	38.4x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	83.2x	NM	98.9x	98.6x	95.7x
Free Cash Flow Yield*	-0.1%	-1.6%	0%	0.2%	0.3%

* For full definitions of *iQmethod* measures, see page 7.

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Refer to important disclosures on page 8 to 9. Analyst Certification on page 7.

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Equity / United States / Cable TV
10 June 2007



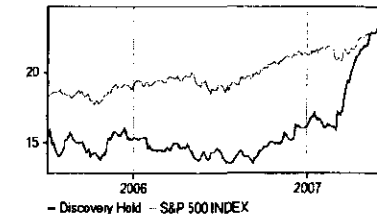
Jessica Reif Cohen
Research Analyst
MLFAS
jessica.reif@ml.com
212 248 3340

Joel Amadio
Research Analyst
MLFAS
joel.amadio@ml.com
212 248 3108

Marina Segal
Research Analyst
MLFAS
marina.segal@ml.com
212 248 3304

Stock Data

Price (NAS / NAS)	US\$23.82 / US\$23.83
Investment Opinion	C-2-9 / C-2-9
Volatility Risk	HIGH / HIGH
52-Week Range	US\$12.81-24.70
Market Value (mn)	US\$6.675
Shares Outstanding (mn)	280.2 / 280.2
ML Symbol / Exchange	DISCA / NAS
ML Symbol / Exchange	DISCB / NAS
Bloomberg / Reuters	DISCA US / DISCA.O
ROE (2007E)	2.3%
Total Dbt to Cap (Dec-2006A)	0%
Est. 5-Yr EPS / DPS Growth	NA / 0%



Quarterly Earnings Estimates

	2006	2007
Q1	0.04A	0.07A
Q2	0.05A	0.09E
Q3	-0.27A	0.10E
Q4	0.02A	0.12E

18 June 2007

iQprofileSM Discovery Holding Co-A

iQmethodSM - Bus Performance*

(US\$ Millions)	2005A	2006A	2007E	2008E	2009E
Return on Capital Employed	0%	-2.9%	-0.2%	-0.2%	-0.2%
Return on Equity	0.6%	-1.0%	2.3%	2.9%	3.6%
Operating Margin	0.3%	-16.8%	-1.9%	-1.8%	-1.5%
Free Cash Flow	(5)	(110)	2	16	18

iQmethodSM - Quality of Earnings*

(US\$ Millions)	2005A	2006A	2007E	2008E	2009E
Cash Realization Ratio	3.1x	NM	0.5x	0.5x	0.4x
Asset Replacement Ratio	1.2x	1.1x	0.6x	0.6x	0.6x
Tax Rate	64.1%	NM	38.5%	40.0%	40.0%
Net Debt-to-Equity Ratio	-5.5%	-3.4%	-3.5%	-3.8%	-4.0%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2005A	2006A	2007E	2008E	2009E
Sales	695	688	716	737	759
% Change	10.0%	-0.9%	4.1%	3.0%	3.0%
Gross Profit	249	234	251	265	273
% Change	-0.9%	-6.1%	7.5%	5.7%	3.0%
EBITDA	79	(47)	66	66	68
% Change	-19.2%	NM	NM	0.3%	3.0%
Net Interest & Other Income	74	113	186	243	301
Net Income (Adjusted)	27	(46)	106	138	174
% Change	-58.6%	NM	NM	29.6%	26.2%

Free Cash Flow Data (Dec)

(US\$ Millions)	2005A	2006A	2007E	2008E	2009E
Net Income from Cont Operations (GAAP)	27	(46)	106	138	174
Depreciation & Amortization	76	68	80	80	80
Change in Working Capital	8	19	(12)	0	0
Deferred Taxation Charge	50	42	65	92	116
Other Adjustments, Net	(76)	(116)	(187)	(243)	(301)
Capital Expenditure	(91)	(78)	(51)	(50)	(50)
Free Cash Flow	-5	-110	2	16	18
% Change	NM	NM	NM	562.6%	12.2%

Balance Sheet Data (Dec)

(US\$ Millions)	2005A	2006A	2007E	2008E	2009E
Cash & Equivalents	250	155	164	180	198
Trade Receivables	135	147	149	149	149
Other Current Assets	15	15	16	16	16
Property, Plant & Equipment	3,275	3,410	3,568	3,785	4,060
Other Non-Current Assets	2,144	2,144	2,144	2,144	2,144
Total Assets	5,819	5,871	6,041	6,274	6,568
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	90	122	110	110	110
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	1,154	1,200	1,275	1,371	1,490
Total Liabilities	1,244	1,322	1,385	1,481	1,600
Total Equity	4,575	4,549	4,656	4,794	4,967
Total Equity & Liabilities	5,819	5,871	6,041	6,274	6,568

* For full definitions of iQmethodSM measures, see page 7

Company Description

Discovery Holding Company is a holding company for its wholly-owned subsidiary, Ascent Media Group, Inc., and 50%-owned Discovery Communications, Inc.

Stock Data

Average Daily Volume	2,251,541
Brokers Covered (FirstCall)	6
Shares / Common - Dual Listed	1.00