

SUMMARY

Our Company

We are currently a subsidiary of LMC, and our assets and businesses consist of 100% of Ascent Media Group, Inc., which we consolidate, and LMC's 50% interest in Discovery Communications, Inc. which we account for using the equity method of accounting. Prior to the spin off, LMC will transfer \$200 million in cash to a subsidiary of our company. Following the spin off, we will be an independent publicly traded company, and LMC will not retain any ownership interest in us. In connection with the spin off, we and LMC are entering into certain agreements pursuant to which we will obtain certain management and other services, and we and LMC will indemnify each other against certain liabilities that may arise from our respective businesses. See "Certain Inter-Company Agreements."

Ascent Media Group, Inc., which we refer to as Ascent Media, is a wholly owned subsidiary of ours. As part of its internal restructuring to effect the spin off, LMC intends to convert Ascent Media to a Delaware limited liability company. Ascent Media provides creative, media management and network services to the media and entertainment industries. Its clients include major motion picture studios, independent producers, broadcast networks, cable programming networks, advertising agencies and other companies that produce, own and/or distribute entertainment, news, sports, corporate, educational, industrial and advertising content.

Discovery Communications, Inc., which we refer to as Discovery, is a global media and entertainment company whose operations are organized into three business units: Discovery networks U.S., Discovery international networks and Discovery commerce, education and other. Through one of our subsidiaries, we own 50% of Discovery. Discovery has grown from its core property, Discovery Channel, to current global operations in over 160 countries with over 1 billion total cumulative subscription units. As used in this document, the term "subscription units" means, for each separate network or other programming service that we offer, the number of television households that are able to receive that network or programming service from their cable, satellite or other television provider, and the term "cumulative subscription units" refers to the sum of such figures for multiple networks and/or programming services, including: (1) multiple networks received in the same household, (2) subscription units for joint venture networks, (3) subscription units for branded programming blocks, which are generally provided without charge, and (4) households that receive Discovery programming networks from pay-television providers without charge pursuant to various pricing plans that include free periods and/or free carriage. Discovery produces original programming and acquires content from numerous producers worldwide that is tailored to the specific needs of viewers around the globe. Discovery has 21 network entertainment brands, including Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Kids and a family of digital channels. Discovery's networks are carried by the largest cable television and satellite distributors in the United States and abroad. Discovery also distributes BBC America to cable and satellite operators in the United States.

When we refer to "our businesses" in this information statement, we are referring to the businesses of Ascent Media and Discovery and their subsidiaries and equity affiliates.

Our principal executive offices are located at 12300 Liberty Boulevard, Englewood, Colorado 80112. Our main telephone number is (720) 875-4000.

The Spin Off

The following is a brief summary of the terms of the spin off. Please see "The Spin Off" for a more detailed description of the matters described below.

Q: *What is the spin off?*

A: In the spin off, LMC will distribute to its shareholders all of the shares of our common stock that it owns. Following the spin off, we will be a separate company from LMC, and LMC will not have any ownership interest in us. The number of shares of LMC common stock you own will not change as a result of the spin off.

Q: *What is being distributed in the spin off?*

A: Approximately 268 million shares of our Series A common stock and 12 million shares of our Series B common stock will be distributed in the spin off, based upon the number of shares of LMC Series A common stock and LMC Series B common stock outstanding on April 29, 2005. The shares of our common stock to be distributed by LMC will constitute all of the issued and outstanding shares of our common stock immediately after the distribution.

Q: *What is the record date for the spin off?*

A: The record date is July 15, 2005, and record ownership will be determined as of 5:00 p.m., New York City time, on that date. When we refer to the "record date," we are referring to the foregoing time and date.

Q: *What will I receive in the spin off?*

A: Holders of LMC Series A common stock will receive a dividend of 0.10 of a share of our Series A common stock for each share of LMC Series A common stock held by them on the record date, and holders of LMC Series B common stock will receive a dividend of 0.10 of a share of our Series B common stock for every share of LMC Series B common stock held by them on the record date. At the time of the spin off, each share of our Series A common stock and our Series B common stock will have attached to it one preferred share purchase right of the corresponding series, as more fully described in this information statement. See "Description of Our Capital Stock—Shareholder Rights Plan."

Q: *What is the reason for the spin off?*

A: The potential benefits considered by LMC's board of directors in making the determination to consummate the spin off included the following:

- enhancing the ability of LMC to issue equity and equity-linked securities, by reducing the perceived discount from net asset value reflected in the trading prices of LMC's common stock; and
- enabling investors to invest more directly in our interest in Discovery, thereby facilitating our ability to raise capital and pursue acquisitions using our securities as consideration.

See "The Spin Off—Reasons for the Spin Off."

Q: *What do I have to do to participate in the spin off?*

A: Nothing. Shareholders of LMC on the record date for the spin off are not required to pay any cash or deliver any other consideration, including any shares of LMC common stock, for the shares of our common stock distributable to them in the spin off.

Q: *How will LMC distribute shares of Discovery Holding common stock to me?*

A: Holders of shares of either series of LMC common stock on the record date will receive shares of the same series of our common stock in the same form, certificated or book entry, as the form in which the recipient shareholder held its shares of LMC common stock on the record date.

Q: *If I sell, before the distribution date, shares of LMC common stock that I held on the record date, am I still entitled to receive shares of Discovery Holding common stock distributable with respect to the shares of LMC common stock I sold?*

A: No. No ex-dividend market will be established in LMC common stock until the distribution date. Therefore, if you own shares of either series of LMC common stock on the record date and thereafter sell those shares prior to the distribution date, you will also be selling the shares of our common stock that would have been distributed to you in the spin off with respect to the shares of LMC common stock you sell.

Q: *How will fractional shares be treated in the spin off?*

A: If you would be entitled to receive a fractional share of our common stock in the spin off, you will instead receive a cash payment. See "The Spin Off—Treatment of Fractional Shares" for an explanation of how the cash payments will be determined.

Q: *What is the distribution date for the spin off?*

A: Shares of our common stock will be distributed by the distribution agent, on behalf of LMC, on or about July 21, 2005.

Q: *What are the federal income tax consequences to me of the spin off?*

A: LMC has obtained a private letter ruling from the IRS to the effect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code and that, accordingly, for U.S. federal income tax purposes, no gain or loss will be recognized by, and no amount will be included in the income of, a holder of LMC common stock upon the receipt of shares of our common stock pursuant to the spin off. In addition, the spin off is conditioned upon the receipt by LMC of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, to similar effect. A holder of LMC common stock will generally recognize gain or loss with respect to cash received in lieu of a fractional share of our common stock.

Please see "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off" and "Risk Factors—Factors Relating to the Spin Off—The spin off could result in significant tax liability" for more information regarding the private letter ruling and the tax opinion and the potential tax consequences to you of the spin off.

Q: *Does Discovery Holding intend to pay cash dividends?*

A: No. We currently intend to retain future earnings, if any, to finance the expansion of our businesses. As a result, we do not expect to pay any cash dividends in the foreseeable future. All decisions regarding the payment of dividends by our company will be made by our board of directors, from time to time, in accordance with applicable law.

Q: *Where will Discovery Holding common stock trade?*

A: Currently, there is no public market for our common stock. We have applied to list our Series A common stock and Series B common stock on the Nasdaq National Market under the symbols "DISCA" and "DISCB," respectively.

On July 8, 2005, when-issued trading in our Series A common stock commenced on the OTC Bulletin Board under the symbol "DCHAV." As of the date hereof, there are no plans for our Series B common stock to trade on a when-issued basis, however, a when-issued trading market in our Series B common stock may commence between the record date and the distribution date. When-issued trading of our common stock, in the context of the spin off, refers to a transaction effected before the distribution date and made conditionally because the securities of the spun off entity have not yet been distributed. When-issued trades generally settle within two days after the

distribution date. On the distribution date, any when-issued trading in respect of our common stock will end and regular way trading will begin. Regular way trading refers to trading after the security has been distributed and typically involves a trade that settles on the third full trading day following the date of the sale transaction. We cannot predict the trading prices for our common stock before or after the distribution date.

Q: Do I have appraisal rights?

A: No. Holders of LMC common stock are not entitled to appraisal rights in connection with the spin off.

Q: Who is the transfer agent for your common stock?

A: EquiServe Trust Company, N.A.

Q: Who is the distribution agent for the spin off?

A: EquiServe Trust Company, N.A.

Summary Selected Financial Data

The following tables present selected historical information relating to our combined financial condition and results of operations for the three months ended March 31, 2005 and 2004 and for the three years ended December 31, 2004. The quarterly information is derived from our unaudited condensed combined financial statements, and the annual information is derived from our audited combined financial statements for the corresponding periods. The data should be read in conjunction with our combined financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere herein.

	March 31, 2005	December 31,		
		2004	2003	2002
	amounts in thousands			
<i>Summary Balance Sheet Data:</i>				
Investment in Discovery	\$2,966,139	2,945,782	2,863,003	2,816,513
Property and equipment, net	\$ 261,603	258,741	257,536	300,496
Intangible assets, net	\$2,140,551	2,140,355	2,136,667	2,112,544
Total assets	\$5,577,710	5,564,828	5,396,627	5,373,150
Debt, including current portion	\$ —	—	—	401,984
Subordinated notes payable to LMC	\$ —	—	—	205,299
Parent's investment	\$4,360,610	4,347,279	4,260,269	3,617,417

	Three months ended March 31,		Years ended December 31,		
	2005	2004	2004	2003	2002
	amounts in thousands, except per share amounts				
<i>Summary Statement of Operations Data:</i>					
Revenue	\$174,290	145,943	631,215	506,103	539,333
Operating income (loss)	\$ 2,877	5,914	16,935	(2,404)	(61,452)
Share of earnings (losses) of Discovery	\$ 22,814	10,449	84,011	37,271	(32,046)
Net earnings (loss)	\$ 16,825	11,920	66,108	(52,394)	(129,275)
Unaudited pro forma basic and diluted net earnings (loss) per common share(1)	\$ 0.06	0.04	0.24	(0.19)	(0.46)

(1) Unaudited pro forma basic and diluted net earnings (loss) per common share is based on 280,001,000 common shares for the three months ended March 31, 2005 and 2004 and 279,996,000 common shares for the years ended December 31, 2004, 2003 and 2002, which is the number of shares that would have been issued on March 31, 2005 and December 31, 2004, respectively, if the spin off had been completed on such dates.

RISK FACTORS

An investment in our common stock involves risk. You should carefully consider the risks described below, together with all of the other information included in this information statement in evaluating our company and our common stock. Any of the following risks, if realized, could have a material adverse effect on the value of our common stock.

Factors Relating to our Business

We are a holding company, and we could be unable in the future to obtain cash in amounts sufficient to service our financial obligations or meet our other commitments. Our ability to meet our financial obligations and other contractual commitments depends upon our ability to access cash. We are a holding company, and our sources of cash include our available cash balances, net cash from the operating activities of our subsidiaries, any dividends and interest we may receive from our investments, availability under any credit facilities that we may obtain in the future and proceeds from any asset sales we may undertake in the future. We currently have no plans with respect to any credit facilities or asset sales. The ability of our operating subsidiaries to pay dividends or to make other payments or advances to us depends on their individual operating results and any statutory, regulatory or contractual restrictions to which they may be or may become subject.

We do not have access to the cash that Discovery generates from its operating activities. Discovery generated approximately \$125 million, \$154 million and \$139 million of cash from its operations during the years ended December 31, 2004, 2003 and 2002, respectively. Discovery uses the cash it generates from its operations to fund its investing activities and to service its debt and other financing obligations. We do not have access to the cash that Discovery generates unless Discovery declares a dividend on its capital stock payable in cash, redeems any or all of its outstanding shares of capital stock for cash or otherwise distributes or makes payments to its stockholders, including us. Historically, Discovery has not paid any dividends on its capital stock or, with limited exceptions, otherwise distributed cash to its stockholders and instead has used all of its available cash in the expansion of its business and to service its debt obligations. Covenants in Discovery's existing debt instruments also restrict the payment of dividends and cash distributions to stockholders. We expect that Discovery will continue to apply its available cash to the expansion of its business. We do not have sufficient voting control to cause Discovery to pay dividends or make other payments or advances to its stockholders, or otherwise provide us access to Discovery's cash.

We have no operating history as a separate company upon which you can evaluate our performance. Although our subsidiary Ascent Media was a separate public company prior to June 2003 (when LMC acquired the outstanding shares of Ascent Media that it did not already own), we do not have an operating history as a separate public company. Accordingly, there can be no assurance that our business strategy will be successful on a long-term basis. We may not be able to grow our businesses as planned and may not be profitable.

Our historical financial information may not be representative of our results as a separate company. The historical financial information included in this information statement may not necessarily reflect what our results of operations, financial condition and cash flows would have been had we been a separate, stand-alone entity pursuing independent strategies during the periods presented.

We do not have the right to manage Discovery, which means we cannot cause Discovery to operate in a manner that is favorable to us. Discovery is managed by its stockholders rather than a board of directors. Generally, all actions to be taken by Discovery require the approval of the holders of a majority of Discovery's shares; however, pursuant to a Stockholders' Agreement described below, the taking of certain actions (including, among other things, a merger of Discovery, or the issuance of additional shares of Discovery capital stock or approval of annual business plans) require the approval

of the holders of at least 80% of Discovery's shares. Because we do not own a majority of the outstanding equity interests of Discovery, we do not have the right to manage the businesses or affairs of Discovery. Although our status as a 50% stockholder of Discovery enables us to exercise influence over the management and policies of Discovery, such status does not enable us to cause any actions to be taken. A subsidiary of Cox Communications, which we refer to as Cox Communications, and Advance/Newhouse Programming Partnership, which we refer to as Advance/Newhouse, each hold a 25% interest in Discovery, which ownership interest enables each such company to prevent Discovery from taking actions requiring 80% approval.

Actions to be taken by Discovery that require the approval of a majority of Discovery's shares may, under certain circumstances, result in a deadlock. Because we own a 50% interest in Discovery and each of Cox Communications and Advance/Newhouse own a 25% interest in Discovery, a deadlock may occur when the stockholders vote to approve an action that requires majority approval. Accordingly, unless either Cox Communications or Advance/Newhouse elects to vote with us on items that require majority action, such actions may not be taken. Pursuant to the terms of the Stockholders' Agreement, if an action that requires approval by a majority of Discovery's shares is approved by 50%, but not more than 50%, of the outstanding shares then the proposed action will be submitted to an arbitrator designated by the stockholders. Currently, the arbitrator is John Hendricks, the founder and Chairman of Discovery. Mr. Hendricks, as arbitrator, is entitled to cast the deciding vote on matters where the stockholders have deadlocked because neither side has a majority. Mr. Hendricks, however, is not obligated to take action to break such a deadlock. In addition, Mr. Hendricks may elect to approve actions we have opposed, if such a deadlock exists. In the event of a dispute among the stockholders of Discovery, the possibility of such a deadlock could have a material adverse effect on Discovery's business.

The liquidity and value of our interest in Discovery may be adversely affected by a Stockholders' Agreement to which we are a party. Our 50% interest in Discovery is subject to the terms of a Stockholders' Agreement among the holders of Discovery capital stock. Among other things, the Stockholders' Agreement restricts our ability to directly sell or transfer our interest in Discovery or to borrow against its value. These restrictions impair the liquidity of our interest in Discovery and may make it difficult for us to obtain full value for our interest in Discovery should such a need arise. In the event we chose to sell all or a portion of our direct interest in Discovery, we would first have to obtain an offer from an unaffiliated third party and then offer to sell such interest to Cox Communications and Advance/Newhouse on substantially the same terms as the third party had agreed to pay.

If either Cox Communications or Advance/Newhouse decided to sell their respective interests in Discovery, then the other of such two stockholders would have a right to acquire such interests on the terms set by a third party offer obtained by the selling stockholder. If the non-selling stockholder elects not to exercise this acquisition right, then, subject to the terms of the Stockholders' Agreement, we would have the opportunity to acquire such interests on the terms set by a third party offer obtained by the selling stockholder. We anticipate that the purchase price to acquire the interests held by Cox Communications or Advance/Newhouse would be significant and could require us to obtain significant funding in order to raise sufficient funds to purchase one or both of their interests. This opportunity to purchase the Discovery interests held by Cox Communications and/or Advance/Newhouse may arise (if at all) at a time when it would be difficult for us to raise the funds necessary to purchase such interests.

LMC has had discussions from time to time with Cox Communications and Advance/Newhouse regarding the acquisition of their interests in Discovery, including a potential exchange of their Discovery interests for shares of our common stock. The discussions, which were preliminary in nature, did not result in any agreement, arrangement or understanding regarding such a transaction. Prior to the spin off, LMC and our company elected to terminate such discussions and there are no current

plans to resume such discussions. We do not have the ability to require Cox Communications or Advance/Newhouse to sell their interests in Discovery to us, nor do they have the ability to require us to sell our interest to them. Accordingly, the current governance relationships affecting Discovery may continue indefinitely.

Because we do not control the business management practices of Discovery, we rely on Discovery for the financial information that we use in accounting for our ownership interest in Discovery. We account for our 50% ownership interest in Discovery using the equity method of accounting and, accordingly, in our financial statements we record our share of Discovery's net income or loss. Because we do not control Discovery's decision-making process or business management practices, within the meaning of U.S. accounting rules, we rely on Discovery to provide us with financial information prepared in accordance with generally accepted accounting principles, which we use in the application of the equity method. We have entered into an agreement with Discovery regarding the use by us of certain information regarding Discovery in connection with our financial reporting and disclosure requirements as a public company. See "Certain Inter-Company Agreements—Information Agreement with Discovery." However, such agreement limits the public disclosure by us of certain non-public information regarding Discovery (other than specified historical financial information), and also restricts our ability to enforce the agreement against Discovery with a lawsuit seeking monetary damages, in the absence of gross negligence, reckless conduct or willful misconduct on the part of Discovery. In addition, we cannot change the way in which Discovery reports its financial results or require Discovery to change its internal controls over financial reporting.

We cannot be certain that we will be successful in integrating businesses we may acquire with our existing businesses. Our businesses may grow through acquisitions in selected markets. Integration of new businesses may present significant challenges, including: realizing economies of scale in programming and network operations; eliminating duplicative overheads; and integrating networks, financial systems and operational systems. We cannot assure you that, with respect to any acquisition, we will realize anticipated benefits or successfully integrate any acquired business with our existing operations. In addition, while we intend to implement appropriate controls and procedures as we integrate acquired companies, we may not be able to certify as to the effectiveness of these companies' disclosure controls and procedures or internal control over financial reporting (as required by recent amendments to U.S. federal securities laws and regulations) until we have fully integrated them.

Acquisitions to be made by Discovery will require our approval; however, we do not unilaterally have the power to cause Discovery to acquire any particular business or asset. The management of Discovery has responsibility for integrating the operations of any acquired businesses and establishing internal control over financial reporting and for other purposes, and we do not have the power to mandate that Discovery follow the same procedures and internal controls that we require of our subsidiaries.

A loss of any of Ascent Media's large customers would reduce our revenue. Although Ascent Media serviced over 4,000 customers during the year ended December 31, 2004, its ten largest customers accounted for approximately 45% percent of its consolidated revenue and Ascent Media's single largest customer accounted for approximately 7% percent of its consolidated revenue during that period. The loss of, and the failure to replace, any significant portion of the services provided to any significant customer could have a material adverse effect on the business of Ascent Media.

Ascent Media's business depends on certain client industries. Ascent Media derives much of its revenue from services provided to the motion picture and television production industries and from the data transmission industry. Fundamental changes in the business practices of any of these client industries could cause a material reduction in demand by Ascent Media's clients for the services offered by Ascent Media. Ascent Media's business benefits from the volume of content being created and distributed rather than the success or popularity (in itself) of an individual television show,

commercial or feature film. Accordingly, a decrease in either the supply of, or demand for, original entertainment content would have a material adverse effect on Ascent Media's results of operations. Because spending for television advertising drives the production of new television programming, as well as the production of television commercials and the sale of existing content libraries for syndication, a reduction in television advertising spending would adversely affect Ascent Media's business. Factors that could impact television advertising and the general demand for original entertainment content include the growing use of personal video recorders and video-on-demand services, continued fragmentation of and competition for the attention of television audiences, and general economic conditions.

Changes in technology may limit the competitiveness of and demand for our services. The post-production industry is characterized by technological change, evolving customer needs and emerging technical standards, and the data transmission industry is currently saturated with companies providing services similar to Ascent Media's. Obtaining access to any new technologies that may be developed in Ascent Media's industries will require capital expenditures, which may be significant and may have to be incurred in advance of any revenue that may be generated by such new technologies. In addition, the use of some technologies may require third party licenses, which may not be available on commercially reasonable terms. Although we believe that Ascent Media will be able to continue to offer services based on the newest technologies, we cannot assure you that Ascent Media will be able to obtain any of these technologies, that Ascent Media will be able to effectively implement these technologies on a cost-effective or timely basis or that such technologies will not render obsolete Ascent Media's role as a provider of motion picture and television production services. If Ascent Media's competitors in the data transmission industry have technology that enables them to provide services that are more reliable, faster, less expensive, reach more customers or have other advantages over the data transmission services Ascent Media provides, then the demand for Ascent Media's data transmission services may decrease.

Technology in the video, telecommunications and data services industry is changing rapidly. Advances in technologies such as personal video recorders and video-on-demand and changes in television viewing habits facilitated by these or other technologies could have an adverse effect on Discovery's advertising revenue and viewership levels. The ability to anticipate changes in, and adapt to, changes in technology and consumer tastes on a timely basis and exploit new sources of revenue from these changes will affect the ability of Discovery to continue to grow, increase its revenue and number of subscribers and remain competitive.

A labor dispute may disrupt our business. The cost of producing and distributing entertainment programming has increased substantially in recent years due to, among other things, the increasing demands of creative talent and industry-wide collective bargaining agreements.

Ascent Media employs approximately 3,800 persons, some on a project-by-project basis. Approximately 310 of Ascent Media's creative and technical personnel in the United States are subject to one of five collective bargaining agreements with the International Alliance of Theatrical Stage Employees, although the number of personnel subject to such agreements varies from time to time for specific client projects. Three of these agreements are due to be renegotiated in the near future, a fourth is finalized and in draft form waiting final execution by both parties and the remaining agreement, which covers a majority of Ascent Media's union employees, is due to expire in January 2007. Additionally, approximately 40 members of the Broadcasting Entertainment Cinematograph and Theatre Union are currently employed at various facilities of Ascent Media in the United Kingdom, although the collective bargaining agreements governing such employees have expired. An Ascent Media subsidiary is also a signatory to an agreement with the Screen Actors Guild, which governs employment terms for voice-over performers that may be hired by the company from time to time for specific client projects. Ascent Media has not had any strikes or significant work stoppages in over five years and generally believes that its relations with union and non-union

employees are excellent. However, if Ascent Media is unable to renegotiate its existing and/or expired collective bargaining agreements, it is possible that the affected union could take action in the form of a strike or work stoppage. It is likely that any such action would disrupt production at the particular facilities where members of such union work; however, Ascent Media does not believe that any such disruption would have a material adverse effect on its business.

A significant labor dispute in Ascent Media's client industries could have a material adverse effect on its business. An industry-wide strike or other job action by or affecting the Writers Guild, Screen Actors Guild or other major entertainment industry union could reduce the supply of original entertainment content, which would in turn, reduce the demand for Ascent Media's services. Ascent Media's Creative Services Group experienced volatility in its workflow from the combined effects of the Screen Actors Guild strike in 2000 and the threatened Writers Guild strike in 2001.

Discovery airs certain entertainment programs that are dependent on specific on-air talent, and Discovery's ability to continue to produce these series is dependent on keeping that on-air talent under contract.

Risk of loss from earthquakes or other catastrophic events could disrupt Ascent Media's business. Some of Ascent Media's specially equipped and acoustically designed facilities are located in Southern California, a region known for seismic activity. Due to the extensive amount of specialized equipment incorporated into the specially designed recording and scoring stages, editorial suites, mixing rooms and other post-production facilities, Ascent Media's operations in this region may not be able to be temporarily relocated to mitigate the occurrence of a catastrophic event. Ascent Media carries insurance for property loss and business interruption resulting from such events, including earthquake insurance, subject to deductibles, and has facilities in other geographic locations. Although we believe Ascent Media has adequate insurance coverage relating to damage to its property and the temporary disruption of its business from casualties, and that it could provide services at other geographic locations, there can be no assurance that such insurance and other facilities would be sufficient to cover all of Ascent Media's costs or damages or Ascent Media's loss of income resulting from its inability to provide services in Southern California for an extended period of time.

Discovery is dependent upon advertising revenue. Discovery earns a substantial portion of its revenue from the sale of advertising time on its networks and web sites. Discovery's advertising revenue is affected by viewer demographics, viewer ratings and market conditions for advertising. The overall cable and broadcast television industry is facing several issues with regard to its advertising revenue, including (1) audience fragmentation caused by the proliferation of other television networks, video-on-demand offerings from cable and satellite companies and broadband content offering, (2) the deployment of digital video recording devices (DVRs), allowing consumers to time shift programming and skip or fast-forward through advertisements and (3) consolidation within the advertising industry, shifting more leverage to the bigger agencies and buying groups. Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. In addition, the public's reception toward programs or programming genres can decline. An adverse change in any of these factors could have a negative effect on Discovery's revenues in any given period. Ascent Media's business is also dependent in part on the advertising industry, as a significant portion of Ascent Media's revenue is derived from the sale of services to agencies and/or the producers of television advertising.

Discovery's revenue is dependent upon the maintenance of affiliation agreements with cable and satellite distributors on acceptable terms. Discovery earns a substantial portion of its revenue from per-subscriber license fees paid by cable operators, direct-to-home (DTH) satellite television operators and other channel distributors. Discovery's five core networks, Discovery Channel, TLC, Animal Planet, Travel Channel and Discovery Health, and the other networks in which Discovery has an ownership

interest, maintain affiliation arrangements that enable them to reach a large percentage of cable and direct broadcast satellite households across the United States, Asia, Europe and Latin America. These arrangements are generally long-term arrangements ranging from 3 to 10 years. These affiliation arrangements usually provide for payment to Discovery based on the numbers of subscribers that receive the Discovery networks. Discovery's core networks depend on achieving and maintaining carriage within the most widely distributed cable programming tiers to maximize their subscriber base and revenue. The loss of a significant number of affiliation arrangements on basic programming tiers could reduce the distribution of Discovery's networks, thereby adversely affecting such networks' revenue from per-subscriber fees and their ability to sell advertising or the rates they are able to charge for such advertising. Those Discovery networks that are carried on digital tiers are dependent upon the continued upgrade of cable systems to digital capability and the public's continuing acceptance of, and willingness to pay for upgrades to, digital cable, as well as Discovery's ability to negotiate favorable carriage agreements on widely accepted digital tiers.

Our businesses are subject to risks of adverse government regulation. Programming services, satellite carriers, television stations, Internet and data transmission companies are subject to varying degrees of regulation in the United States by the Federal Communications Commission and other entities and in foreign countries by similar entities. Such regulation and legislation are subject to the political process and have been in constant flux over the past decade. Moreover, substantially every foreign country in which our subsidiaries or business affiliates have, or may in the future make, an investment regulates, in varying degrees, the distribution, content and ownership of programming services and foreign investment in programming companies. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our business and the business of our affiliates will not be adversely affected by future legislation, new regulation or deregulation.

Failure to obtain renewal of FCC licenses could disrupt our business. Ascent Media holds licenses, authorizations and registrations from the FCC required for the conduct of its network services business, including earth station and various classes of wireless licenses and an authorization to provide certain services. Most of the FCC licenses held by Ascent Media are for transmit/receive earth stations, which cannot be operated without individual licenses. The licenses for these stations are granted for a period of fifteen years and, while the FCC generally renews licenses for satellite earth stations routinely, there can be no assurance that Ascent Media's licenses will be renewed at their expiration dates. Registration with the FCC, rather than licensing, is required for receiving transmissions from domestic satellites from points within the United States. Ascent Media relies on third party licenses or authorizations when it transmits domestic satellite traffic through earth stations operated by third parties. Our failure, and the failure of third parties, to obtain renewals of such FCC licenses could disrupt the network services segment of Ascent Media and have a material adverse effect on Ascent Media. Further material changes in the law and regulatory requirements must be anticipated, and there can be no assurance that our businesses will not be adversely affected by future legislation, new regulation, deregulation or court decisions.

Our businesses operate in an increasingly competitive market, and there is a risk that our businesses may not be able to effectively compete with other providers in the future. The entertainment and media services and programming businesses in which we compete are highly competitive and service-oriented. Ascent Media has few long-term or exclusive service agreements with its creative services and media management services customers. Business generation in these groups is based primarily on customer satisfaction with reliability, timeliness, quality and price. The major motion picture studios, which are Ascent Media's customers, such as Paramount Pictures, Sony Pictures Entertainment, Twentieth Century Fox, Universal Pictures, The Walt Disney Company, Metro-Goldwyn-Mayer and Warner Brothers, have the capability to perform similar services in-house. These studios also have substantially greater financial resources than Ascent Media's, and in some cases significant marketing advantages. Thus, depending on the in-house capacity available to some of these studios, a studio may be not only

a customer but also a competitor. There are also numerous independent providers of services similar to Ascent Media's. Thomson, a French corporation, is also a major competitor of Ascent Media, particularly under its Technicolor brand. We also actively compete with certain industry participants that have a unique operating niche or specialty business. If there were a significant decline in the number of motion pictures or the amount of original television programming produced, or if the studios or Ascent Media's other clients either established in-house post-production facilities or significantly expanded their in-house capabilities, Ascent Media's operations could be materially and adversely affected.

Discovery is primarily an entertainment and programming company that competes with other programming networks for viewers in general, as well as for viewers in special interest groups and specific demographic categories. In order to compete for these viewers, Discovery must obtain a regular supply of high quality category-specific programming. To the extent Discovery seeks third party suppliers of such programming, it competes with other cable and broadcast television networks for programming. The expanded availability of digital cable television and the introduction of direct-to-home satellite distribution has greatly increased the amount of channel capacity available for new programming networks, resulting in the launch of a number of new programming networks by Discovery and its competitors. This increase in channel capacity has also made competitive niche programming networks viable, because such networks do not need to reach the broadest possible group of viewers in order to be moderately successful.

Discovery's program offerings must also compete for viewers and advertisers with other entertainment media, such as home video, online activities and movies. Increasing audience fragmentation could have an adverse effect on Discovery's advertising and subscription revenue. In addition, the cable television and direct-to-home satellite industries have been undergoing a period of consolidation. As a result, the number of potential buyers of the programming services offered by Discovery is decreasing. In this more concentrated market, there can be no assurance that Discovery will be able to obtain or maintain carriage of its programming services by distributors on commercially reasonable terms or at all.

Factors Relating to the Spin Off

We may incur material costs as a result of our separation from LMC. We may incur costs and expenses greater than those we currently incur as a result of our separation from LMC. These increased costs and expenses may arise from various factors, including financial reporting, costs associated with complying with the federal securities laws (including compliance with the Sarbanes-Oxley Act of 2002), tax administration and human resources related functions. Although LMC will continue to provide many of these services for us under the services agreement, we cannot assure you that the services agreement will continue or that these costs will not be material to our business.

Prior to the spin off, we have been operated as part of LMC and not as an independent company and we may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent company. Prior to the spin off, our business was operated by LMC as part of its broader corporate organization, rather than as an independent company. LMC's senior management oversaw the strategic direction of our businesses and LMC performed various corporate functions for us, including, but not limited to:

- selected human resources related functions;
- tax administration;
- selected legal functions (including compliance with the Sarbanes-Oxley Act of 2002), as well as external reporting;
- treasury administration, investor relations, internal audit and insurance functions; and

- selected information technology and telecommunications services.

Following the spin off, neither LMC nor any of its affiliates will have any obligation to provide these functions to us other than those services that will be provided by LMC pursuant to the services agreement between us and LMC. See "Certain Inter-Company Arrangements—Agreements with LMC—Services Agreement." If, once our services agreement terminates, we do not have in place our own systems and business functions, we do not have agreements with other providers of these services or we are not able to make these changes cost effectively, we may not be able to operate our business effectively and our profitability may decline. If LMC does not continue to perform effectively the services that are called for under the services agreement, we may not be able to operate our business effectively after the spin off.

We will have potential conflicts of interest with LMC and Liberty Global, Inc. after the spin off. We have overlapping directors and management with LMC and Liberty Global, Inc., which may lead to conflicting interests. At the time of the spin off, six of our executive officers will continue to serve as executive officers of LMC and one of our executive officers will continue to serve as an executive officer of Liberty Global, Inc., or LGI. LGI is an independent, publicly traded company, which was formed in connection with the business combination between UnitedGlobalCom, Inc. and Liberty Media International, Inc., or LMI. All of the shares of LMI were distributed by LMC to its shareholders in June 2004. Our board of directors will include persons who are members of the board of directors of LMC and/or LGI. We do not own any interest in LMC or LGI, and to our knowledge LGI does not own, and immediately following the spin off, LMC will not own, any interest in us. The executive officers and the members of our board of directors will have fiduciary duties to our stockholders. Likewise, any such persons who serve in similar capacities at LMC and/or LGI will have fiduciary duties to such company's stockholders. Therefore, such persons may have conflicts of interest or the appearance of conflicts of interest with respect to matters involving or affecting each company. For example, there will be the potential for a conflict of interest when we, LMC or LGI look at acquisitions and other corporate opportunities that may be suitable for each of us. Moreover, after the spin off, most of our directors and officers, will continue to own LMC and/or LGI stock and options to purchase LMC and/or LGI stock, which they acquired prior to the spin off. These ownership interests could create, or appear to create, potential conflicts of interest when these individuals are faced with decisions that could have different implications for our company and LMC or LGI. On June 1, 2005, the board of directors of LMC adopted a policy statement that, subject to certain qualifications, including the fiduciary duties of LMC's board of directors, LMC will use its commercially reasonable efforts to make available to us any corporate opportunity relating to the acquisition of all or substantially all of the assets of, or equity securities representing "control" (as defined in the policy statement) of, any entity whose primary business is the acquisition, creation and/or distribution of television programming consisting primarily of science and nature programming for distribution primarily in the "basic" service provided by cable and satellite television distributors. This policy statement of LMC's board of directors can be amended, modified or rescinded by LMC's board of directors in its sole discretion at any time, and the policy automatically terminates without any further action of the board of directors of LMC on the second anniversary of the distribution date. From time to time, LMC or LGI or their respective affiliates may enter into transactions with us or our subsidiaries or other affiliates. Although the terms of any such transactions will be established based upon negotiations between employees of the companies involved, there can be no assurance that the terms of any such transactions will be as favorable to us or our subsidiaries or affiliates as would be the case where the parties are completely at arms' length.

Our inter-company agreements were negotiated when we were a subsidiary of LMC. We have entered into agreements with LMC pursuant to which LMC will provide to us certain management, administrative, financial, treasury, accounting, tax, legal and other services, for which we will reimburse LMC on a cost basis. In addition, we have entered into a number of inter-company agreements

covering matters such as tax sharing and our responsibility for certain liabilities previously undertaken by LMC for certain of our businesses. The terms of these agreements were established while we were a wholly owned subsidiary of LMC, and hence were not the result of arms' length negotiations. However, we and LMC believe that such terms are commercially reasonable and fair to both parties under the circumstances. Nevertheless, conflicts could arise in the interpretation or any extension or renegotiation of the foregoing agreements after the spin off. See "Certain Inter-Company Agreements."

We and LMC or LGI may compete for business opportunities. LMC will retain its interests in, and LGI owns interests in, various U.S. and international programming companies that have subsidiaries or controlled affiliates that own or operate domestic or foreign programming services that may compete with the programming services offered by our businesses. We will have no rights in respect of U.S. or international programming opportunities developed by or presented to the subsidiaries or controlled affiliates of LMC or LGI, and the pursuit of these opportunities by such subsidiaries or affiliates may adversely affect the interests of our company and its shareholders. In addition, a subsidiary of LGI operates a playout facility that competes with Ascent Media's London playout facility, and it is likely that other competitive situations will arise in the future. Because we, LMC and LGI have some overlapping directors and officers, the pursuit of these opportunities may serve to intensify the conflicts of interest or appearance of conflicts of interest faced by our respective management teams. Our restated certificate of incorporation provides that no director or officer of ours will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to another person or entity (including LMI and LGI) instead of us, or does not refer or communicate information regarding such corporate opportunity to us, unless (x) such opportunity was expressly offered to such person solely in his or her capacity as a director or officer of our company or as a director or officer of any of our subsidiaries, and (y) such opportunity relates to a line of business in which our company or any of our subsidiaries is then directly engaged. See "Description of Our Capital Stock—Corporate Opportunities."

The spin off could result in significant tax liability. LMC has obtained a private letter ruling from the IRS to the effect that, among other things, the spin off will qualify as a tax-free distribution for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the Code), and the transfer to us of assets and the assumption by us of liabilities in connection with the spin off will not result in the recognition of any gain or loss for U.S. federal income tax purposes to LMC. In addition, the spin off is conditioned upon the receipt by LMC of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP to the effect that, among other things, the spin off will qualify as a tax-free transaction to LMC's shareholders and to LMC for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. See "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off."

Although the private letter ruling relating to the qualification of the spin off under Sections 355 and 368(a)(1)(D) of the Code is generally binding on the IRS, the continuing validity of such ruling will be subject to the accuracy of factual representations and assumptions made in the ruling request. Also, as part of the IRS's general policy with respect to rulings on spin off transactions under Section 355 of the Code, the private letter ruling obtained by LMC is not based upon a determination by the IRS that certain conditions which are necessary to obtain tax-free treatment under Section 355 of the Code have been satisfied. Rather, such private letter ruling is based upon representations by LMC that these conditions have been satisfied, and any inaccuracy in such representations could invalidate the ruling. As a result of this IRS policy, LMC has made it a condition to the spin off that LMC obtain the opinion of counsel described above. The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by LMC and us. If any of those factual representations or assumptions were untrue or incomplete in any material respect, any undertaking was not complied with, or the facts upon which the opinion is based were materially different from the facts at the time of the spin off, the spin off may not qualify for tax-free treatment.

Opinions of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences to you could be materially less favorable. See "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off" for more information regarding the private letter ruling and the tax opinion.

If the spin off does not qualify for tax-free treatment for U.S. federal income tax purposes, then, in general, LMC would be subject to tax as if it had sold the common stock of our company in a taxable sale for its fair market value. LMC's shareholders would be subject to tax as if they had received a taxable distribution equal to the fair market value of our common stock that was distributed to them. It is expected that the amount of any such taxes to LMC's shareholders and LMC would be substantial. See "The Spin Off—Material U.S. Federal Income Tax Consequences of the Spin Off."

A potential indemnity liability to LMC if the spin off is treated as a taxable transaction could materially adversely affect our company. In the tax sharing agreement with LMC, we have agreed to indemnify LMC and its subsidiaries, and their respective officers and directors, for any loss, including any adjustment to taxes of LMC, resulting from (1) any action or failure to act by us or any of our subsidiaries following the completion of the spin off that would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction to LMC and to you under Sections 355 and 368(a)(1)(D) of the Code, (2) any agreement, understanding, arrangement or substantial negotiations entered into by us or any of our subsidiaries prior to the day after the first anniversary of the distribution date, with respect to any transaction pursuant to which any of Cox Communications, Advance/Newhouse or certain persons related to Cox Communications or Advance/Newhouse would acquire shares of, or other interests (including options) in our capital stock or (3) any action or failure to act by us or any of our subsidiaries following the completion of the spin off that would be inconsistent with, or otherwise cause any person to be in breach of, any representation or covenant made in connection with the tax opinion delivered to LMC by Skadden, Arps, Slate, Meagher & Flom LLP or the private letter ruling obtained by LMC from the IRS, in each case relating to, among other things, the qualification of the spin off as a tax-free transaction described under Sections 355 and 368(a)(1)(D) of the Code. For a more detailed discussion, see "Certain Inter-Company Agreements—Agreements with LMC—Tax Sharing Agreement." Our indemnification obligations to LMC and its subsidiaries, officers and directors are not limited in amount or subject to any cap. If we are required to indemnify LMC and its subsidiaries and their respective officers and directors under the circumstances set forth in the tax sharing agreement, we may be subject to substantial liabilities.

Factors Relating to our Common Stock and the Securities Market

We cannot be certain that an active trading market will develop or be sustained after the spin off, and following the spin off our stock price may fluctuate significantly. We cannot assure you that an active trading market will develop or be sustained for our common stock after the spin off. Nor can we predict the prices at which either series of our common stock may trade after the spin off. Similarly, we cannot predict the effect of the spin off on the trading prices of LMC's common stock or whether the market value of the shares of a series of our common stock and the shares of the same series of LMC's common stock held by a shareholder after the spin off will be less than, equal to or greater than the market value of the shares of that series of LMC's common stock held by such shareholder prior to the spin off.

The market price of our common stock may fluctuate significantly due to a number of factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results;
- changes in earnings estimated by securities analysts or our ability to meet those estimates;

- the operating and stock price performance of comparable companies; and
- domestic and foreign economic conditions.

If, following the spin off, we are unable to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or our internal control over financial reporting is not effective, the reliability of our financial statements may be questioned and our stock price may suffer. Section 404 of the Sarbanes-Oxley Act of 2002 requires any company subject to the reporting requirements of the U.S. securities laws to do a comprehensive evaluation of its and its consolidated subsidiaries' internal control over financial reporting. To comply with this statute, we will be required to document and test our internal control procedures; our management will be required to assess and issue a report concerning our internal control over financial reporting; and our independent auditors will be required to issue an opinion on management's assessment of those matters. Our compliance with Section 404 of the Sarbanes-Oxley Act will first be tested in connection with the filing of our Annual Report on Form 10-K for the fiscal year ending December 31, 2006. The rules governing the standards that must be met for management to assess our internal control over financial reporting are new and complex and require significant documentation, testing and possible remediation to meet the detailed standards under the rules. During the course of its testing, our management may identify material weaknesses or deficiencies which may not be remedied in time to meet the deadline imposed by the Sarbanes-Oxley Act. If our management cannot favorably assess the effectiveness of our internal control over financial reporting or our auditors identify material weaknesses in our internal control, investor confidence in our financial results may weaken, and our stock price may suffer. In addition, our internal controls must necessarily rely in part upon the adequacy of Discovery's internal controls. However, Discovery, as a private company, is not subject to the requirements of the Sarbanes-Oxley Act in this regard, and we cannot control, or require Discovery to change, its internal controls.

It may be difficult for a third party to acquire us, even if doing so may be beneficial to our shareholders. Certain provisions of our restated certificate of incorporation and bylaws may discourage, delay or prevent a change in control of our company that a shareholder may consider favorable. These provisions include the following:

- authorizing a capital structure with multiple series of common stock: a Series B that entitles the holders to ten votes per share, a Series A that entitles the holders to one vote per share and a Series C that, except as otherwise required by applicable law, entitles the holders to no voting rights;
- authorizing the issuance of "blank check" preferred stock, which could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- classifying our board of directors with staggered three-year terms, which may lengthen the time required to gain control of our board of directors;
- limiting who may call special meetings of shareholders;
- prohibiting shareholder action by written consent (subject to certain exceptions), thereby requiring shareholder action to be taken at a meeting of the shareholders;
- establishing advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings;
- requiring shareholder approval by holders of at least 80% of our voting power or the approval by at least 75% of our board of directors with respect to certain extraordinary matters, such as a merger or consolidation of our company, a sale of all or substantially all of our assets or an amendment to our restated certificate of incorporation;

- requiring the consent of the holders of at least 75% of the outstanding Series B common stock (voting as a separate class) to certain share distributions and other corporate actions in which the voting power of the Series B common stock would be diluted by, for example, issuing shares having multiple votes per share as a dividend to holders of Series A common stock; and
- the existence of authorized and unissued stock which would allow our board of directors to issue shares to persons friendly to current management, thereby protecting the continuity of its management, or which could be used to dilute the stock ownership of persons seeking to obtain control of us.

Our board of directors has approved the adoption of a shareholder rights plan in order to encourage anyone seeking to acquire our company to negotiate with our board of directors prior to attempting a takeover. While the plan is designed to guard against coercive or unfair tactics to gain control of our company, the plan may have the effect of making more difficult or delaying any attempts by others to obtain control of our company. See “Description of Our Capital Stock—Shareholder Rights Plan.”

After the spin off, we may be controlled by one principal shareholder. John C. Malone beneficially owns shares of LMC common stock representing approximately 29.7% of LMC’s voting power. Following the consummation of the spin off, Dr. Malone will beneficially own shares of our common stock that may represent up to approximately 29.7% of our voting power, based upon his beneficial ownership of LMC common stock, as of April 29, 2005 (as reflected under “Management—Security Ownership of Management” below), and the distribution ratio. By virtue of Dr. Malone’s voting power in our company as well as his positions as our Chairman of the Board and Chief Executive Officer, Dr. Malone may be deemed to control our operations. In connection with the spin off, Dr. Malone agreed, subject to certain exceptions, not to transfer any shares of our Series B common stock that he beneficially owns for a specified period of time after the spin off. See “Management—Lock-Up Agreement.”

Holders of any single series of our common stock may not have any remedies if any action by our directors or officers has an adverse effect on only that series of our common stock. Principles of Delaware law and the provisions of our restated certificate of incorporation may protect decisions of our board of directors that have a disparate impact upon holders of any single series of our common stock. Under Delaware law, the board of directors has a duty to act with due care and in the best interests of all of our shareholders, including the holders of all series of our common stock. Principles of Delaware law established in cases involving differing treatment of multiple classes or series of stock provide that a board of directors owes an equal duty to all common shareholders regardless of class or series and does not have separate or additional duties to any group of shareholders. As a result, in some circumstances, our directors may be required to make a decision that is adverse to the holders of one series of our common stock. Under the principles of Delaware law referred to above, you may not be able to challenge these decisions if our board of directors is disinterested and adequately informed with respect to these decisions and acts in good faith and in the honest belief that it is acting in the best interests of all of our shareholders.

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

This information statement contains certain forward-looking statements regarding business strategies, market potential, future financial performance and other matters. In particular, information included under "The Spin Off," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of our Business" contain forward-looking statements. Forward-looking statements inherently involve many risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In addition to the risk factors described herein under the headings "Risk Factors" the following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated:

- general economic and business conditions and industry trends including the timing of, and spending on, feature film and television production;
 - consumer spending levels, including the availability and amount of individual consumer debt;
 - spending on domestic and foreign television advertising and spending on domestic and foreign first run and existing content libraries;
 - the regulatory and competitive environment of the industries in which we, and the entities in which we have interests, operate;
 - continued consolidation of the broadband distribution and movie studio industries;
 - uncertainties inherent in the development and integration of new business lines, acquired operations and business strategies;
 - changes in the distribution and viewing of television programming, including the expanded deployment of personal video recorders and other technology and their impact on television advertising revenue;
 - rapid technological changes;
 - uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies;
 - future financial performance, including availability, terms and deployment of capital;
 - fluctuations in foreign currency exchange rates and political unrest in international markets;
 - the ability of suppliers and vendors to deliver products, equipment, software and services;
 - the outcome of any pending or threatened litigation;
 - availability of qualified personnel;
 - the possibility of an industry-wide strike or other job action by or affecting a major entertainment industry union;
 - changes in, or failure or inability to comply with, government regulations, including regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings;
-
- changes in the nature of key strategic relationships with partners and joint venturers;

- competitor responses to our products and services, and the products and services of the entities in which we have interests; and
- threatened terrorist attacks and ongoing military action in the Middle East and other parts of the world.

These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this information statement, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Neither the Private Securities Litigation Reform Act of 1995 nor Section 21E of the Securities Exchange Act of 1934 provides any protection for forward-looking statements made in this information statement.

THE SPIN OFF

Background

We are currently a wholly owned subsidiary of LMC, and our assets and businesses consist of Ascent Media, which is a wholly owned subsidiary of ours, a 50% ownership interest in Discovery and \$200 million in cash. Ascent Media provides creative, media management and network services to the media and entertainment industries. Discovery is a global entertainment and media company, which produces original programming and acquires content from numerous vendors worldwide. Discovery's 65 networks of distinctive programming represent 21 entertainment brands including Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Kids and a family of digital channels.

The board of directors of LMC has determined to separate its interest in Ascent Media and Discovery from its other businesses and assets by means of a spin off. To accomplish the spin off, LMC is distributing all of its equity interest in our company, consisting of shares of our Series A common stock and our Series B common stock, to LMC's shareholders on a pro rata basis. Following the spin off, LMC will cease to own any equity interest in our company, and we will be an independent, publicly traded company. No vote of LMC's shareholders is required or being sought in connection with the spin off, and LMC's shareholders have no appraisal rights in connection with the spin off.

Reasons for the Spin Off

The board of directors of LMC considered the following potential benefits in making its determination to consummate the spin off:

- *Enhancing the ability of LMC to issue equity and equity-linked securities, by reducing LMC's holding company discount.* LMC believes that LMC common stock has been trading at a significant discount to the value of LMC's businesses and other assets. Although it is not uncommon for the equity of public companies, and in particular holding companies, to trade at a discount to their net asset value, based on what each asset might be expected to bring in a private sale, LMC believes that, in the case of LMC, this "holding company discount" is excessive. LMC believes that the excess discount reflects a perception in the market that the complex ownership structures through which it holds many of its businesses and investments, the diversity and complexity of those interests and the inability of LMC to exercise control over a portion of its assets held in joint ventures or through investments in other publicly traded companies results in a lack of financial transparency. We and LMC believe that the spin off will make it easier for investors to understand and evaluate the financial performance and businesses of LMC and us, and that, following the spin off, the holding company discounts for our company and LMC will be less than the holding company discount of LMC prior to the spin off. The anticipated reduction in LMC's holding company discount is expected to benefit the businesses of LMC by (1) permitting LMC to issue equity and convertible securities on more favorable terms, (2) making the stock of LMC a more attractive and efficiently priced acquisition currency and (3) increasing the value of equity and equity-linked compensation of the employees and management of LMC.
- *Enabling investors to invest more directly in our interest in Discovery, thereby facilitating our ability to raise capital and pursue acquisitions using our securities as consideration.* We believe that our common stock may appeal to investors who desire a relatively "pure play" investment in the ~~cable programming sector~~. By contrast, although LMC will continue to own interests in programming networks after the spin off (such as Starz Entertainment, Court TV and GSN), its largest business segment is expected to be its Interactive Group, which offers a wide array of interactive services, such as electronic retailing and interactive technology services. In addition, Discovery's business model, which relies heavily on advertising revenues and anticipates

continued global growth, is different from the subscription fee-based business model of Starz Entertainment. Accordingly, investments in our company and LMC may appeal to investors with different goals, interests and concerns. Establishing separate equity securities will allow investors to make separate investment decisions with respect to our company's and LMC's respective businesses. We believe the spin off will also allow us to raise capital and pursue acquisitions on more favorable terms than would currently be possible as a subsidiary of LMC. In addition, as a separate company, we will be able to incur additional indebtedness as may be required for the growth of our businesses or potential strategic opportunities, without affecting LMC's target capital structure.

The board of directors of LMC also considered the costs and risks associated with the spin off, including any potential negative impact on LMC's credit profile as a result of the divestiture of our assets, and the additional legal, accounting and administrative costs associated with our becoming a public company, and determined that such costs and risks were meaningfully outweighed by the anticipated benefits of the spin off.

Neither we nor LMC can assure you that, following the spin off, any of these benefits will be realized to the extent we anticipate or at all.

Manner of Effecting the Spin Off

LMC will effect the spin off by distributing to its shareholders as a dividend:

- 0.10 of a share of our Series A common stock for every share of LMC Series A common stock, and
- 0.10 of a share of our Series B common stock for every share of LMC Series B common stock,

in each case, owned of record by each shareholder on the record date.

Prior to the spin off, LMC will deliver all of the issued and outstanding shares of our Series A common stock and Series B common stock to the distribution agent. On or about July 21, 2005 (which we refer to as the distribution date), the distribution agent will effect delivery of the shares of our common stock issuable in the spin off in the same form, certificated or book-entry, as the form in which the recipient shareholder held its shares of LMC common stock on the record date. Please note that if any shareholder of LMC on the record date sells shares of LMC common stock after the record date but before the distribution date, the buyer of those shares, and not the seller, will become entitled to receive the shares of our common stock issuable in respect of the shares sold. See "—Trading between the Record Date and the Distribution Date" below for more information.

Shareholders of LMC are not being asked to take any action in connection with the spin off. No shareholder approval of the spin off is required or being sought. We are not asking you for a proxy, and you are requested not to send us a proxy. You are also not being asked to surrender any of your shares of LMC common stock for shares of our common stock. The number of outstanding shares of LMC common stock will not change as a result of the spin off.

Treatment of Fractional Shares

If any shareholder would be entitled to receive a fractional share of our common stock in the spin off, that shareholder will instead receive a cash payment from LMC. As soon as practicable following the record date, the distribution agent will determine the fractional share interests in our common stock that would be attributable to each holder of record of LMC common stock on the record date as a result of the spin off, but such fractional shares will not be issued. In lieu thereof, each such holder will receive a cash amount equal to the product of such applicable fraction multiplied by the average of the closing prices of the applicable series of our common stock on the Nasdaq National Market over

the first ten consecutive trading days that our common stock trades in the regular way market. The distribution agent will calculate such amounts and distribute a check to each such record holder as soon as practicable following such ten trading day period. No interest will be paid on any cash distributed in lieu of fractional shares. The receipt of cash in lieu of fractional shares will generally be taxable to the recipient shareholders. See “—Material U.S. Federal Income Tax Consequences of the Spin Off” below for more information.

Treatment of LMC Stock Incentive Awards

Options to purchase shares of LMC common stock, stock appreciation rights (or SARs) with respect to shares of LMC common stock and shares of LMC restricted stock have been granted to various directors, officers, employees and consultants of LMC and certain of its subsidiaries pursuant to the Liberty Media Corporation 2000 Incentive Plan (as amended and restated effective April 19, 2004) and various other stock incentive plans administered by the incentive plan committee of LMC’s board of directors. Under the anti-dilution provisions of the applicable plans, the LMC incentive plan committee has the authority to make equitable adjustments to outstanding LMC options, LMC SARs and shares of LMC restricted stock in the event of certain transactions, including the distribution of our common stock in the spin off. Such committee has determined that holders of LMC restricted stock awards will receive awards of our restricted stock in connection with the spin off, as described below. The committee has also determined to make various adjustments to outstanding LMC options and LMC SARs, as described below, to preserve the economic benefits of the original award following the spin off. Any options to purchase shares of our common stock issued in connection with such adjustments will be obligations of our company. All options exercisable for, and all SARs relating to, shares of LMC common stock, regardless of any adjustment, will remain obligations of LMC. The terms and conditions of the grant of stock options to purchase shares of our common stock and of restricted shares of our common stock, in each case, as contemplated below, are set forth in the Discovery Holding Company Transitional Stock Adjustment Plan, a form of which is included as an exhibit to the Form 10 registration statement of which this information statement is a part.

In October 2004, The American Jobs Creation Act of 2004, which we refer to as the AJCA, was signed into law. The AJCA significantly alters the rules relating to the taxation of deferred compensation, and may affect outstanding awards such as the LMC options and LMC SARs, and adjustments to such awards, as well as the issuance of any options to acquire our stock. The IRS is expected to promulgate regulations and additional guidelines for employers seeking to comply with the AJCA but has not yet promulgated regulations applicable to certain transactions such as the spin off. To the extent that the methods described below for the adjustment of existing LMC awards in connection with the spin off would result in these incentive awards not complying with the requirements of the AJCA, LMC intends to take any further actions it determines to be necessary in order to satisfy the requirements of the deferred compensation provisions of the AJCA.

Option Awards

As of the record date, each outstanding LMC option held by individuals who are directors, officers or employees of LMC (such individuals being referred to as LMC Holders) will be divided into two options as follows:

- an option (which we refer to as a Discovery Holding option) to purchase shares of the same series of our common stock as the series of LMC common stock for which the outstanding LMC option is exercisable, exercisable for the number of shares of such series of our common stock that would have been issued in the spin off in respect of the shares of LMC common stock subject to the applicable LMC option, if such LMC option had been exercised in full immediately prior to the record date; and

- an option (which we refer to as an adjusted LMC option) to purchase shares of the same series of LMC common stock as the series of LMC common stock for which the *outstanding LMC option* is exercisable, exercisable for the same number of shares of such series of LMC common stock as is the *outstanding LMC option*.

The aggregate exercise price of each outstanding LMC option held by an LMC Holder will be allocated between the *Discovery Holding option* and the *adjusted LMC option*. All other terms and conditions of the *Discovery Holding option* and the *adjusted LMC option* will generally be the same as the *outstanding LMC option*, in all material respects.

All other holders of outstanding LMC options will retain their LMC options subject to the terms thereof and subject to an adjustment to increase the number of LMC shares for which such option is exercisable and a corresponding adjustment to decrease the exercise price per share of such option, in each case to reflect the distribution of our common stock in the spin off. All other terms of the *outstanding LMC option* will in all material respects be retained.

As a result of these adjustments, certain persons who are employed by or associated with LMC immediately following the distribution date will hold *Discovery Holding options*, and certain persons who will be employed by or associated with our company immediately following the distribution date may hold *adjusted LMC options*. Regardless of these employment or other relationships, LMC will not be responsible for the exercise or settlement of any *Discovery Holding option*, and we will not be responsible for the exercise or settlement of any LMC option (including an *adjusted LMC option*). Any *exercising holder* of a *Discovery Holding option* must exercise the security directly with us. Similarly, any *exercising holder* of an LMC option must exercise the security directly with LMC. In this regard, we will enter into an option agreement with each holder of a *Discovery Holding option*, and, if necessary, LMC will *amend its existing option agreement* with each holder of an *outstanding LMC option*, in each case to reflect the provisions described above.

On May 24, 2005, LMC commenced an offer to purchase for cash certain outstanding LMC options held by employees, consultants and independent contractors of Ascent Media, which expired at 9:00 p.m., Pacific time, on June 21, 2005. The LMC options that LMC purchased pursuant to such offer were not subject to any adjustment as a result of the spin off. As contemplated by the offer to purchase, such purchased LMC options were cancelled and terminated.

SAR Awards

While stock appreciation rights will not be issued by our company in connection with the spin off, each stock appreciation right related to LMC common stock, outstanding as of the record date (which we refer to as an *outstanding LMC SAR*), will be adjusted in a manner similar to the adjustment to *outstanding LMC options* described under “—Option Awards” above.

Therefore, individuals who are LMC Holders and who hold *outstanding LMC SARs* as of the record date will receive an *adjusted LMC SAR* and a *Discovery Holding option* in replacement of an *outstanding LMC SAR*, as follows:

- the number of shares for which the *Discovery Holding option* will be exercisable will be determined in the same manner described under “—Option Awards” above for awarding *Discovery Holding options to LMC Holders*, determined as if the *LMC SAR* were instead an LMC option exercisable for the kind and number of shares of LMC common stock to which the *LMC SAR* relates; and
- the base price of the *outstanding LMC SAR* will be divided between (i) the base price of the *adjusted LMC SAR* and (ii) the exercise price of the *Discovery Holding option*.

Following the record date, Discovery Holding options received by an LMC Holder as an adjustment to such LMC Holder's LMC SAR will continue to vest for so long as his or her adjusted LMC SARs continue to vest.

Except as otherwise provided herein, all other holders of outstanding LMC SARs will retain their LMC SAR subject to the terms thereof and subject to an adjustment to increase the number of LMC shares underlying such LMC SAR and a corresponding adjustment to decrease the base price per share of such LMC SAR, in each case to reflect the distribution of our common stock in the spin off. All other terms of the outstanding LMC SAR will in all material respects be retained.

The exercise or settlement of any Discovery Holding option or LMC SAR will be addressed in a manner similar to the exercise or settlement of any Discovery Holding option, LMC option or adjusted LMC option as described under "—Option Awards" above. In this regard, as soon as practicable following the distribution date, we will enter into an option agreement with each LMC Holder receiving a DHC option in respect of his LMC SAR, and, if necessary, LMC will amend its existing stock appreciation rights agreement with such LMC Holders, in each case to reflect the foregoing adjustments.

Restricted Stock Awards

For each unvested LMC restricted stock award outstanding as of the record date, the holder of such restricted stock award will be entitled to receive, for each share of restricted LMC common stock awarded thereunder, an award of 0.10 of a share of the same series of our common stock as the shares of LMC common stock to which such LMC restricted stock award relates. The distribution will not have any other effect on the outstanding LMC restricted stock awards, and the restricted stock awards relating to our common stock will be subject to the same terms and conditions as apply to the LMC restricted stock award with respect to which the distribution is made. In the case of any holders of LMC restricted stock who will be officers or directors of our company at the time of the spin off, the foregoing grants of our restricted stock shall be subject to any approvals that may be required by our board of directors, or by the members of our board who are independent directors, as applicable.

We intend to file a Form S-8 registration statement with respect to shares of our common stock issuable upon vesting of awards of our restricted stock as soon as practicable following the distribution date.

Material U.S. Federal Income Tax Consequences of the Spin Off

The following is a summary of certain material U.S. federal income tax consequences to LMC and the holders of LMC common stock resulting from the spin off. This discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), existing and proposed Treasury Regulations promulgated thereunder and current administrative rulings and court decisions, all as in effect as of the date of this information statement, and all of which are subject to change. Any such change, which may or may not be retroactive, could materially alter the tax consequences to LMC or the holders of LMC common stock as described in this information statement. This summary does not discuss all U.S. federal income tax considerations that may be relevant to particular shareholders in light of their particular circumstances, such as shareholders who are dealers in securities, banks, insurance companies, tax-exempt organizations and non-United States persons. In addition, the following discussion does not address the tax consequences of the spin off under U.S. state or local and non-U.S. tax laws or the tax consequences of transactions effectuated prior to or after the spin off (whether or not such transactions are undertaken in connection with the spin off). **ACCORDINGLY, HOLDERS OF LMC COMMON STOCK ARE URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE SPIN OFF TO THEM.**

LMC has obtained a private letter ruling from the IRS, and it is a condition to the spin off that LMC receive the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, in each case to the effect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code and that, accordingly, for U.S. federal income tax purposes, among other things:

- no gain or loss will be recognized by LMC upon the distribution of (a) shares of our Series A common stock to holders of LMC Series A common stock and (b) shares of our Series B common stock to holders of LMC Series B common stock pursuant to the spin off;
- other than with respect to fractional shares of our common stock, no gain or loss will be recognized by, and no amount will be included in the income of, a holder of LMC common stock upon the receipt of shares of our common stock pursuant to the spin off or upon receipt of the rights that will be attached to our common stock pursuant to the shareholder rights plan described in "Description of our Capital Stock—Shareholder Rights Plan;"
- an LMC shareholder who receives shares of our common stock in the spin off will have an aggregate adjusted basis in its shares of our common stock (including any fractional share in respect of which cash is received) and its shares of LMC common stock immediately after the spin off equal to the aggregate adjusted basis of the shareholder's LMC common stock held prior to the spin off, which will be allocated in accordance with their relative fair market values; and
- the holding period of the shares of our common stock received in the spin off by an LMC shareholder will include the holding period of its shares of LMC common stock, provided that such shares of LMC common stock were held as a capital asset on the distribution date.

The private letter ruling obtained from the IRS also generally provides that if an LMC shareholder holds different blocks of LMC common stock (generally shares of LMC common stock purchased or acquired on different dates or at different prices), the aggregate basis for each block of LMC common stock purchased or acquired on the same date and at the same price will be allocated, to the greatest extent possible, between the shares of our common stock (including any fractional share) received in the spin off in respect of such block of LMC common stock and such block of LMC common stock, in proportion to their respective fair market values, and the holding period of the shares of our common stock (including any fractional share) received in the spin off in respect of such block of LMC common stock will include the holding period of such block of LMC common stock, provided that such block of LMC common stock was held as a capital asset on the distribution date. If an LMC shareholder is not able to identify which particular shares of our common stock (including any fractional share) are received in the spin off with respect to a particular block of LMC common stock, the shareholder may designate which shares of our common stock (including any fractional share) are received in the spin off in respect of a particular block of LMC common stock, provided that such designation is consistent with the terms of the spin off. Holders of LMC common stock are urged to consult their own tax advisors regarding the application of these rules to their particular circumstances.

If you receive cash in lieu of a fractional share of our common stock as part of the spin off, you will be treated as though you first received a distribution of the fractional share in the spin off and then sold it for the amount of such cash. You will generally recognize capital gain or loss, provided that the fractional share is considered to be held as a capital asset, measured by the difference between the cash you receive for such fractional share and your tax basis in that fractional share, as determined above. Such capital gain or loss will be a long-term capital gain or loss if your holding period for such fractional share of LMC common stock is more than one year on the distribution date.

Although the private letter ruling relating to the qualification of the spin off under Sections 355 and 368(a)(1)(D) of the Code is generally binding on the IRS, the continuing validity of such ruling is subject to the accuracy of factual representations and assumptions. Further, as part of the IRS's general

ruling policy with respect to spin off transactions under Section 355 of the Code, the private letter ruling is not based upon a determination by the IRS that certain conditions which are necessary to obtain tax-free treatment under Section 355 of the Code have been satisfied. Rather, the private letter ruling is based upon representations by LMC that these conditions have been satisfied. If any of the representations or assumptions upon which the private letter ruling obtained by LMC is based are incorrect or untrue in any material respect, or the facts upon which the ruling is based were materially different from the facts at the time of the spin off, the private letter ruling could be invalidated.

As a result of this IRS ruling policy with respect to spin off transactions under Section 355 of the Code, LMC has made it a condition to the spin off that LMC receive an opinion from Skadden, Arps, Slate, Meagher & Flom LLP to the effect that the spin off will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code. Opinions of counsel are not binding upon the IRS, and the conclusions in the tax opinion could be challenged by the IRS. The opinion of counsel will be based upon the Code, Treasury Regulations, administrative rulings and court decisions, all as in effect as of the date on which the opinion is issued, and all of which are subject to change, possibly with retroactive effect. In addition, the opinion of counsel will be based upon certain factual representations made by the officers of LMC and certain of its affiliates, certain assumptions and certain undertakings by us and LMC. If any of those factual representations or assumptions were incorrect or untrue in any material respect, any undertaking was not complied with, or the facts upon which the opinion is based were materially different from the facts at the time of the spin off, the spin off may not qualify for tax-free treatment.

If the spin off did not qualify for tax-free treatment, then LMC would recognize taxable gain in an amount equal to the excess of the value of the shares of our common stock held by LMC immediately prior to the spin off over LMC's tax basis in such shares of our common stock. In addition, a holder of LMC's common stock would be subject to tax as if it had received a taxable distribution in an amount equal to the fair market value of the shares of our common stock received in the spin off by such holder. See "Risk Factors—Factors Relating to the Spin Off—The spin off could result in significant tax liability."

Even if the spin off otherwise qualifies for tax-free treatment to the shareholders of LMC, it may be disqualified as tax-free to LMC under Section 355(e) of the Code if 50% or more of either the total combined voting power or the total fair market value of the stock of LMC or our company is acquired as part of a plan or series of related transactions that includes the spin off. For this purpose, any acquisitions of LMC stock or our stock after the spin off are generally part of such a plan only if there was an agreement, understanding, arrangement or substantial negotiations regarding the acquisition or a similar acquisition at some time during the two-year period ending on the date of the spin off. All of the facts and circumstances must be considered to determine whether the spin off and any acquisition of stock are part of such a plan, and certain acquisitions of stock pursuant to public sales are exempted by applicable regulations. If Section 355(e) applies as a result of such an acquisition of LMC stock or our stock, LMC would recognize taxable gain, but the spin off would nevertheless generally be tax-free to each holder of LMC stock who received shares of our stock in the spin off.

Under the tax sharing agreement between our company and LMC, LMC and its subsidiaries, officers and directors will be entitled to indemnification from us for any loss, including any adjustment to taxes of LMC, resulting from (1) any action or failure to act by us or any of our subsidiaries following the completion of the spin off that would be inconsistent with or prohibit the spin off from qualifying as a tax-free transaction to LMC and to you under Sections 355 and 368(a)(1)(D) of the Code (including any action or failure to act that results in an acquisition of 50% or more of either the total combined voting power or the total fair market value of our stock as described in the preceding paragraph), (2) any agreement, understanding, arrangement or substantial negotiations entered into by us or any of our subsidiaries prior to the day after the first anniversary of the distribution date, with respect to any transaction pursuant to which any of Cox Communications, Advance/Newhouse or