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EXHIBIT 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-127715, 333-127712 and 333-127713) of Discovery Holding Company of our report dated February 23, 2007 relating to the financial statements of Discovery Communications, Inc. which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
McLean, VA
February 23, 2007

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EXHIBIT 31.1

CERTIFICATION

I, John C. Malone, certify that:

1. I have reviewed this annual report on Form 10-K of Discovery Holding Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ John C. Malone

John C. Malone
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION

I, David J.A. Flowers, certify that:

1. I have reviewed this annual report on Form 10-K of Discovery Holding Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ David J.A. Flowers

David J.A. Flowers
Senior Vice President and Treasurer

<DOCUMENT>
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EXHIBIT 31.3

CERTIFICATION

I, Christopher W. Shean, certify that:

1. I have reviewed this annual report on Form 10-K of Discovery Holding Company;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this annual report based on such evaluation; and

d) disclosed in this annual report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2007

/s/ Christopher W. Shean
Christopher W. Shean
Senior Vice President and Controller

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Exhibit 32

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of Discovery Holding Company, a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the period ended December 31, 2006 (the "Form 10-K") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of December 31, 2006 and 2005 and for the three years ended December 31, 2006.

Dated: February 28, 2007

/s/ John C. Malone
John C. Malone
Chief Executive Officer

Dated: February 28, 2007

/s/ David J.A. Flowers
David J.A. Flowers
Senior Vice President and Treasurer
(Principal Financial Officer)

Dated: February 28, 2007

/s/ Christopher W. Shean
Christopher W. Shean
Senior Vice President and Controller
(Principal Accounting Officer)

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

Exhibit 99.1

Discovery Holding Company
First Quarter Earnings Release

Englewood, Colorado – On May 9, 2007, Discovery Holding Company ("DHC") will file its Form 10-Q with the Securities and Exchange Commission for the three months ended March 31, 2007. The following release is being provided to supplement the information provided in the 10-Q.

DHC is comprised of a 100% ownership interest in Ascent Media Group, LLC ("Ascent Media" or "AMG"), a 100% ownership interest in AccentHealth, LLC ("AccentHealth") and a 50% ownership interest in Discovery Communications, Inc. ("DCI"). Ascent Media provides creative and network services to the media and entertainment industries. AccentHealth operates one of the nation's largest advertising-supported captive audience television networks serving doctor office waiting rooms nationwide. DCI is a global media and entertainment company that provides programming in over 170 countries and territories.

On March 29, 2007, DCI announced that it had entered into a non-binding letter of intent with Cox Communications Holdings, Inc. ("Cox"), a 25% shareholder of DCI, pursuant to which DCI would redeem Cox's ownership interest in DCI for all of the capital stock of a subsidiary of DCI that will hold Travel Channel, travelchannel.com, Antenna Audio and approximately $1.275 billion in cash. DCI expects to raise the cash amount through additional financing, and expects to retire the equity shares previously owned by Cox. Completion of the transaction is subject to negotiation of definitive documents and various conditions, including regulatory clearances and approvals. Upon completion of the transaction, which is expected to close in the second quarter of 2007, DHC would own a 66-2/3% interest in DCI.

<u>Discovery</u>
The presentation below presents information regarding 100% of DCI's revenue, operating cash flow and other selected financial metrics even though DHC only owns 50% of the equity of DCI and accounts for DCI as an equity affiliate. Please see page 4 for a discussion of why management believes this presentation is meaningful to investors.

DCI's revenue increased 10% to $728 million and operating cash flow increased 24% to $180 million. Total revenue increased due to a 7% increase in distribution revenue, a 9% increase in advertising revenue and a $7 million, or 85%, increase in education revenue.

U.S. Networks' revenue increased 10% to $486 million and operating cash flow increased 18% to $180 million. The increase in revenue was due to growth in distribution and advertising revenue across the portfolio and the inclusion of Antenna Audio revenue in the current year. Distribution revenue increased 7% due to a 6% increase in paying subscription units during the year and contractual rate increases. DCI continued to experience strong ratings increases during the quarter at its largest networks, the Discovery Channel and TLC. The Discovery Channel in particular enjoyed an extremely strong first quarter with 13% growth in prime time ratings for Adults 25-54. Net advertising revenue increased 10% primarily due to higher advertising sell-out rates and higher audience delivery on most channels, notably the Discovery Channel and TLC.

U.S. Networks operating expenses increased 5% due to an increase in programming expense and SG&A. Programming expense increased due to the company's continued investment in original productions across all U.S. networks. The increase in SG&A was primarily due to an increase in personnel expense resulting from headcount from 2006 acquisitions combined with compensation increases.

International Networks revenue increased 8% to $208 million and operating cash flow decreased 39% to $19 million. The increase in revenue was due to growth in both distribution and advertising revenue. Net distribution revenue increased 8% due to a 13% increase in paying subscription units combined with contractual rate increases in certain markets. Growth in paying subscription units was primarily due to growth in Europe and Asia. In January 2007, and in connection with the settlement of terms under a pre-existing distribution agreement, Discovery completed negotiations for the renewal of long-term distribution agreements for certain of its U.K. networks and, as previously disclosed, paid a distributor $195.8 million. Most of the payment was attributed to the renewal period and is being amortized over a five year term. As a result, launch amortization at the International Networks, a contra-revenue item, was $10 million in 2007 compared to $2 million in 2006. Net advertising revenue increased 4% primarily due to higher viewership in Europe and Latin America combined with an increased subscriber base in most markets worldwide. Operating expenses increased 17% due to increased programming costs and SG&A expense. Programming and S,G&A costs increased due to the launch of several networks along with a new free-to-air channel in Germany branded as DMAX which was acquired in March 2006. Excluding the effects of exchange rates, revenue increased 2% and operating cash flow decreased 39%.

Revenue in the Commerce, Education and Other division increased 48%, or $11 million. The increase was due to an 85%, or $7 million, increase in education revenue combined with a 15%, or $3 million, increase in commerce revenue. The increase in education revenue comes from a combination of a 12% increase in paying school subscription units and improved customer yields as a result of the increased focus on Discovery's direct-to-school distribution platform, *unitedstreaming*, as well as the division's other premium direct-to-school subscription services. The increase in commerce revenue was driven by increases in both the retail store business and direct-to-consumer e-commerce business. During the first quarter of 2007, Discovery initiated a strategic review of its commerce business to evaluate potential new operating alternatives with a target of reaching a conclusion in the second quarter of 2007. Operating expenses decreased 13% due to a decrease in education expenses. In the education business, the decrease is primarily due to a $4 million reduction in personnel expense as a result of a business restructuring, combined with a $5 million reduction in marketing expense as DCI re-focuses the direction of its education business. Operating losses decreased by 50% to $19 million primarily due to the decrease in spending in the education business.

DCI's outstanding debt balance was $2.9 billion at March 31, 2007.

DHC

DHC's consolidated revenue increased $20 million, or 13%, and consolidated operating cash flow increased $2 million, or 15%. Ascent Media is structured into two global operating divisions – Creative Services Group and Network Services Group. Creative Services Group revenue is generated from fees for video and audio post production, special effects and editorial services for the television, feature film and advertising industries. Generally, these services pertain to the completion of feature films, television programs and advertisements. Network Services Group revenue consists of fees relating to facilities and services necessary to assemble and transport programming for cable and broadcast networks across the world via fiber, satellite and the Internet. The group's revenues are also driven by systems integration and field support services, technology consulting services, design and implementation of advanced video systems, engineering project management, technical help desk and field services. The AccentHealth business is accounted for as part of the Network Services Group.

Creative Services Group revenue increased $12 million and operating cash flow increased $1 million. Revenue increased $12 million, or 12%, due to higher commercial revenue in the U.S., higher feature revenue driven by increased titles for post-production and audio services and higher media services revenue driven by growth in digital vaulting and digital distribution services. These revenue increases were partially offset by a slight decrease in television post-production services. Operating expenses increased due to more labor intensive commercial and feature projects. Network Services Group revenue increased $8 million, or 15%, while operating cash flow decreased $1 million. The increase in revenue was the result of increased system integration services revenue due to the timing of projects and the inclusion of AccentHealth's operations for the entire quarter in the current year. These Network Services revenue increases were partially offset by lower content distribution revenue primarily due to the termination of certain distribution contracts in the U.K. and other revenue decreases primarily due to a large one-time project in 2006. Operating expenses increased due to increased volumes partially offset by a $2 million decrease in S,G & A expenses resulting from the restructuring which occurred in the third and fourth quarter of 2006, lowering headcount and personnel costs.

NOTES

As a supplement to DHC's consolidated statements of operations included in its 10-Q, the preceding is a presentation of financial information on a stand alone basis for DCI and for the consolidated results of DHC for the three months ended March 31, 2007.

Unless otherwise noted, the foregoing discussion compares financial information for the three months ended March 31, 2007 to the same periods in 2006. Please see page 6 of this press release for the definition of operating cash flow and a discussion of management's use of this performance measure. Schedule 1 to this press release provides a reconciliation of DHC's consolidated segment operating cash flow for its operating segments to consolidated earnings before income taxes. Schedule 2 to this press release provides a reconciliation of the operating cash flow for DHC and DCI to that entity's operating income for the same period, as determined under GAAP. Certain prior period amounts have been reclassified for comparability with the 2007 presentation.

OUTSTANDING SHARES AND LIQUIDITY

At March 31, 2007, there were approximately 280.2 million outstanding shares of DISCA and DISCB and 4.9 million shares of DISCA and DISCB reserved for issuance pursuant to warrants and employee stock options. At March 31, 2007, there were 4,833,257 options that had a strike price that was lower than the closing stock price. Exercise of these options would result in aggregate proceeds of approximately $84.7 million. At March 31, 2007, DHC had $203 million of cash and liquid investments and no debt.

Certain statements in this press release may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, such as trend information in the discussion of DCI's and Ascent Media's revenue, expenses and operating cash flow. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the operating businesses of DHC included herein or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others: the risks and factors described in the publicly filed documents of DHC, including the most recently filed Form 10-Q of DHC; general economic and business conditions and industry trends including in the advertising and retail markets; spending on domestic and foreign advertising; the continued strength of the industries in which such businesses operate; continued consolidation of the broadband distribution and movie studio industries; uncertainties inherent in proposed business strategies and development plans; changes in distribution and viewing of television programming, including the expanded deployment of personal video recorders and IP television and their impact on television advertising revenue; rapid technological changes; future financial performance, including availability, terms and deployment of capital; availability of qualified personnel; the development and provision of programming for new television and telecommunications technologies; changes in, or the failure or the inability to comply with, government regulation, including, without limitation, regulations of the Federal Communications Commission, and adverse outcomes from regulatory proceedings; adverse outcomes in pending litigation; changes in the nature of key strategic relationships with partners and joint ventures; competitor responses to such operating businesses' products and services, and the overall market acceptance of such products and services, including acceptance of the pricing of such products and services; and threatened terrorist attacks and ongoing military action, including armed conflict in the Middle East and other parts of the world. These forward-looking statements speak only as of the date of this Release. DHC expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in DHC's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Contact: John Orr (720) 875-5622

SUPPLEMENTAL INFORMATION

Please see page 7 for the definition of operating cash flow (OCF) and Schedule 2 at the end of this document for reconciliations for the applicable periods in 2006 and 2007 of operating cash flow to operating income, as determined under GAAP, for each identified entity.

The selected information for DCI included herein presents 100% of the revenue, operating cash flow, operating income and other selected financial metrics for DCI even though DHC owns only 50% of DCI and accounts for it as an equity affiliate. This presentation is designed to reflect the manner in which DHC's management reviews the operating performance of its investment in DCI. It should be noted, however, that the presentation is not in accordance with GAAP since the results of operations of equity method investments are required to be reported on a net basis. Further DHC could not, among other things, cause DCI to distribute to DHC our proportionate share of the revenue or operating cash flow of DCI.

The selected financial information presented for DCI was obtained directly from DCI. DHC does not control the decision-making processes or business management practices of DCI. The above discussion and following analysis of DCI's operations and financial position have been prepared based on information that DHC receives from DCI and represents DHC's views and understanding of DCI's operating performance and financial position based on such information. DCI is not a separately traded public company, and DHC does not have the ability to cause DCI's management to prepare their own management's discussion and analysis for our purposes. Accordingly, we note that the material presented in this publication might be different if DCI's management had prepared it. DHC is not aware, however, of any errors in or possible misstatements of the financial information provided to it by DCI that would have a material effect on DHC's consolidated financial statements.

QUARTERLY SUMMARY

(amounts in millions)	1Q06	2Q06	3Q06	4Q06	1Q07
DISCOVERY HOLDING COMPANY (100%)					
Revenue	$ 154	166	169	199	174
OCF	$ 13	10	17	19	15
Operating Income (Loss)	$ (3)	(6)	(97)	(9)	(1)
DISCOVERY COMMUNICATIONS, INC. (50.0%)					
Revenue – U.S. Networks [1]	$ 443	498	469	516	486
Revenue – International Networks [2], [3]	193	207	223	256	208
Revenue – Commerce, Education & Other [4]	23	28	30	127	34
Revenue – Total	$ 659	733	722	899	728
OCF – U.S. Networks [1]	$ 152	206	188	181	180
OCF – International Networks [2], [3]	31	25	36	24	19
OCF – Commerce, Education & Other [4]	(38)	(41)	(31)	(11)	(19)
OCF – Total	$ 145	190	193	194	180
Operating Income	$ 110	152	160	128	122

(1) **DCI – Discovery Networks U.S.:** Discovery Channel, TLC, Animal Planet, Travel Channel, Discovery Health Channel, Discovery Kids Channel, The Science Channel, Discovery Times Channel, Discovery Home, Military Channel, Discovery HD Theater, Fit TV, BBC-America, BBC World News Representation and online and other initiatives.

(2) **DCI – Discovery Networks International:** Discovery Channels in UK, Europe, Latin America, Asia, India, Africa, Middle East; Discovery Kids in UK, Latin America; Discovery Travel & Living in UK, Europe, Latin America, Asia, India; Discovery Home & Health in UK, Latin America, Asia; Discovery Real Time in UK, Europe, Asia; Discovery Civilisation in UK, Europe, Latin America, Middle East; Discovery Science in UK, Europe, Latin America, Asia, Middle East; Discovery Wings in UK; Animal Planet in UK, Germany, Italy; Discovery en Español, Discovery Kids en Español, Discovery Travel & Living (Viajar y Vivir) in U.S.; Discovery Geschichte in Germany; Discovery HD in UK, Europe; DMAX in Germany; Discovery Turbo in Latin America, Spain and Portugal and consolidated BBC/DCI joint venture networks (Animal Planet networks in Europe, Latin America, Japan, Asia, Africa; Middle East; People + Arts in Latin America, Spain and Portugal).

Discovery Networks International Joint Ventures – Consolidated
Discovery Networks International joint venture networks (Animal Planet networks in Europe, Latin America, Japan, Asia, Africa, Middle East; People + Arts in Latin America, Spain and Portugal) are composed of joint ventures with British Broadcasting Corporation. These ventures are controlled by DCI and consolidated into the results of Discovery Networks International. The equity in the assets of these joint ventures is predominantly held 50/50 by DCI and BBC. Exceptions involve participants related to the local market in which a specific network operates.

(3) **DCI – Discovery Networks International – Equity Affiliates:**
DCI accounts for its interests in joint ventures it does not control as equity method investments. The operating results of joint ventures that DCI does not control, including Discovery Channel Canada, Discovery Channel Japan, Discovery HD Japan, Discovery Kids Canada, Discovery Health Canada, Discovery Civilization Canada, Discovery HD Canada, Animal Planet Canada and Discovery Historia Poland, are not consolidated and are not reflected in the results presented above.

(4) **DCI – Commerce, Education and Other**: Commerce, Education & Other is comprised of a North American chain of over 100 Discovery Channel retail stores, a mail-order catalog business, an on-line shopping site, a licensing and strategic partnerships business, and an educational business that reaches many students in the U.S. through the sale of supplemental hardcopy products and the delivery of streaming video-on-demand through its digital internet enabled platforms.

NON-GAAP FINANCIAL MEASURES

This press release includes a presentation of operating cash flow, which is a non-GAAP financial measure, for DHC on a consolidated basis and DCI on a stand alone basis together with a reconciliation of that non-GAAP measure to such entity's operating income, determined under GAAP. DHC defines operating cash flow as revenue less cost of sales, operating expenses, and selling, general and administrative expenses (excluding stock and other equity-based compensation and accretion expense on asset retirement obligations). Operating cash flow, as defined by DHC, excludes depreciation and amortization, stock and other equity-based compensation, accretion expense on asset retirement obligations and restructuring and impairment charges that are included in the measurement of operating income pursuant to GAAP.

DHC believes operating cash flow is an important indicator of the operational strength and performance of its businesses, including the ability to service debt and fund capital expenditures. In addition, this measure allows management to view operating results and perform analytical comparisons and benchmarking between businesses and identify strategies to improve performance. Because operating cash flow is used as a measure of operating performance, DHC views operating income as the most directly comparable GAAP measure. Operating cash flow is not meant to replace or supercede operating income or any other GAAP measure, but rather to supplement the information to present investors with the same information as DHC's management considers in assessing the results of operations and performance of its assets. Please see the attached schedules for a reconciliation of consolidated segment operating cash flow to consolidated earnings before income taxes (Schedule 1) and a reconciliation of each identified entity's operating cash flow to its operating income calculated in accordance with GAAP (Schedule 2).

DISCOVERY HOLDING COMPANY

SCHEDULE 1

The following table provides a reconciliation of consolidated segment operating cash flow to earnings before income taxes for the three months ended March 31, 2006 and 2007, respectively.

(amounts in millions)	2006	2007
Consolidated segment operating cash flow	$ 13	15
Stock-based compensation	–	(1)
Depreciation and amortization	(16)	(15)
Share of earnings of DCI	21	22
Other, net	2	9
Earnings before income taxes	**$ 20**	**30**

DHC.I.D.0000925

SCHEDULE 2

The following tables provide reconciliation of operating cash flow to operating income calculated in accordance with GAAP for the three months ended March 31, 2006, June 30, 2006, September 30, 2006, December 31, 2006 and March 31, 2007, respectively.

(amounts in millions)	1Q06	2Q06	3Q06	4Q06	1Q07
DISCOVERY HOLDING COMPANY (100%)					
Operating Cash Flow	$ 13	10	17	19	15
Depreciation and Amortization	(16)	(16)	(16)	(20)	(15)
Stock-Based Compensation Expense	--	--	--	(3)	(1)
Impairment of Goodwill	--	--	(93)	--	--
Other	--	--	(5)	(5)	--
Operating Loss	**$ (3)**	**(6)**	**(97)**	**(9)**	**(1)**
DISCOVERY COMMUNICATIONS, INC. (50.0%)					
Operating Cash Flow	$ 145	190	193	194	180
Depreciation and Amortization	(30)	(33)	(32)	(38)	(35)
Long-Term Incentive Plan	(5)	(5)	(1)	(28)	(12)
Restructuring Charge	--	--	--	--	(11)
Operating Income	**$ 110**	**152**	**160**	**128**	**122**

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 000-51205

DISCOVERY HOLDING COMPANY

(Exact name of Registrant as specified in its charter)

State of Delaware *(State or other jurisdiction of incorporation or organization)*	**20-2471174** *(I.R.S. Employer Identification No.)*
12300 Liberty Boulevard **Englewood, Colorado** *(Address of principal executive offices)*	**80112** *(Zip Code)*

Registrant's telephone number, including area code:
(720) 875-4000

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The number of outstanding shares of Discovery Holding Company's common stock as of April 30, 2007 was:

Series A common stock 268,336,850 shares; and
Series B common stock 11,934,096 shares.

DISCOVERY HOLDING COMPANY AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
(unaudited)

	March 31, 2007	December 31, 2006
	amounts in thousands	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 150,477	154,775
Trade receivables, net	148,634	147,436
Prepaid expenses	12,516	11,522
Other current assets	3,832	3,629
Total current assets	315,459	317,362
Investments in marketable securities	52,505	51,837
Investment in Discovery Communications, Inc. ("Discovery" or "DCI") (note 7)	3,150,457	3,129,157
Property and equipment, net	285,172	280,775
Goodwill (note 6)	2,074,882	2,074,789
Other assets, net	16,759	17,062
Total assets	$ 5,895,234	5,870,982
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 35,232	43,656
Accrued payroll and related liabilities	27,448	32,292
Other accrued liabilities	29,164	29,924
Deferred revenue	18,077	16,015
Total current liabilities	109,921	121,887
Deferred income tax liabilities	1,184,639	1,174,594
Other liabilities	30,227	25,237
Total liabilities	1,324,787	1,321,718
Commitments and contingencies (notes 8 and 9)		
Stockholders' equity:		
Preferred stock, $.01 par value. Authorized 50,000,000 shares; no shares issued	—	—
Series A common stock, $.01 par value. Authorized 600,000,000 shares; issued and outstanding 268,275,679 shares at March 31, 2007 and 268,194,966 shares at December 31, 2006	2,683	2,682
Series B common stock, $.01 par value. Authorized 50,000,000 shares; issued and outstanding 11,947,000 shares at March 31, 2007 and 12,025,088 shares at December 31, 2006	119	120
Series C common stock, $.01 par value. Authorized 600,000,000 shares; no shares issued	—	—
Additional paid-in capital	5,714,548	5,714,379
Accumulated deficit	(1,164,627)	(1,183,831)
Accumulated other comprehensive earnings	17,724	15,914
Total stockholders' equity	4,570,447	4,549,264
Total liabilities and stockholders' equity	$ 5,895,234	5,870,982

See accompanying notes to condensed consolidated financial statements.

DISCOVERY HOLDING COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Earnings
(unaudited)

	Three Months Ended March 31,	
	2007	2006
	amounts in thousands, except per share amounts	
Net revenue	$173,882	153,568
Operating expenses:		
Cost of services	118,026	97,599
Selling, general, and administrative, including stock-based compensation (notes 2 and 10)	41,520	43,171
Gain on sale of operating assets	(34)	—
Depreciation and amortization	15,571	15,655
	175,083	156,425
Operating loss	(1,201)	(2,857)
Other income:		
Share of earnings of Discovery (note 7)	21,557	21,173
Other income, net	9,297	1,950
	30,854	23,123
Earnings before income taxes	29,653	20,266
Income tax expense	(9,189)	(8,651)
Net earnings	20,464	11,615
Other comprehensive earnings, net of taxes:		
Foreign currency translation adjustments	1,354	2,637
Unrealized holding gains arising during the period	456	787
Other comprehensive earnings	1,810	3,424
Comprehensive earnings	$ 22,274	15,039
Basic and diluted earnings per common share (note 3)	$ .07	.04

See accompanying notes to condensed consolidated financial statements.

DISCOVERY HOLDING COMPANY AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended March 31, 2007	2006
	amounts in thousands	
Cash flows from operating activities:		
Net earnings	$ 20,464	11,615
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	15,571	15,655
Stock-based compensation	966	546
Share of earnings of Discovery	(21,557)	(21,173)
Gain on lease buyout	(6,992)	—
Deferred income tax expense	8,508	8,293
Other non-cash charges (credits), net	(487)	353
Changes in assets and liabilities, net of acquisitions:		
Trade receivables	(1,082)	(4,836)
Prepaid expenses and other current assets	(1,197)	(4,012)
Payables and other liabilities	(11,629)	3,827
Net cash provided by operating activities	2,565	10,268
Cash flows from investing activities:		
Capital expenditures	(13,407)	(13,802)
Proceeds from lease buyout	7,138	—
Net purchases of marketable securities	(665)	(49,175)
Cash paid for acquisitions, net of cash acquired (notes 4 and 5)	—	(46,793)
Other investing activities, net	90	(27)
Net cash used in investing activities	(6,844)	(109,797)
Cash flows used in financing activities — other financing activities, net	(19)	(2)
Net decrease in cash and cash equivalents	(4,298)	(99,531)
Cash and cash equivalents at beginning of period	154,775	250,352
Cash and cash equivalents at end of period	$150,477	150,821

See accompanying notes to condensed consolidated financial statements.

DISCOVERY HOLDING COMPANY AND SUBSIDIARIES

Condensed Consolidated Statement of Stockholders' Equity
Three months ended March 31, 2007
(unaudited)

	Preferred Stock	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Accumulated Other comprehensive Earnings	Total Stockholders' Equity
		Series A	Series B	Series C				
	amounts in thousands							
Balance at January 1, 2007 . . .	$—	2,682	120	—	5,714,379	(1,183,831)	15,914	4,549,264
Net earnings.	—	—	—	—	—	20,464	—	20,464
Other comprehensive earnings	—	—	—	—	—	—	1,810	1,810
Stock compensation	—	—	—	—	137	—	—	137
Cumulative effect of accounting change (note 8)	—	—	—	—	—	(1,260)	—	(1,260)
Conversion of Series B to Series A.	—	1	(1)	—	—	—	—	—
Stock option exercises.	—	—	—	—	32	—	—	32
Balance at March 31, 2007 . . .	$—	2,683	119	—	5,714,548	(1,164,627)	17,724	4,570,447

See accompanying notes to condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
March 31, 2007
(unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of Discovery Holding Company and its consolidated subsidiaries ("DHC" or the "Company"). DHC's two wholly-owned operating subsidiaries are Ascent Media Group, LLC ("Ascent Media") and AccentHealth, LLC ("AccentHealth"). DHC also has a 50% ownership interest in Discovery, which it accounts for as an equity method investment. All significant intercompany accounts and transactions have been eliminated in consolidation.

Ascent Media is comprised of two operating segments. Ascent Media's creative services group provides services necessary to complete the creation of original content, including feature films, mini-series, television shows, television commercials, music videos, promotional and identity campaigns, and corporate communications programming. The group manipulates or enhances original visual images or audio captured in principal photography or creates new three dimensional images, animation sequences, or sound effects. In addition, the creative services group provides a full complement of facilities and services necessary to optimize, archive, manage, and repurpose completed media assets for global distribution via freight, satellite, fiber and the Internet. The network services group provides the facilities and services necessary to assemble and distribute programming content for cable and broadcast networks via fiber, satellite and the Internet to viewers in North America, Europe and Asia. Additionally, the network services group provides systems integration, design, consulting, engineering and project management services.

Substantially all of the assets of AccentHealth were acquired by a subsidiary of DHC in January 2006, and are included as part of the network services group for financial reporting purposes. AccentHealth operates an advertising-supported captive audience television network in doctor office waiting rooms nationwide.

Discovery is a global media and entertainment company that provides original and purchased cable and satellite television programming in the United States and over 170 other countries. Discovery also develops and sells branded commerce and educational product lines in the United States.

The accompanying interim condensed consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2006.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses for each reporting period. The significant estimates made in preparation of the Company's consolidated financial statements primarily relate to valuation of goodwill, other intangible assets, long-lived assets, deferred tax assets, and the amount of the allowance for doubtful accounts. Actual results could differ from the estimates upon which the carrying values were based.

(2) Stock Options and Other Long-Term Incentive Compensation

Stock Options

On July 21, 2005, Liberty Media Corporation ("Liberty") completed the spin off of the capital stock of DHC (the "Spin Off"). The Spin Off was effected as a dividend by Liberty to holders of its Series A and Series B common stock of shares of DHC Series A and Series B common stock, respectively. Approximately 268.1 million shares of DHC Series A common stock and 12.1 million shares of DHC Series B common stock were issued in the Spin Off.

The Spin Off did not involve the payment of any consideration by the holders of Liberty common stock and is intended to qualify as a tax-free transaction.

As a result of the Spin Off and related adjustments to Liberty's stock incentive awards, options ("Spin Off DHC Awards") to acquire an aggregate of approximately 2.0 million shares of DHC Series A common stock and 3.0 million shares of DHC Series B common stock were issued to employees of Liberty. In addition, employees of Ascent Media who held stock options or stock appreciation rights ("SARs") to acquire shares of Liberty common stock prior to the Spin Off continue to hold such options. DHC is responsible for all stock options related to DHC common stock, and Liberty is responsible for all incentive awards related to Liberty common stock. Notwithstanding the foregoing, the Company records stock-based compensation for all stock incentive awards held by DHC's and its subsidiaries' employees regardless of whether such awards relate to DHC common stock or Liberty common stock. Any stock-based compensation recorded by DHC with respect to Liberty stock incentive awards is treated as a capital transaction with the offset to stock-based compensation expense reflected as an adjustment of additional paid-in capital.

The Company accounts for stock option awards pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), *"Share-Based Payments"* ("Statement 123R"). Statement 123R generally requires companies to measure the cost of employee services received in exchange for an award of equity instruments (such as stock options and restricted stock) based on the grant-date fair value of the award, and to recognize that cost over the period during which the employee is required to provide service (usually the vesting period of the award).

Liberty calculated the grant-date fair value for all of its awards using the Black-Scholes Model. Liberty calculated the expected term of the awards using the methodology included in SEC Staff Accounting Bulletin No. 107. The volatility used in the calculation is based on the implied volatility of publicly traded Liberty options with a similar term (generally 20% — 21%). Liberty used the risk-free rate for Treasury Bonds with a term similar to that of the subject options. The Company has allocated the grant-date fair value of the Liberty awards to the Spin Off DHC Awards based on the relative trading prices of DHC and Liberty common stock after the Spin Off.

On May 4, 2006, each of the non-employee directors of DHC was granted 10,000 options to purchase DHC Series A common stock with an exercise price of $14.48. Such options vest one year from the date of grant, terminate 10 years from the date of grant and had a grant-date fair value of $4.47 per share, as determined by the Black-Scholes Model.

As of March 31, 2007, the following DHC options were outstanding and vested:

	DHC Series A	Weighted Average Exercise Price	DHC Series B	Weighted Average Exercise Price
Outstanding	1,874,365	$15.41	2,996,525	$18.87
Exercisable	1,401,272	$16.13	2,876,525	$18.99

As of March 31, 2007, the total compensation cost related to unvested equity awards was $960,000. Such amount will be recognized in the Company's consolidated statements of operations over a weighted average period of approximately 1.3 years.

2006 Ascent Media Long-Term Incentive Plan

Effective August 3, 2006, Ascent Media adopted its 2006 Long-Term Incentive Plan (the "2006 Plan"). The 2006 Plan provides the terms and conditions for the grant of, and payment with respect to, Phantom Appreciation Rights ("PARs") granted to certain officers and other key personnel of Ascent Media. The value of a single PAR ("Value") is calculated as the sum of (i) 6% of cumulative free cash flow (as defined in the 2006 Plan) over a period of up to six years, divided by 500,000 plus (ii) 5% of the increase in the calculated value of Ascent Media over a baseline value determined at the time of grant, divided by 10,000,000. The 2006 Plan is administered by a committee that consists of two individuals appointed by DHC. Grants are determined by the committee, with the first grant occurring on August 3, 2006. The maximum number of PARs that may be granted under the 2006 Plan is 500,000, and there were 423,500 PARs granted as of March 31, 2007. The PARs vest quarterly over a three year period, and are payable on March 31, 2012 (or, if earlier, on the six-month anniversary of a grantee's termination of employment without cause). Ascent Media will record a liability and a charge to expense based on the Value and percent vested at each reporting period. As of March 31, 2007, Ascent Media had recorded a liability of $841,000.

(3) Earnings Per Common Share

Basic earnings per common share ("EPS") is computed by dividing net earnings by the weighted average number of common shares outstanding for the period. The weighted average number of shares outstanding for the three months ended March 31, 2007 and 2006 is 280,222,000 and 279,950,000, respectively. Dilutive EPS presents the dilutive effect on a per share basis of potential common shares as if they had been converted at the beginning of the periods presented. Due to the relative insignificance of the dilutive securities in 2007 and 2006, their inclusion does not impact the EPS amount as reported in the accompanying condensed consolidated statements of operations.

(4) Supplemental Disclosure of Cash Flow Information

	Three Months Ended March 31, 2006
	amounts in thousands
Cash paid for acquisitions:	
Fair value of assets acquired	$48,264
Net liabilities assumed	(1,471)
Cash paid for acquisitions, net of cash acquired	$46,793

(5) Acquisition

Effective January 27, 2006, one of DHC's subsidiaries acquired substantially all of the assets of AccentHealth, LLC's healthcare media business for cash consideration of $46,793,000. AccentHealth operates an advertising-supported captive audience television network in doctor office waiting rooms nationwide. The Company recorded goodwill of $32,224,000 and other intangible assets of $9,800,000 in connection with this acquisition. Other intangible assets are included in Other assets, net in the accompanying condensed consolidated balance sheets. The excess purchase price over the fair value of assets acquired is attributable to the growth potential of AccentHealth and expected compatibility with Ascent Media's existing network services group.

For financial reporting purposes, the acquisition is deemed to have occurred on February 1, 2006. The results of operations of AccentHealth have been included in the consolidated results of DHC as part of the network services group since the date of acquisition. On a pro forma basis, the results of operations of AccentHealth are not significant to those of DHC for the three months ended March 31, 2006.