

Discovery CHANNEL[®]

entertain your brain™

THE MARKET

In a crowded marketplace, vibrating with the noise of countless cable brands clamoring for attention, one in particular has quietly and consistently won the admiration, loyalty, and emotional investment of viewers around the world. That brand belongs to the Discovery Channel with an audience of 90 million subscribing households in the United States, reaching an additional 340 million households in 159 countries.

From its launch in 1985 to its present position as the most widely distributed cable television network in the United States and around the world, the Discovery Channel has consistently ranked as one of the nation's top consumer brands for overall quality.

In June 2003, the Discovery Channel was rated as a "World Class Brand" for the ninth year in a row, and the only media brand designated as "world class." The findings were part of an EquiTrend® brand study by Harris Interactive®, which also found the Discovery Channel to be the number-one Media Brand in Overall Quality for the seventh consecutive year, and the number-one Television Network Brand in Overall Quality for the eleventh consecutive year. These stellar rankings followed on the heels of the network being

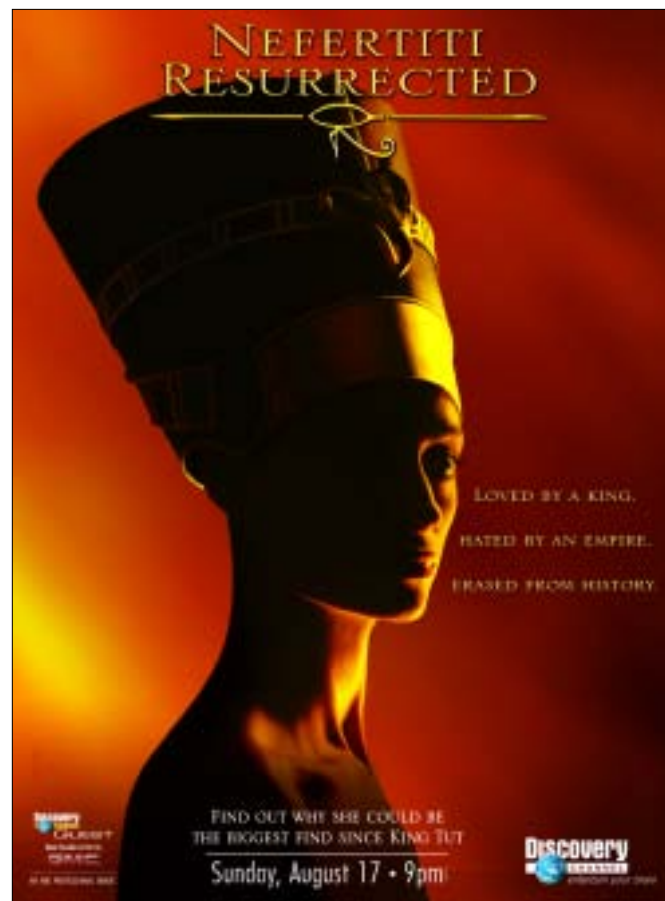


named the number-one World Class Brand among all U.S. companies in 2002.

ACHIEVEMENTS

Throughout its history, the Discovery Channel has set the standard for nonfiction television. Discovery is the home of the two highest-rated nonfiction programs in the history of cable television: *Walking with Dinosaurs* and *Raising the Mammoth*.

In 2003, the network built on its history of success with innovative, highly praised specials, series, and network initiatives. Discovery aired cable's two top-rated documentaries of the year with *Nefertiti Resurrected* and *Walking with Cavemen*, as well as *Building the Pyramid*, *Anatomy of a Shark Bite*, *Dinosaur Planet*, and *Hunting Saddam*.



These programs, along with Discovery's signature weekly series, made the channel one of the most-watched cable networks in the United States among key adult viewing audiences of people 25-54, men 25-54, people 18-49, and men 18-49.

HISTORY

When Discovery Communications, Inc. (DCI) founder, chairman, and CEO John Hendricks began, his aim was to create a network that provided the highest-quality documentary programming. Hendricks' mission was to create a channel that "was just all documentaries — [one that] had everything from science and history to nature, human adventure." Incorporated as the Cable Educational Network, the company began to take shape as the global leader in nonfiction entertainment with the launch of the Discovery Channel on June 17, 1985.

Originally based in Landover, Maryland, Discovery began with 19 employees and 156,000 subscribers. They were the first viewers to have the chance to experience a media outlet designed to provide enlightening programming that allowed them to explore and satisfy their curiosity about the world.

Just two years after its launch, the Discovery Channel made television history by offering

American viewers their first glimpse of domestic television in the Soviet Union. *Russia: Live from the Inside* was an unprecedented 66-hour live telecast that became the stepping stone for Discovery's growth into an international programming partner and documentary producer.

Today, Discovery is the world's largest originator of documentary programming. Its original productions *Shark Week*, *Submarines: Sharks of Steel*, *In the Company of Whales*, *People of the Forest: The Chimps of Gombe*, *Carrier: Fortress at Sea*, *Titanic Live*, *Raising the Mammoth*, *Walking with Dinosaurs*, *Nefertiti Resurrected*, *Monster Garage*, *American Chopper*, and countless others draw millions of viewers. Along the way, the network has garnered every major industry award, from Primetime Emmy Awards to the Peabody and DuPont Gold Baton, among many others.

As the network entered 2004, the Discovery Channel was reaching 90 million people in the United

States. It is the flagship network for a company that encompasses 14 domestic cable networks and ten more around the world, one of the television industry's most visited Web sites, a chain of more than 100 retail outlets, and a vibrant consumer product and licensing business that help introduce Discovery to a growing global audience.

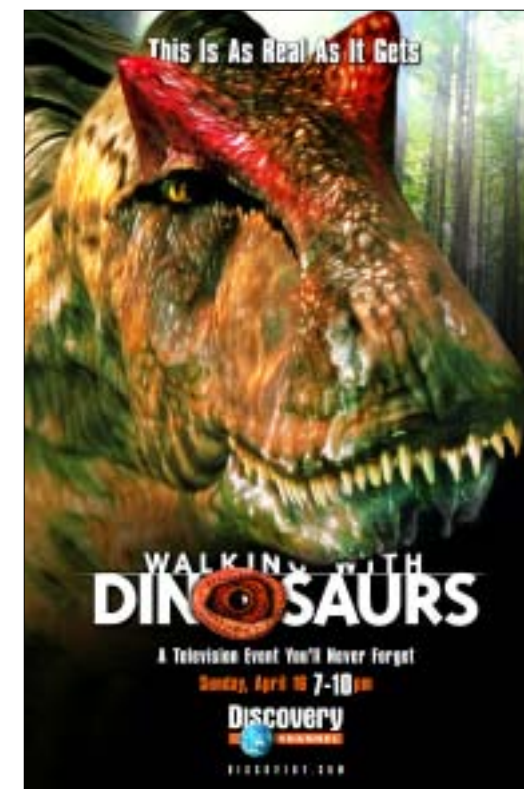
THE PRODUCT

The Discovery Channel brand would not exist without the innovative and critically acclaimed series and specials that define the channel. The



home to such past programming achievements as *Wild Discovery*, the franchise begun by *Walking with Dinosaurs*, *Raising the Mammoth*, *Watergate*, *Blue Planet*, and countless others, Discovery has continually strived to amaze its audience with the best in real-world programming.

Discovery maintains its position of distinction by teaming with some of the finest production companies in the world — including the BBC, NBC, and New York Times Television — to create the most compelling programming anywhere. These efforts continue to yield bountiful dividends through the network's signature specials. Coming soon are *Walking with Spacemen*, *Body Spectacular*, *The Last Day of Pompeii*, and *Genghis Khan*, as well as new signature series including *Big*, *American Casino*, and *N.O.W. (No Opportunity Wasted)*. These offerings will join popular primetime series including *Monster Garage*, *Monster House*, *American Chopper*, *Mythbusters*, *American Hot Rod*, *The New Detectives*, *Extreme Engineering*, and *Unsolved History* to round out the network's schedule.



The Discovery Channel's commitment to the finest in real-world programming is reinforced by its Discovery Channel Quest initiative. This project, designed to inspire, fund, and document large-scale scientific exploration, has yielded landmark programs including *James Cameron's Expedition: Bismarck* and *Nefertiti Resurrected*. The network has long supported these kinds of efforts, resulting in



the recovery of the Liberty Bell 7 space capsule and the wreck of Captain Kidd's ship off Madagascar. Discovery is extending this legacy through more ambitious programming efforts that may one day uncover more of the world's greatest and most enduring mysteries.

RECENT DEVELOPMENTS

On the programming front, 2003 saw the expansion of the Discovery Channel Quest initiative as well as the launch of the Spotlight programming strand. Introduced to provide context for and understanding of the events that shape our world, Spotlight provides an authoritative perspective on world events. Most notably, Spotlight has featured three-time Pulitzer Prize-winner Thomas L. Friedman of the *New York Times* presenting hour-long specials about the perceptions of the United States in the Arab world and the future for Israel and Palestine.

Discovery's signature weekly series continue to perform well. The mechanized mayhem of *Monster Garage*, led by charismatic host Jesse James, entertains and astounds viewers. A recent lineup expansion also includes *Monster House*, *Mythbusters*, *American Hot Rod*, and the hit series *American Chopper*.

Finally, 2003 saw the launch of *Discovery Docs*. This new initiative lets Discovery work with the world's best feature-length documentary filmmakers to bring their vision to life. The first product of this endeavor, *With All Deliberate Speed*, focuses on the continuing repercussions of the *Brown vs. Board of Education* decision that desegregated American schools in 1954. The film, directed by Peter Gilbert (*Hoop Dreams*) was released in May 2004 to coincide with the 50th anniversary of the Supreme Court's landmark decision.

PROMOTION

Since 1985, the Discovery Channel has produced some of the most imaginative and effective marketing campaigns in cable television. In 2003, the Discovery Channel launched its largest brand and program marketing campaign ever. The summer-long effort promoted a number of new series and specials with brand segments that spotlighted the new tagline of the network, "Entertain Your Brain."

Advertising vehicles included four commercials airing on network television news and entertainment programs, as well as cable television outlets, weekly magazines, national and major-market daily

newspapers, network and regional radio, Internet sites, and other Discovery Network and internal media outlets. Discovery also refreshed its on-air graphics and packaging, and featured actor Ed Harris as the voice of the campaign.

This traditional marketing effort was coupled with an alternative component centered on "Smarty Pants," the Entertain Your Brain trivia competition. The competition ran simultaneously in New York, Los Angeles, Washington, D.C., and Chicago. Visiting city hotspots and coffeehouses, an Entertain Your Brain host and sidekick facilitated trivia gaming, while promoting tune-in and the Discovery Channel brand. The topics ranged from sharks to forensics, from Egypt to engineering, and offered prizes such as T-shirts, visors, and stickers, all featuring the Entertain Your Brain tagline. A companion campaign provided consumers across the country with custom Entertain Your Brain fact guides, complete with quirky facts. In this same vein, the Discovery Channel Entertain Your Brain factoids



went wireless. Using text-messaging technology, the tidbits were sent to consumers who opted to receive entertaining factoids via their cell phones.

Guerilla marketing was also conducted around specific Discovery Channel specials and series premieres. For example, during *Shark Week*, major hotel pools were outfitted with pool-sized decals that cast a shadow of a Great White at the bottom. In addition, to promote the *Nefertiti Resurrected* premiere, thousands of "missing" posters featuring a silhouette of a bust of Nefertiti were positioned on telephone poles in 11 U.S. markets.

BRAND VALUES

Clark Bunting, the executive vice president and general manager of the Discovery Channel, says, "Discovery always strives for one defining element: quality." Whether it's mummies or motorcycles, outer space or your inner sanctum, the Discovery Channel insists on bringing viewers the best possible productions and stories. This commitment to quality has created a level of trust between Discovery and its viewers that has propelled the network into becoming the most respected television brand in the world.

THINGS YOU DIDN'T KNOW ABOUT THE DISCOVERY CHANNEL

- The Discovery Channel's first-ever program was *Iceberg Alley*.
- The two most-watched nonfiction programs in the history of cable television — Discovery Channel's *Walking with Dinosaurs* and *Raising the Mammoth* — aired within a month of each other in 2000.
- The producers of the hit CBS series *CSI* and *CSI: Miami* say that the inspiration for their programs came directly from the long-running Discovery Channel series, *The New Detectives*.