NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business

Discovery Communications, Inc. (“Discovery” or the “Company”) is a global media company that provides content across multiple distribution platforms, including pay-TV, free-to-air and broadcast television, websites, digital distribution arrangements and content licensing agreements. The Company also develops and sells curriculum-based education products and services and operates production studios. The Company classifies its operations as follows: in two reportable segments: U.S. Networks, consisting principally of domestic television networks and websites and International Networks, consisting principally of international television networks, radio stations and websites; and two combined operating segments referred to as Education and Other, consisting principally of curriculum-based product and service offerings and production studios. Financial information for Discovery’s reportable segments is discussed in Note 22.

Basis of Presentation

The consolidated financial statements include the accounts of Discovery and its majority-owned subsidiaries in which a controlling interest is maintained. Inter-company accounts and transactions between consolidated entities have been eliminated in consolidation.

Reclassifications

Transactions denominated in currencies other than subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to monetary assets and liabilities denominated in a foreign currency will result in foreign currency transaction gains and losses based upon the differences between the transaction date rates and the period-end exchange rates. Beginning January 1, 2014, the Company reclassified foreign currency gains (losses), net as described above from selling, general and administrative expense to other (expense) income, net on the consolidated statements of operations for all periods presented. For the years ended December 31, 2013 and 2012, foreign currency gains of $23 million and losses of $4 million, respectively, were reclassified from selling, general and administrative expense to other (expense) income, net to conform to the current year presentation. (See Note 19.)

Recasting of Certain Prior Period Information

The Company’s reportable segments are determined based on (i) financial information reviewed by its chief operating decision maker (“CODM”), the Chief Executive Officer ("CEO"), (ii) internal management and related reporting structure, and (iii) the basis upon which the CEO makes resource allocation decisions. During the year-end December 31, 2014, the Company changed its organizational structure and reorganized its production studios into an operating segment. Previously, components of this segment were part of the U.S. Networks and International Networks segments. The Company has recast all prior period amounts to conform to the current structure for internally managing and monitoring segment performance as of the year-ended December 31, 2014. The segment does not meet the quantitative thresholds of a separate reportable segment and has been combined with the Education segment, referred to as Education and Other, for financial statement presentation in all periods as a reconciling item to consolidated figures. (See Note 22.)

Stock Split Effected in the Form of a Share Dividend

On May 16, 2014, Discovery's Board of Directors approved a stock split effected in the form of a share dividend (the "2014 Share Dividend") of one share of the Company's Series C common stock on each issued and outstanding share of Series A, Series B, and Series C common stock. The stock split did not change the number of treasury shares or the number of outstanding preferred shares, but the conversion ratio on the preferred shares doubled. (See Note 13.) The 2014 Share Dividend was provided on August 6, 2014 to stockholders of record on July 28, 2014 and has been accounted for as a 2 for 1 stock split. All share and per share data for earnings per share and equity-based compensation have been retroactively adjusted to give effect to the 2014 Share Dividend. The impact on the consolidated balance sheet was an increase of $2 million to common stock and an offsetting reduction in additional paid-in capital, which has been recognized in the current period.