

Annual Report

To the Stockholders:

There is published herewith the last yearly financial statement of the American Broadcasting Company, Inc. as a separate company before its merger with United Paramount Theatres, Inc. into American Broadcasting-Paramount Theatres, Inc. While the American Broadcasting Company will operate as a wholly owned division within American Broadcasting-Paramount Theatres, statements of the merged company will be published in the future.

I do not want the occasion of the finalization of the merger, under authority of the Federal Communications Commission, to pass without expressing my feeling to the stockholders of the American Broadcasting Company. You have been most understanding of the problems that faced your company because of the tremendous resources and entrenched positions of our competitors and because of our inability to complete the merger until the Federal Communications Commission had thoroughly considered the matter over a period of almost two years.

My associates and I on the Board of the American Broadcasting Company recommended the merger to you because we believed that the added capital, the creative ability and the strong management of United Paramount Theatres would enable us to compete more effectively with other companies in the broadcasting field and would serve the public interest through more equal competition among the networks.

Sufficient time has elapsed since approval by the Federal Communications Commission to enable me to tell you that I believe that these objectives will be attained—not today or tomorrow, but over a period of the immediate years ahead.

We are proud of the job that we did in building the American Broadcasting Company, in the course of ten years, from the old Blue Network doing a business of about twelve million dollars to our present network business of about sixty million dollars. During this period, we increased our owned radio stations to five, and built five television stations in the same top markets where our radio stations are located—New York, Chicago, Detroit, Los Angeles and San Francisco.

During the last five years, we have established our own studio and office facilities in New York, Chicago, Detroit and Los Angeles, and we have in planning a new radio and television building in San Francisco. Our great expenditures for these facilities, together with the expenditures to establish five television stations, prevented us from adequately competing, as we would have liked, in the most important field of radio and television programming.

I look forward with great confidence to the future of American Broadcasting-Paramount Theatres, Inc. I shall remain active in the management, as Chairman of the Finance Committee of AB-PT. Robert E. Kintner, President of the American Broadcasting Company, continues as head of the home broadcast division. While the ABC management will be importantly strengthened with Robert H. O'Brien, as Executive Vice President, and Robert M. Weitman, as Vice President for Talent and Programming, the basic ABC organization will remain. Under the leadership of Leonard H. Goldenson, President of American Broadcasting-Paramount Theatres, Inc., I believe our company will become an increasingly important factor in the entertainment field.

For the Board of Directors
EDWARD J. NOBLE
Chairman

March 20, 1953.

American Broadcasting Company, Inc. and Subsidiaries

Consolidated Balance Sheet at December 31, 1952

(Note 1)

ASSETS		LIABILITIES, CAPITAL STOCK AND SURPLUS	
CURRENT ASSETS:		CURRENT LIABILITIES:	
Cash	\$ 1,682,012	Accounts payable and accruals	\$ 3,709,333
Accounts receivable—trade (less reserve \$90,380)	6,286,466	Provision for contingent discounts to advertisers	85,296
Prepaid insurance, taxes, rent, etc.	884,931	Accrued Federal income taxes (Note 3)	365,870
Total current assets	\$ 8,853,409	Instalments of long-term debt due within one year	3,039,506
FIXED ASSETS, at cost:		Total current liabilities	
Buildings, equipment and leasehold improvements	\$16,043,431		\$ 7,200,005
Less: Reserves for depreciation and amortization	6,051,465	LONG-TERM DEBT (Note 4)	
	\$ 9,991,966	CAPITAL STOCK AND SURPLUS:	
Land	1,611,731	Common Stock, par value \$1 per share:	
	11,603,697	Authorized—2,500,000 shares	
INTANGIBLES, at cost (Note 2)		Issued and outstanding—1,689,017 shares	\$1,689,017
	8,756,620	Paid-in surplus (no change during year)	8,843,976
DEFERRED CHARGES		Earned surplus (per accompanying statement) (not available for dividends under terms of loan agreements)	3,986,215
	33,236		14,519,208
	\$29,246,962		\$29,246,962

NOTES:

- On February 9, 1953 American Broadcasting Company, Inc. was merged into United Paramount Theatres, Inc., which continued as the surviving corporation under the name "American Broadcasting-Paramount Theatres, Inc."
- The amount shown in the balance sheet for intangible assets represents the excess of cost of the stock of Blue Network Company, Inc. (since merged), of a radio station acquired in 1944, and of the stock of King-Trendle Broadcasting Corporation (name since changed to WXYZ Inc.) acquired July 24, 1946 over net tangible assets applicable thereto at the respective dates of acquisition.
- The amount of the excess profits credit used in computing the excess profits tax liability in the returns filed by the Blue Network Company, Inc. a former subsidiary, for the years 1943 and 1944 is being disputed by the Bureau of Internal Revenue. As a result, a tax deficiency of approximately \$290,000 for these years has been proposed. Since the Company is contesting this proposed deficiency, and is advised by counsel that the ultimate liability will probably not be material, no provision therefor has been made in the financial statements.
- The outstanding long-term debt consists of the following:

American Broadcasting Company, Inc.:

4% note payable to insurance company in instalments to 1960 (paid in full on February 13, 1953)	\$ 4,662,325
3% notes payable to bank in equal instalments of \$500,000 in 1953 through 1955, plus in the last year the deferred payment of the \$500,000 instalment due November 1, 1951	2,000,000
3½% notes payable to bank (paid in full on February 13, 1953)	2,500,000
4½% secured notes payable to insurance company in quarterly amortization payments of \$10,500 covering interest and principal from April 1, 1953 through October 1, 1969	547,820

Consolidated subsidiary:

4% mortgage note payable to bank in quarterly amortization payments of \$13,275 covering interest and principal from March 1, 1953 through June 1, 1969	817,850
4% mortgage note payable semi-annually to November 3, 1954	39,260
	\$10,567,255
Less: Instalments due within one year included in current liabilities	3,039,506
	\$ 7,527,749

TO THE BOARD OF DIRECTORS OF AMERICAN BROADCASTING COMPANY, INC.:

We have examined the consolidated balance sheet of American Broadcasting Company, Inc. and Subsidiaries at December 31, 1952 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the

financial position of American Broadcasting Company, Inc. and Subsidiaries at December 31, 1952 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG & COMPANY
Accountants and Auditors

New York, N. Y. March 2, 1953