



ANNUAL REPORT 1965



BOARDS

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Board of Directors

ALGER B. CHAPMAN
*Chairman of the Board and
President of Beech-Nut Life Savers, Inc.*

SAMUEL H. CLARK
Vice President of the Corporation

JOHN A. COLEMAN
Senior Partner, Adler, Coleman & Co.

EVERETT H. ERLICK
Vice President and General Counsel of the Corporation

E. CHESTER GERSTEN
*Retired—a director and member of the
Executive Committee of the Corporation*

LEONARD H. GOLDENSON
President of the Corporation

JACK HAUSMAN
President of Belding Hausman Fabrics, Inc.

ROBERT H. HINCKLEY
Chairman of the Board of Hinckleys, Inc.

ROBERT L. HUFFINES, JR.
Chairman of the Board of Defiance Industries, Inc.

GEORGE P. JENKINS
*Chairman of Finance Committee of
Metropolitan Life Insurance Company*

WALTER P. MARSHALL
Chairman of the Board of Western Union Telegraph Company

JOSEPH A. MARTINO
*Chairman of the Board and
Chief Executive Officer of National Lead Company*

THOMAS W. MOORE
*Vice President of the American Broadcasting Company Division
and President of its Television Network*

SIMON B. SIEGEL
Executive Vice President of the Corporation

Executive Committee

JOHN A. COLEMAN, *Chairman*

E. CHESTER GERSTEN

LEONARD H. GOLDENSON

ROBERT H. HINCKLEY

ROBERT L. HUFFINES, JR.

WALTER P. MARSHALL

SIMON B. SIEGEL

Officers

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SIMON B. SIEGEL, *Executive Vice President*

EVERETT H. ERLICK, *Vice President and General Counsel*

JEROME B. GOLDEN, *Vice President and Secretary*

SAMUEL H. CLARK, *Vice President*

JAMES C. HAGERTY, *Vice President*

HERBERT R. HAHN, *Vice President*

FRANK L. MARX, *Vice President*

MARTIN BROWN, *Treasurer*

JOHN H. REGAZZI, *Comptroller*

JOSEPH W. FITZPATRICK, *Assistant Treasurer*

FRANKLIN FEINSTEIN, *Assistant Secretary*

EDITH SCHAFFER, *Assistant Secretary*

MORTIMER WEINBACH, *Assistant Secretary*

**American
Broadcasting
Companies, Inc.**



**Annual Report
1965**

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EXECUTIVE OFFICES

1330 Avenue of the Americas
New York, N. Y. 10019

INDEPENDENT ACCOUNTANTS

Price Waterhouse & Co.

TRANSFER AGENT

Bankers Trust Company

REGISTRAR

The Bank of New York

Year in Brief

	1965	1964
REVENUES		
Broadcasting	\$361,631,000	\$310,135,000
Theatres	80,982,000	78,891,000
Merchandise sales and other ...	33,852,000	31,889,000
Total	<u>\$476,465,000</u>	<u>\$420,915,000</u>

EXPENSES

Operating and general expenses	\$430,131,000	\$382,160,000
Depreciation	7,110,000	6,705,000
Interest	2,395,000	2,095,000
State, local and payroll taxes ...	7,908,000	7,721,000
Federal income tax	13,200,000	11,215,000
Total	<u>\$460,744,000</u>	<u>\$409,896,000</u>

EARNINGS

Operations	\$ 15,721,000	\$ 11,019,000
Capital and non-recurring gains (losses), net	(156,000)	177,000
Total	<u>\$ 15,565,000</u>	<u>\$ 11,196,000</u>

Per share:

Operations	\$ 3.39	\$ 2.40
Capital and non-recurring gains (losses), net	(.04)	.04
Total	<u>\$ 3.35</u>	<u>\$ 2.44</u>

DIVIDENDS

Total	\$ 6,962,000	\$ 5,512,000
Per share	\$ 1.50	\$ 1.20

FINANCIAL POSITION AT YEAR END

Working capital	\$ 93,772,000	\$ 72,103,000
Property and equipment, net. . . .	\$ 74,292,000	\$ 70,177,000
Total assets	\$262,777,000	\$226,640,000
Long-term debt	\$ 62,030,000	\$ 46,559,000
Stockholders' equity:		
Total	\$129,672,000	\$119,493,000
Per share	\$27.70	\$25.84
Number of common shares issued	4,681,896	4,623,548

GENERAL

Stockholders of record	17,882	19,185
Theatres	399	420
ABC-TV Network affiliates	263	263
ABC-Radio Network affiliates..	432	419

Earnings per share are based
on the average number of shares outstanding.

President's Letter to Stockholders



This past year was marked by significant developments and achievements in furthering the progress of our Company.

The most important development is the pending merger with International Telephone and Telegraph Corporation which was announced on December 7th. On February 14, 1966, the Board of Directors of each company approved a contract covering the merger. The consummation of the merger is subject to the approval of the shareholders of each company and the Federal Communications Commission, and to the obtaining of a favorable tax ruling. The basis of the exchange of stock is set forth in the notes to the financial statements of this report and full details are contained in the proxy material being sent to our shareholders.

The following are highlights of our Company's affairs for 1965:

- Revenues and operating earnings were at record levels. Revenues rose to \$476,465,000 in 1965 (52 weeks), an increase of 13% over the \$420,915,000 in the previous 53 week year. Operating earnings of \$15,721,000 or \$3.39 a share represented a 43% increase over the \$11,019,000 or \$2.40 a share for 1964.
- The quarterly cash dividend was increased from 35¢ a share to 40¢ a share, effective with the third quarterly payment last September.
- Revenues and earnings of our broadcasting division were at record levels. Our theatres reported higher revenues and their best earnings in recent years. Overall, our other operations also enjoyed a good year. These include television film syndication, phonograph records, farm publications and scenic attraction centers. ABC International continued to expand its associations with foreign television stations. Further details about these individual operations are noted elsewhere in this report.

Other noteworthy corporate developments included the construction of our new forty-story headquarters administrative building at 1330 Avenue of the Americas in New York City. To meet the Company's expanding needs, including the requirements for the new building, the renovation of the broadcast operations center in New York and television studio facilities with live color capability, a new loan agreement was concluded last March to refinance existing debt and provide additional funds. The additional funds amounted to \$27,500,000, of which \$9,000,000 remains to be taken down on July 1, 1966.

During the past year, we witnessed two important developments in television broadcast communications — the rapid growth of color programming in which our ABC Television Network has participated and the practical beginning of international communications through satellite transmission. With regard to the latter, we recognized, after extensive analysis, the opportunity for satellite transmission for domestic broadcasting. Accordingly, our Company requested authorization from the Federal Communications Commission to own and operate a communications satellite system for domestic transmission of television programs to our owned and affiliated stations throughout the country. We believe this satellite proposal is in the national interest in that it would enlarge network service particularly for news coverage on a twenty-four hour a day basis, it would enable live transmission to the new states of Hawaii and Alaska, the Commonwealth of Puerto Rico and the Virgin Islands in addition to the continental United States, it would be of importance to the public welfare and civil defense of the nation in the event of a national emergency, and it would enhance the growth of a national educational network for which ABC would provide a channel at no charge. We believe the proposal is scientifically and economically sound and would, in the final analysis, provide a better service to our stations and the viewing public. Recently, the Federal Communications Commission instituted an inquiry proceeding to determine the legal, technical and economic feasibility of utilizing domestic satellites for television program distribution purposes by non-governmental entities.

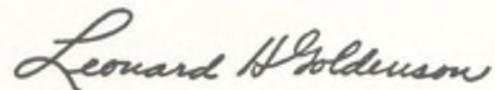
During the course of the year, our Company also developed a program to foster creative

and administrative talent for broadcasting in cooperation with the American Academy of Dramatic Arts, Yale University and the University of Pennsylvania.

Within our organization, David Wallerstein, a member of our Board of Directors and president of our theatre subsidiary, Balaban & Katz Theatres, retired after a distinguished thirty-nine year career in the theatre business. He was succeeded at Balaban & Katz Theatres by Henry Plitt, who was formerly president of the Paramount Gulf Theatre group and, more recently, president of ABC Films.

The accomplishments of the past year reflect the achievements and dedication of our Board of Directors and of our personnel and we feel confident that their contributions to the progress of our Company will continue to be evident in the coming year and beyond.

Sincerely,



President

March 14, 1966

Financial Review

REVENUES were at a record level of \$476,465,000 compared with \$420,915,000 in 1964, an increase of 13%. Revenues for the broadcasting division rose to \$361,631,000 from \$310,135,000, reflecting increases for the television and radio networks and owned stations. Theatre revenues increased to \$80,982,000 from \$78,891,000, despite the fewer theatres operated in 1965 than in 1964. Other revenues, principally from the phonograph record and publishing activities were \$33,852,000 compared with \$31,889,000 in 1964.

EARNINGS FROM OPERATIONS increased to a record level of \$15,721,000 compared with \$11,019,000 in 1964, an increase of 43%. On a per share basis, this represented \$3.39 a share compared with \$2.40 a share last year. There were 52 weeks in the 1965 year compared with 53 weeks in 1964. The major operations of the Company, broadcasting and theatres, were the principal contributors to the improvement in earnings.

CASH DIVIDENDS were paid at the quarterly rate of 35¢ a share for the first two quarters of the year. The dividend rate was increased in the third quarter with payments of 40¢ a share made in the third and fourth quarters. For the full year cash dividends were \$1.50 a share totaling \$6,962,000 compared to \$1.20 a share for a total of \$5,512,000 in 1964.

LONG-TERM DEBT at year end comprised the 4.55% notes issued under the new Loan Agreement of March 25, 1965 with Metropolitan Life Insurance Company in the amount of \$58,500,000 and various other obligations amounting to \$3,530,000. The loan provided funds for the repayment of the existing debt of \$42,500,000 and an

additional amount of \$27,500,000 of which \$9,000,000 remains to be taken down on July 1, 1966. The notes provide for semi-annual payments to final maturity on July 1, 1985.

STOCKHOLDERS' EQUITY increased to \$129,672,000 or \$27.70 a share at the end of the year from \$119,493,000 or \$25.84 a share at the close of 1964.

WORKING CAPITAL increased \$21,669,000 to \$93,772,000 at the year end. Of this increase, \$16,000,000 was derived from additional financing under the Loan Agreement. The Company maintained a strong cash position with cash, government securities and certificates of deposit aggregating \$47,259,000.

Depreciation for the year amounted to \$7,110,000 of which \$3,921,000 related to the broadcasting division, \$2,561,000 to theatres and \$628,000 to other operations. Expenditures for property and equipment amounted to \$13,072,000 of which \$6,121,000 related to the broadcasting division, principally for the modernization of television equipment, conversion to color and the expansion of studio and office facilities, \$4,147,000 applied to theatres, principally for new properties and improvement of existing theatres, and \$2,804,000 applied to other operations, including the new administrative headquarters building.

WORKING CAPITAL SUMMARY

	<u>1965</u>	<u>1964</u>	<u>Increase</u>
Composition			
Cash and securities	\$ 47,259,000	\$ 32,945,000	\$14,314,000
Program rights	50,750,000	41,654,000	9,096,000
Other current assets	55,790,000	48,029,000	7,761,000
	<u>\$153,799,000</u>	<u>\$122,628,000</u>	<u>\$31,171,000</u>
Less current liabilities	60,027,000	50,525,000	9,502,000
Working capital	<u>\$ 93,772,000</u>	<u>\$ 72,103,000</u>	<u>\$21,669,000</u>
Sources			
Earnings from operations			\$15,721,000
Depreciation			7,110,000
Capital and non-recurring transactions, net			1,923,000
Common stock sold under options			1,576,000
Additional financing under Loan Agreement			16,000,000
Other, net			96,000
			<u>\$42,426,000</u>
Uses			
Cash dividends			\$ 6,962,000
Property and equipment			13,072,000
Investments in associated companies			723,000
			<u>\$20,757,000</u>
Increase in working capital			<u>\$21,669,000</u>



ABC Television Network

Television continues to be the world's foremost communications medium. Building on the momentum of past years, the ABC Television Network's nighttime audiences for the year 1965 were the highest ever achieved by the network. Established programs, ranging from the scintillating comedy of "Bewitched" to the continuing drama of "Peyton Place," were the foundations on which audience and advertiser interest built. ABC's musical-variety shows, "Lawrence Welk" and "The Hollywood Palace" continued to maintain high audience levels and contributed to the diversification of ABC's total nighttime schedule. New programs, such as "The FBI," and "F Troop," quickly established loyal followings. Where some nighttime programs did not measure up to expectations, the network moved quickly to adjust its schedule. In January, four new programs, all in color, were introduced. "Batman," one of these programs which is telecast in two half-hour segments weekly, has been extremely well received and ranks among the most popular of network programs.

During the course of the year, the network telecast entertainment specials and also informative and comprehensive news and public affairs programs which are noted in the ABC News section of this report.

ABC-TV's leading position in the field of televised sports will be further strengthened by the recent acquisition of two important sports events — exclusive coverage of the Winter Olympics to be telecast in 1968 from Grenoble, France, and an exclusive association with National Collegiate Athletic Association football, a franchise of unique prestige and distinctive values. These college games will be televised in color starting next fall. On ABC, sports is scheduled throughout the year with pro-

fessional basketball, professional bowling, golf, track, tennis and college football to round out the seasons. The weekly series, "Wide World of Sports," continues as one of television's outstanding sports programs. The series of outdoors specials, "The American Sportsman," has been extremely well received by sports enthusiasts. ABC is also fortunate to telecast most of the major golf tournaments.

During the past year, ABC expanded its daytime service, adding programs Monday through Friday and on weekends. The weekday schedule, which offers programs particularly designed to interest women, was strengthened by such shows as "Ben Casey," "The Dating Game," "Supermarket Sweep" and "Where the Action Is." The performance of these programs helped contribute to the network's record daytime audience levels as well as revenues. On weekend mornings, the special province of children, ABC was the top-rated network on Saturday, sparked by the great popularity of the color cartoon show, "The Beatles."

ABC has long been appraising the potential of color television and increased its color programming to a considerable degree this past year. Currently, half the nighttime schedule is in color and it is expected that this schedule will be virtually all color in the 1966-67 season starting this fall. Sports, an area of programming that lends itself particularly to color, will receive greater attention through the use of new, mobile remote equipment. The advent of color television involves major expenditures in color studios, equipment and programming. The rapid rate of color television set sales is establishing greater public and advertiser interest as the number of color television homes continues to accelerate.

Efrem Zimbalist, Jr. stars in authentic drama of "The FBI," based on closed cases from the files of the Federal Bureau of Investigation

Adam West brings the king of comic book heroes to TV screens in a two-a-week show that has captured the fancy of all of America



The action and pageantry of college sports comes to ABC this fall with NCAA football



Looking forward to the 1966-67 season, ABC-TV has embarked on a most energetic developmental program. Its major objective is to continue the audience gains of the past few years through a balanced schedule of varied programs. An exciting and challenging undertaking for the forthcoming season will be "ABC Stage '66" — a program featuring leading American and international playwrights, musical comedy composers, and major entertainment and dramatic stars, many of whom have not written or performed for television before. The programs to be presented will include original musical comedies and dramatic shows written especially for television, as well as comedies, variety shows, and new and engrossing documentaries. "ABC Stage '66" is expected to bring a new dimension and vitality to television programming.

ABC-TV has also acquired two motion picture packages. Three Goldwyn productions comprise the first, "Hans Christian Andersen," "Porgy and Bess," and "Guys and Dolls." The second group from Seven Arts Productions includes "Can-Can," starring Frank Sinatra and Shirley MacLaine; "Ulysses," starring Kirk Douglas; "The Young Lions," with Marlon Brando, Dean Martin and Montgomery Clift, and "Move Over Darling," starring Doris Day and James Garner. In addition, ABC has contracted with MGM to produce certain motion pictures which will be shown on television by ABC and which will be distributed to theatres by MGM.

At the close of 1965, the network comprised 130 primary affiliated stations covering approximately 93% of all U.S. television homes. To date in 1966, four new primaries went on the air opening up Jacksonville, Fla., Duluth, Minn., Greenwood, Miss. and Carlsbad, New Mexico to full ABC-TV service. The network is still not fully competitive with the two older networks in terms of primary affiliates and national coverage.



ABC News

War and space exploration were the principal challenges to ABC News during 1965 both in radio and television. Our staff, which continued to grow in quality and quantity, proved equal to both challenges.

With our country's increasing commitment in Vietnam, electronic journalism via radio and television has given the American public, in an unprecedented way, an opportunity to see and hear directly the events occurring in the areas of combat and to view and listen to important discussions and comments about these events by political and government leaders here, abroad and at the United Nations. ABC News coverage and analysis have kept pace. In addition to regular and special news programs, "ABC Scope," our weekly evening television network series, is currently devoted exclusively to all aspects of the war in Southeast Asia. Saigon is now our largest foreign bureau with a staff of twenty-three, including correspondents, cameramen and supporting personnel.

Space achievements by our country were among the most significant events of the year. ABC News was on the job with a team of four hundred men and women covering the several space shots, including the doubleheader Gemini-Titan 7/6 mission at the year end. The television commentary was handled principally by science editor Jules Bergman, one of the most knowledgeable men in this field. ABC News was highly commended by the public and critics for its authoritative, thorough and imaginative coverage.

Correspondents and news personnel were also busy during the year on a broad range of other newsworthy fronts ranging from the civil war in the Dominican Republic and the India-Pakistan conflict to the historic New York visit of Pope Paul VI and domestic affairs including the continuing civil rights campaigns.

Many ABC correspondents distinguished themselves by their reporting. William H. Lawrence, ABC White House Correspondent, received a Peabody Award "for bringing to television the highest traditions of a careful, objective and hard-hitting reporter." Robert Fleming, Washington Bureau chief, was recently appointed Deputy Press Secretary to President Johnson. While regretting his leaving ABC, we are proud that one of our associates has received this recognition.

In regular programming, the early evening news features Peter Jennings. By the year end, this program achieved, in its revised format, the highest rating, longest station lineup and best sales record ever enjoyed by an ABC Television News program. Its weekend companion program, featuring Bob Young, broke new ground, providing the public with network news seven days a week.

Another successful undertaking was a syndicated newsfilm service which quickly found acceptance with eighty affiliates of the ABC Television Network which receive it electronically each day. This domestic service was expanded into the foreign field, the first user being ABC's associated station NET in Tokyo.

ABC News documentaries continued to set a high standard. We take pride in having presented "A Visit To Washington With Mrs. Lyndon B. Johnson — On Behalf Of A More Beautiful America," with the First Lady providing the narration. Six documentaries were presented during the year on Vietnam, one of which, "The Agony of Vietnam," provoked more mail than any ABC documentary program of the past three years.

ABC News' other weekly programs include "Discovery," the award-winning children's program, "Issues and Answers," the radio

and television discussion program presenting the leading personalities and issues of our times, and "Directions '66," a religious series produced in cooperation with the major faiths.

The very successful tour of eleven major cities by ABC foreign and Washington correspondents, first presented in 1964, was repeated at the year's end with equally impressive results. Moderated alternately

by Howard K. Smith, Edward P. Morgan and Peter Jennings, this group appeared before enthusiastic meetings of political, industrial, civic and educational leaders.

We regret the untimely loss of our colleague, Jesse Zousmer, vice president and director of television news, who was killed in a plane crash on March 4, 1966, while covering our Far East news bureaus.



ABC News correspondent Peter Jennings was a man on the move during 1965 as news assignments took him to Vietnam, Santo Domingo, India and Europe—all in addition to his nightly "Peter Jennings with the News" on ABC-TV



The nation's First Lady was host-narrator for ABC viewers for "A Visit To Washington With Mrs. Lyndon B. Johnson—On Behalf Of A More Beautiful America," seen November 25th and to be repeated on April 10th

ABC Radio Network

ABC Radio Network sales increased over 1964. Among its sales accomplishments during 1965 was the addition of thirty-six advertisers or products new to the network.

Under the general supervision of ABC News, the radio network's news service is designed specifically for the radio audience and modern radio listening. ABC Radio was the first network to inaugurate a service of this nature which has provided exceptional speed, mobility and thoroughness in the coverage of national and international news for the listening public through its more than four hundred affiliated stations.

Examples of exceptional radio news reporting during the year included the network's coverage of the war in Vietnam and the national and international discussions of our foreign policy concerning it, on-the-scene reporting of the India-Pakistan war, the Selma, Alabama crisis, the march on Montgomery and the nine-day riots in the Watts section of Los Angeles. Special radio coverage was offered on major news events such as the Presidential inauguration, the series of Gemini-Titan space shots and the visit of Pope Paul VI to this country.

ABC Radio News also proved the inimitable value of radio in a serious crisis. During the power failure resulting in the extensive blackout of the Northeast, the network devoted more time to this emergency than any other network, broadcasting twelve hours of uninterrupted reports to stricken areas and to a nation that listened in disbelief. The radio news service to the affected areas also highlighted the importance and wide use of transistor radios.

ABC Radio Sports maintained its reputation with advertisers and listeners for fast, complete sports coverage by sportscasters Howard Cosell, Tom Harmon and Chris Schenkel. A high point of the year was ABC

Radio's exclusive broadcast of the Clay-Patterson Heavyweight Championship Fight, which again demonstrated the enormous audiences available to network radio for such special events. Equally gratifying, on a seasonal basis, was the network's coverage of the Notre Dame football schedule.

"Breakfast Club" began its thirty-third consecutive year of broadcasting with the bright sound of new music, and a guest list including top names in show business such as Burt Lancaster, Arlene Dahl, Tommy Sands, Robert Mitchum and Charlton Heston.

ABC Radio continued to attract new and more powerful station affiliates. During the year, eight affiliates increased their transmitting power, bringing network service to new areas. Additionally, twenty-one new affiliates joined the network representing either new markets or markets in which the change provided a more effective facility, thus enhancing the network's overall penetration.



Newsman Art Van Horn headed up the radio news team reporting the GT IV space shot from Cape Kennedy

ABC Owned Stations

TELEVISION The ABC Owned Television Stations had their most successful year in 1965 with revenues at an all-time high.

The stations made important strides toward assuming competitive leadership among television stations in their five major markets, reflecting the continued development of local programs, the expansion of news and community service activities, network programming, and the acquisition of major film packages.

The stations continued their policy of editorializing on vital local issues and were commended by civic and legislative groups for their efforts. More than 2,000 editorials covering 360 different subjects were broadcast by the five stations during 1965.

In the area of local programming, WABC-TV in New York maintained its outstanding record in the development of unique local programming with the production of "The Swinging World of Sammy Davis, Jr.," later shown in thirty-three other cities and in twenty-six foreign markets, as well as its two one-hour exclusive presentations of "The Best of Bolshoi," the first presentation of this world renowned troupe on United States television.

The station continued to explore the world of sports with incisive documentaries such as "Johnny Keane: The Yankee from Texas;" "Pro Football: The Money Game" and "Mickey Mantle: A Self-Portrait." In news and public affairs, WABC-TV won an "Emmy" award for its special documentary "The Town the Viet Cong Couldn't Kill."

In Chicago, WBKB-TV was singularly honored by winning more local "Emmy" awards from the Academy of Television Arts and Sciences than any other local station. It also received a George Foster Peabody Award for its discussion program "Off the Cuff."

Local programming ranged from "Reflections on Vietnam," which was later shown on the ABC Television Network, to the inner offices of "Daley of Chicago" on the anniversary of the Mayor's tenth year in office.

For its vigorous policy of editorializing, station WXYZ-TV in Detroit won the 1965 Michigan Associated Press Award for the best television editorials in the state. In addition, a joint resolution was passed by the State House of Representatives and the Senate honoring the station for its editorial activities. The Detroit station also explored many aspects of local activities with the production of more than twenty-five special programs. One of the most unusual shows was "Hoi Hoi — U.S.A.," produced in cooperation with the Japanese Broadcasting Network and featuring four of Japan's top television stars who were flown to Detroit for this special.

In Los Angeles, KABC-TV set a new mark in program achievement with their production of "The Young Man from Boston," a memorial to John F. Kennedy. The production achieved excellent public and commercial acceptance and critical acclaim. It has been shown on the ABC Owned Stations and other stations throughout the country and is now being distributed worldwide.

During the year, KABC-TV received the coveted National Headliners Award for the most outstanding television station editorial achievement in the nation, an award which has been given to ABC Owned Stations for the past three years.

Among the many awards won by KGO-TV in San Francisco was the coveted California Associated Press Award for an outstanding documentary, "The Clouded Freedom." This marked the second consecutive year the station has been so honored.



(TOP LEFT) "The Young Man from Boston," produced by KABC-TV, in Los Angeles, was telecast by many other stations throughout the country

(TOP RIGHT) The closely contested New York City mayoralty election was fully reported and analyzed by the news staff of WABC-TV

(LOWER LEFT) During the Northeast power blackout last November, WABC Radio remained on the air for nearly ten hours relaying information to millions of New Yorkers

(LOWER RIGHT) KABC Radio, in Los Angeles, editorializes regularly on significant community issues. The station's editorial board meets with Los Angeles' Chief of Police, William H. Parker

During the past year, KGO-TV produced several outstanding programs. Thirteen stations, including two other ABC Owned Stations, are now presenting "Gypsy," a five-day-a-week, thirty-minute program series hosted by Gypsy Rose Lee. "The Nutcracker," the traditional Christmas ballet produced in color by KGO-TV in 1964, was shown in eighteen other markets.

In the field of public service, KGO-TV conducted its fifth annual "Summer Jobs for Students," which was credited by the California State Department of Employment with substantially increasing the number of summer jobs available to vacationing students.

ABC Television Spot Sales, which represents the five Owned Television Stations in the sale of commercial time to national advertisers, again achieved record sales.

RADIO The ABC Radio Stations marked their most successful year in audience levels and sales. The acceptance of the programming of our six stations in their respective markets has been accompanied by continued efforts on the part of the stations to serve the best interests of their communities.

One of the finest examples has been in the area of station editorials, a policy adopted by all of the stations several years ago. During 1965, over 1800 station editorial viewpoints were broadcast on 230 different subjects. The impact and success of these station editorial viewpoints concerned with significant community issues, resulted in several major awards in 1965. WXYZ in Detroit won the coveted Sigma Delta Chi Award for its editorial series on one of our nation's most pressing problems, mental health. In New York, WABC won the 1965 National Headliners Club Editorial Award for its "consistently outstanding radio editorials."

Radio editorializing has become one of the most important new dimensions of radio programming and an effective means of involving the station and its listeners in the issues and problems confronting the community. In view of this, KABC in Los Angeles established the first university fellowship in Radio Editorializing in conjunction with the department of telecommunications at the University of Southern California.

The ABC Owned Stations continued to exemplify the radio industry's vigorous efforts to provide their communities with more comprehensive and thorough local news coverage. In Pittsburgh, KQV has expanded its news staff and over 250 reports a month from the scene of news or with newsmakers are presented regularly. KABC, with Los Angeles' largest radio news staff, continued to strengthen its news facilities and now has six mobile units with two-way communications equipment.

The results of WXYZ's efforts to provide Detroit with the finest radio news operation were reflected this year with four awards from the Michigan Associated Press Broadcasters Association. The station was cited for the Best Documentary, the Best Commentary program, the Best Editorial and for General Excellence of News Presentation for 1965. WXYZ has the largest radio news department in Michigan and the only one manned twenty-four hours a day, seven days a week. In San Francisco, KGO's afternoon three-hour news show "Newsbeat" was cited as the best local regularly scheduled news program by the California Associated Press Television-Radio Association.

The Northeast power blackout proved a dramatic example of the trust people have in radio news. Through the efforts of its engineers and news staff, WABC in New York returned to the air shortly after the power failed and, by means of a web of

ingeniously contrived communications, remained on the air with reports from all over the city. In a letter to WABC, the Mayor of New York said, "I don't know how we would have gotten through that critical night without your help."

Special news programs also manifested the involvement of the stations with their community interests. KQV in Pittsburgh began a regular weekly show called "Controversy" in which listeners can call the station and discuss current news events. The broadcast has become one of the town's most talked about programs. WABC's "Press Conference" continued to make headlines and the success of that show launched another, "Speaking of Everything with Howard Cosell." It was on this show that John V. Lindsay first indicated his intention to run for Mayor of New York City.

Interpretation and commentary on the news reached a new dimension in Chicago where a weekly show on WLS offers wide and lucid comment on world events by Dr. Nicholas Nyaradi, a recognized authority on international affairs.

Involvement with the community takes many forms for a radio station besides on-the-air broadcasts. KABC, for example, created a special post of Community Affairs Director to work with the many groups in Los Angeles with which the station deals. At WABC, not only do the officials of the station's editorial board meet with civic officials, but on-the-air personalities are constantly involved in projects which touch every important facet of metropolitan New York's community life.

During 1965, Pittsburgh's crucial problem of high unemployment influenced KQV to sponsor the country's first career exposition. While everyone acknowledged the area's unemployment problem, KQV saw that many career and job training opportunities existed and in many cases jobs were plenti-

ful for people with certain skills. The station's three-day Career Exposition drew nearly 40,000 persons to the Civic Arena where they met and talked with 122 exhibitors. Included were colleges, industrial companies, schools, government agencies, trade and professional associations which offered everything from job and career counseling and training to job placement. The successful project has been widely followed in other large metropolitan centers.

FM operations also continued to expand in 1965. In Chicago, WLS-FM went on the air in July as the first stereo sports station in the country. It has broadcast a wide range of sporting events including championship tennis matches, Blackhawk hockey, Big Ten Football and prep football and basketball. In New York, WABC-FM expanded its highly successful nighttime fine arts programming in stereo to the daytime. It continues to be the only station in the country regularly programming live stereo shows, both a Chamber Ensemble and Jazz, on a weekly basis.

To promote the vitality of radio today, the executives of the ABC Radio Stations as a group toured their six markets with a live entertainment presentation called "People to People." The presentations, attended by over thirty-five hundred agency and advertiser executives, were hailed as one of the brightest and most effective steps ever taken by a station group to promote radio to advertisers.

ABC International

In the past year, the launch of Comsat's Early Bird satellite excited new interest in the burgeoning field of international television. ABC International has been active in this expanding field of communications for the past six years.

ABC International acts as purchasing and sales representative for foreign television stations known as the Worldvision group in twenty-five nations. Its Program Purchasing service assists these stations in obtaining television programs of every type, and its Sales Representation service showcases the stations to the growing number of advertisers utilizing television overseas. ABC International also holds minority interests in a number of foreign television stations. These stations overall are showing continuing growth. As the television set-count

increases around the world, and as more companies become active in entering the world marketplace, the growth of the Worldvision stations should continue.

Last spring, in Washington, D.C., ABC International hosted the First Worldvision Symposium on the theme of "Television In The Space Age." This historic meeting brought together the Worldvision broadcasters, leaders of industry, government and communications. The symposium, which attracted wide attention, produced a series of resolutions for cooperation among international television broadcasters.

The Worldvision group of stations continued to expand adding new stations in Chile, Colombia and Bermuda and in some additional markets in Canada.

A distinguished panel of government and industry specialists including Colonel John Glenn participated in ABC International's First Worldvision Symposium on "Television in the Space Age"



ABC Films

ABC Films had its most successful year with record sales of television programs offered to stations in this country and abroad.

One of the most popular woman's programs, "Girl Talk," starring Virginia Graham and produced and distributed by ABC Films, went into its fourth season, continuing to be the longest running syndicated program telecast on a five-day-per-week basis.

Regular series distributed by ABC Films that are proving popular in foreign markets include "The Fugitive," "The Addams Family," "Combat!," "Ben Casey" and "Branded." Among the programs distributed during the year was the first "live" syndication of an entertainment special "New Year's Eve with Guy Lombardo"—a ninety-minute program purchased by stations throughout the country. Another entertainment special produced by station WABC-TV in New York, "The Swinging World of Sammy Davis, Jr.," was a great sales success internationally as well as domestically.

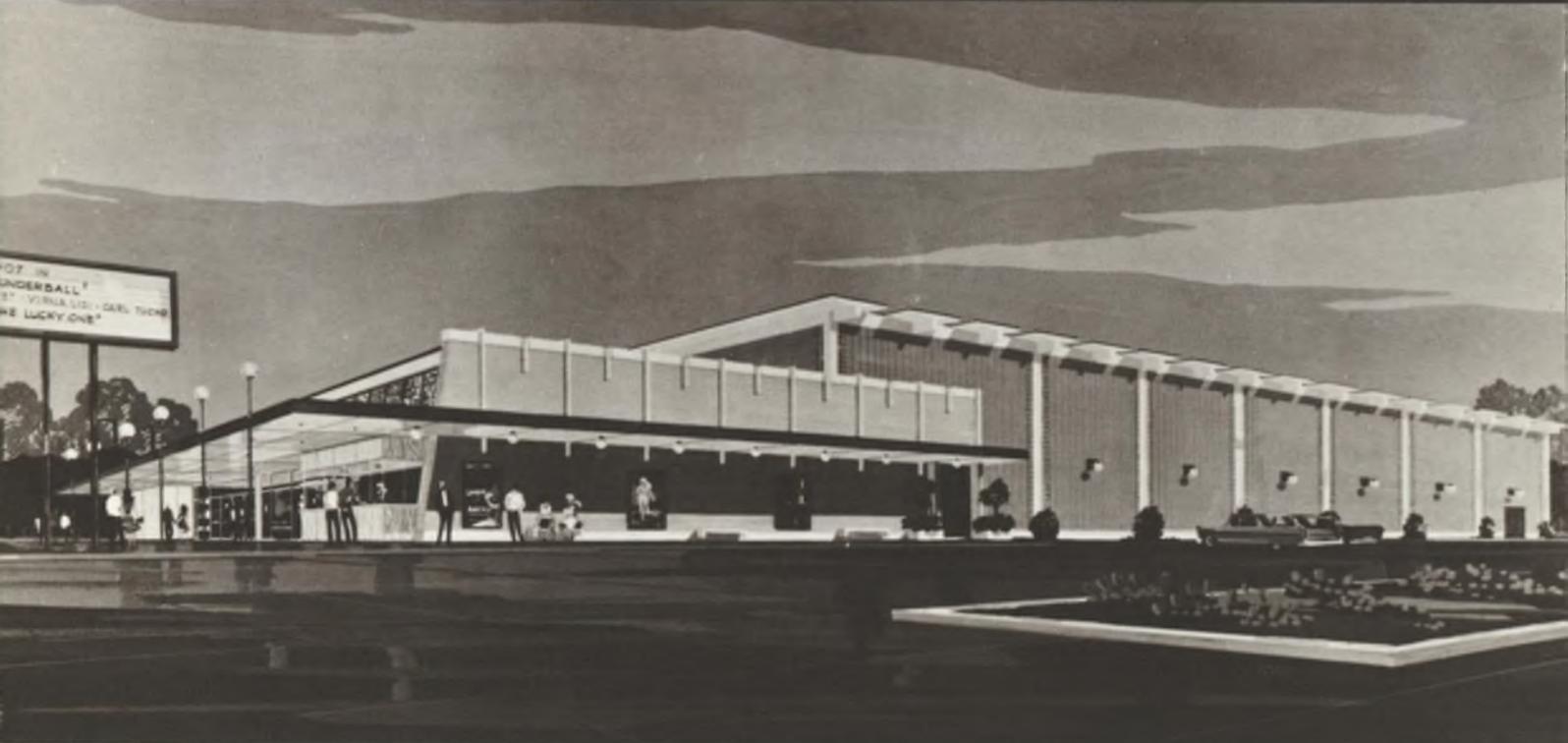
A program innovation was the purchase of "8th Man," a Japanese produced cartoon series dubbed in English, which is enjoying excellent audience response in those markets where it has been sold, including New York City.

Harold Golden, an experienced executive in the television field, was appointed president of ABC Films last August.



Virginia Graham, hostess of the popular conversation program, "Girl Talk," with guests Bette Davis and Arlene Francis

Eastgate Theatre in Chattanooga, Tenn.,
one of the six new suburban shopping center theatres
that opened in 1965



New theatre in Clear Lake City, Texas, adjacent to
NASA's Manned Spacecraft Center —
one of the twenty-two new theatres now under construction

Theatres

The improvement in our theatre business, which began in mid-1963, continued through this past year with theatre earnings at their best levels in recent years.

Movie-going seems to have regained much of the vitality it formerly enjoyed as a basic American leisure time activity, particularly reflecting the number of quality motion pictures released. Such outstanding pictures as "Mary Poppins," "Goldfinger," "My Fair Lady" and "The Sound of Music" contributed significantly to the better results shown this past year. Many fine attractions are scheduled for release during 1966, which include "Is Paris Burning?," starring Kirk Douglas and Leslie Caron, "Torn Curtain," with Julie Andrews and Paul Newman, "Nevada Smith," starring Steve McQueen, Suzanne Pleshette and Karl Malden, "Glass Bottom Boat," with Doris Day and Rod Taylor, "Who's Afraid of Virginia Wolf?," starring Elizabeth Taylor and Richard Burton, "The Professionals," with Burt Lancaster, Lee Marvin and Claudia Cardinale, "Walk Don't Run," starring Cary Grant, "Hawaii," featuring Julie Andrews and Max Von Sydow, "Lt. Robin Crusoe," starring Dick Van Dyke and Nancy Kwan, "The Group," based on the best-selling novel and "The Bible," a Dino de Laurentis production with an all-star cast including Peter O'Toole, Ava Gardner and John Huston.

Other factors which support a favorable outlook for theatre exhibition are the steadily increasing amount of leisure time available to the American public and the expected large increase in that segment of the population, thirty years or younger, which comprises the major portion of theatre patronage.

With population shifting more to the suburbs, greater emphasis has been placed in locating new theatres in those areas where the theatres are more accessible to potential patrons and can provide the needed parking facilities.

Recognizing these changes, our Company has intensified the development of new theatre properties around growing suburban shopping centers. During the past year, twenty-eight marginal properties were disposed of and seven theatres were acquired. Of those acquired, six were newly constructed theatres in suburban shopping centers and one was an existing drive-in theatre. Since January, 1966, two new theatres have been acquired. Twenty-two theatres are presently in construction, almost all of which are located in shopping centers and all are expected to be in operation before the end of the year. Additional theatres are also being planned. The new theatres that have opened or that are being constructed provide the most efficient type of operation as well as the most modern theatre equipment to accommodate the various screen processes used in motion picture production.



"The Sound of Music"—one of the most popular motion picture attractions, playing for one year at the Madison Theatre in Detroit

Amusement Centers

The number of tourists visiting the Company's two popular scenic attraction centers in Florida during 1965 exceeded the record level of attendance of the preceding year.

SILVER SPRINGS added twenty new glass-bottom boats which have five times the viewing area and double the seating capacity of boats previously used for viewing our country's largest group of fresh water springs. A modern new entrance and the enlargement to four lanes of the route to Silver Springs will be completed by this summer. The natural springs also provided the setting for the filming of the motion picture, "Blindfold," starring Rock Hudson.

WEEKI WACHEE's underwater 'grand canyon' is the setting for a new Mermaid Show each year. The 1965-66 edition, entitled "Mermaid Follies," features thirty "live mermaids" in an exciting look at the Gay '90's, Roaring '20s and an intriguing look into the future. The 600-acre amusement center became an incorporated city in January and a seventy-five unit Holiday Inn, now under construction and to be operated by Weeki Wachee, is expected to be open for the 1966 summer season.



Glass-bottom boats provide exciting underwater viewing for tourists at Silver Springs



Musical comedy star Carol Channing at a recording session

Records

ABC-Paramount Records, Inc. celebrated its tenth anniversary in 1965.

During the year, the company had a number of records which were listed in the nation's Top 100, including "Amen" and "Woman's Got Soul" by the Impressions, "Makin' Whoopee" by Ray Charles, "One More Time" by the Ray Charles Singers and "The Mouse" by Soupy Sales. Albums by these artists, and others, kept the company active on the long-playing record popularity lists. Exclusive recording contracts were made with such well-known artists as The Barry Sisters, Della Reese, The McGuire Sisters, Victor Borge and Leonid Hambro.

Impulse!, the jazz label, added to its catalogue of excellent recordings. "A Love Supreme" by John Coltrane was voted the Jazz Album of the Year by polls in both Downbeat and Jazz magazines.

Command Records continued to be recognized as the producer of the finest quality stereophonic records. Command released fourteen popular albums during the year. Seven of these achieved Top 100 status, including albums by The Ray Charles Singers, Enoch Light and Tony Mottola. Command classical releases also achieved excellent sales and critical acclaim.

Westminster, the classical label, also continued to offer recordings of a high standard. Forty-eight recordings were released in 1965, which were unavailable on any competitive label.

Expansion included the purchase of several song catalogues and copyrights of Porgie Music, Cole Corporation and LeMor Music Co.

Publishing

The publishing subsidiary of the Company continued its leadership in the agricultural field through the publication of three of the most respected farm papers, *Prairie Farmer* (Chicago), *Wallaces Farmer* (Des Moines) and *Wisconsin Agriculturist* (Racine). These publications have a combined circulation of approximately 800,000. All are over one hundred years old. *Prairie Farmer* began its 125th year in January. The three publications cover the greater part of America's Cornbelt which serves as the breadbasket of the world. During 1965, four-color printing was used more extensively in order to improve service both to advertisers and subscribers.

Miscellaneous Investments

MICROWAVE ASSOCIATES, INC. (12% stock interest) is engaged in the design, development and production of microwave semi-conductors and tubes, solid state devices, waveguide components and subassemblies and communications equipment. Applications for these products include commercial communications, defense and space exploration. It is also active in the broadcast and relay equipment market with a line of all solid-state television equipment. Television networks have found many applications for this equipment in covering sports and news events.

TECHNICAL OPERATIONS, INC. (19% stock interest), a leading manufacturing, research and development company, expanded its activities in the photographic sciences and

received a number of significant military contracts for computer programming and operational research. Among the most promising product developments of the year was a family of devices that make it possible to use laser beams in advanced new types of communications and information systems.

Stocks of the above two companies are traded on the American Stock Exchange.

VISUAL ELECTRONICS CORP. (preferred stock with rights to convert to a maximum of 20% of common stock) supplies technical equipment and services to the broadcasting industry. These include major installations for radio and television stations and color television cameras which have been in great demand as a result of the substantial increase in color programming and homes with color television sets.

MSG-ABC PRODUCTIONS, INC. (equally owned with Madison Square Garden Corporation) owns an 80% interest in two American and two European productions of *Holiday on Ice*. The ice shows, featuring many outstanding international skating performers, are appearing in many leading cities, both here and abroad.

Tech/Ops' beam swinger, an electro-optical device that efficiently deflects a laser beam up to sixty degrees with pinpoint control at extremely fast rates



Consolidated Financial Position

Assets

	January 1, 1966	January 2, 1965
CURRENT ASSETS:		
Cash	\$ 26,530,000	\$ 27,235,000
United States Government securities, at cost (approximate market), and certificates of deposit	20,729,000	5,710,000
Accounts and notes receivable, less reserves:		
Trade	49,064,000	40,845,000
Other	2,670,000	3,348,000
Program rights, production costs and advances, less amortization (see Note B)	50,750,000	41,654,000
Inventory of merchandise and supplies, at cost or less	2,597,000	2,336,000
Prepaid expenses	1,459,000	1,500,000
Total current assets	<u>153,799,000</u>	<u>122,628,000</u>
INVESTMENTS AND OTHER ASSETS, at cost, less reserves:		
Associated companies	12,815,000	12,092,000
Notes and accounts receivable due after one year	1,132,000	792,000
Miscellaneous investments (see Notes C and F)	2,799,000	3,094,000
Deposits to secure contracts	601,000	660,000
Deferred charges	1,512,000	1,704,000
	<u>18,859,000</u>	<u>18,342,000</u>
PROPERTY AND EQUIPMENT:		
Land, at cost	24,465,000	24,847,000
Buildings, equipment and leaseholds, at cost	92,952,000	91,810,000
Less — Accumulated depreciation and amortization	(43,125,000)	(46,480,000)
	<u>74,292,000</u>	<u>70,177,000</u>
INTANGIBLES, at cost	<u>15,827,000</u>	<u>15,493,000</u>
	<u>\$262,777,000</u>	<u>\$226,640,000</u>

Liabilities and Stockholders' Equity

	<u>January 1, 1966</u>	<u>January 2, 1965</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 49,366,000	\$ 41,450,000
Federal taxes on income	8,886,000	8,556,000
Notes and mortgages payable within one year	<u>1,775,000</u>	<u>519,000</u>
Total current liabilities	60,027,000	50,525,000
 LONG-TERM DEBT:		
Notes issued under Loan Agreement (see Note D)	58,500,000	42,500,000
Other notes and mortgages	3,530,000	4,059,000
 OTHER LIABILITIES:		
Deferred income	5,191,000	4,985,000
Deferred incentive plan compensation (see Note E)	546,000	382,000
Miscellaneous	<u>5,311,000</u>	<u>4,696,000</u>
Total liabilities	<u>133,105,000</u>	<u>107,147,000</u>
 STOCKHOLDERS' EQUITY:		
Common stock, \$1 par value (see Note F)	4,682,000	4,624,000
Capital in excess of par value (see Note G)	63,080,000	61,562,000
Retained earnings (see Note H)	<u>61,910,000</u>	<u>53,307,000</u>
	<u>129,672,000</u>	<u>119,493,000</u>
	<u>\$262,777,000</u>	<u>\$226,640,000</u>

Consolidated Earnings

	1965 (52 Weeks)	1964 (53 Weeks)
REVENUES:		
Television and radio time and program sales, less discounts and commissions to advertising agencies	\$361,631,000	\$310,135,000
Theatre admissions, rentals and vending profits	80,982,000	78,891,000
Merchandise and record sales, publishing and other revenues	33,852,000	31,889,000
	<u>476,465,000</u>	<u>420,915,000</u>
EXPENSES:		
Operating expenses, cost of merchandise sold and selling and administrative expenses	430,131,000	382,160,000
Depreciation and amortization of buildings, equipment and leaseholds	7,110,000	6,705,000
Interest expense	2,395,000	2,095,000
State, local and payroll taxes	7,908,000	7,721,000
Federal income tax	13,200,000	11,215,000
	<u>460,744,000</u>	<u>409,896,000</u>
EARNINGS FROM OPERATIONS	15,721,000	11,019,000
CAPITAL AND NON-RECURRING GAINS (LOSSES), net, after applicable Federal income tax	(156,000)	177,000
EARNINGS FOR THE YEAR	15,565,000	11,196,000
RETAINED EARNINGS AT BEGINNING OF YEAR	53,307,000	47,623,000
	68,872,000	58,819,000
LESS CASH DIVIDENDS — \$1.50 per share (1964, \$1.20 per share)	6,962,000	5,512,000
RETAINED EARNINGS AT END OF YEAR	<u>\$ 61,910,000</u>	<u>\$ 53,307,000</u>

Notes to Consolidated Financial Statements

NOTE A – CONSOLIDATION POLICY: The consolidated financial statements include the accounts of the Company and all domestic subsidiaries owned 75% or more.

NOTE B – PROGRAM RIGHTS, PRODUCTION COSTS AND ADVANCES: Program rights, production costs and advances represent principally the amounts paid less the amounts charged to operations on the basis of use for network programs, by systematic amortization over the rental periods for local station programs, and proportionately on the basis of earned revenues to estimated ultimate revenues for costs of programs distributed to others.

NOTE C – MISCELLANEOUS INVESTMENTS: Miscellaneous investments at January 1, 1966 include \$1,204,000, the carrying value of unliquidated investments in certain theatres sold since the inception of the Company. The sales prices aggregating \$8,042,000, of which \$6,378,000 remained uncollected, are payable in instalments, mainly in variable contingent amounts, to 1981. The difference between the uncollected portion and the carrying value represents a contingent profit which will be reflected in earnings proportionately over future years as additional instalments of the sales prices are collected.

NOTE D – NOTES ISSUED UNDER LOAN AGREEMENT: Under the loan agreement of March 25, 1965, an additional \$9,000,000 will be taken down on July 1, 1966. The notes bear interest at 4.55% per annum and are payable semi-annually, \$1,250,000 to January 1, 1971, \$1,625,000 to January 1, 1985 and \$10,750,000 on July 1, 1985.

NOTE E – DEFERRED INCENTIVE PLAN COMPENSATION: Under the Plan, the amount (based on earnings) to be credited to the reserve, the employees who are to participate and the amount of incentive compensation awards are recommended by the Key Employees Incentive Plan Committee and determined by a majority of the members of the Board of Directors who are not eligible to receive awards. In May, 1965, the stockholders approved an amendment to the Plan to provide that all or part of the amount contingently credited to an employee could be credited in shares of Common Stock of the Corporation and that the Company may accumulate treasury stock for this purpose. The balance at January 1, 1966 represents the deferred amounts credited to the participants and the unallocated reserve, less estimated applicable reduction in future Federal income taxes.

NOTE F – COMMON STOCK: At January 1, 1966, there were 10,000,000 shares of common stock authorized. Of 4,681,896 shares issued, 11,030 shares, at a cost of \$628,202 included in miscellaneous investments, are held in treasury for the purposes of the Key Employees Incentive Compensation Plan.

Under stock option plans, 336,883 shares of common stock are reserved for issuance to employees. Under the Qualified Stock Option Plan, which was approved by the stockholders on May 18, 1965, there were options outstanding on January 1, 1966 for 142,500 shares at prices ranging from \$54.50 to \$67.625 per share. The options are exercisable during a period of five years from date of issuance cumulatively to the extent of 25% of the number of shares at the end of each of the first, second, third and fourth years from date of issuance. Options for an additional 107,500 shares may be granted.

Under the Restricted Stock Option Plan, which was terminated on May 18, 1965, there were options outstanding on January 1, 1966 for 86,883 shares at prices ranging from \$23.041 to \$44.204 per share. The options are exercisable during a period of seven years from date of issuance cumulatively to the extent of 25% of the number of shares at the end of each of the second, fourth, fifth and sixth years from date of issuance. During 1965, options for 58,348 shares were exercised at prices ranging from \$23.041 to \$40.754 per share.

NOTE G – CAPITAL IN EXCESS OF PAR VALUE: During the year, capital in excess of par value increased by \$1,518,000 representing the excess of proceeds over par value of common shares issued upon exercise of stock options.

NOTE H – RETAINED EARNINGS: The loan agreement provides certain restrictions on the Company in declaring or paying dividends (other than in shares of capital stock of the Company) or in making any purchase or redemption of capital stock of the Company. Of the consolidated retained earnings at January 1, 1966, approximately \$25,000,000 was not so restricted.

NOTE I – RETIREMENT PLANS: During 1965, \$963,000 was charged to operations under contributory retirement plans established in 1964 and 1965 covering the employees of the Company and certain of its consolidated subsidiaries. The Company is funding the past service cost over a period of thirty years from inception of the plans. As of January 1, 1966, the unfunded past service cost was estimated at \$6,200,000.

It is contemplated that during 1966 additional contributory retirement plans will be adopted covering employees of certain other consolidated subsidiaries. It is estimated that the unfunded past service cost of such plans, to be funded over thirty years, will be \$5,500,000 and the annual cost \$515,000.

The Company also charges to operations the payments required to be made to various union retirement funds in accordance with the applicable collective bargaining agreements.

NOTE J – LONG-TERM LEASES: Minimum annual rentals, under 314 leases for real property in effect at January 1, 1966 amounted to \$7,126,000, which is summarized according to lease expiration periods: 1966-1968, \$1,162,000; 1969-1973, \$2,100,000; 1974-1978, \$1,142,000; 1979-1983, \$506,000 and subsequent to 1983, \$2,216,000. The foregoing includes rental for the Company's new headquarters building under a lease which became effective January 1, 1966. The Company will become the owner of the ground lease and the building, if it exercises a purchase option which it holds. Total rent, including rentals based on a percentage of receipts, charged to operations in 1965 amounted to \$6,850,000.

NOTE K – CONTINGENT LIABILITIES: There are contingent liabilities under pending litigation, including anti-trust suits to which some of the companies in the motion picture industry are also defendants.

The Company has guaranteed a \$3,150,000 bank loan to an associated company, whose other stockholder is responsible to the Company for one-half of the guarantee.

The Company has an obligation to the sellers of The Prairie Farmer Publishing Company measured by a percentage of earnings of that company and its subsidiaries over the next three months. Any payment will represent additional intangibles not presently subject to amortization.

NOTE L – MERGER: On February 14, 1966, the Boards of Directors of American Broadcasting Companies, Inc. and International Telephone and Telegraph Corporation approved a contract covering the merger of the two companies.

Under the agreement of merger, ITT will issue .5719 of a share of common stock and .5719 of a share of new convertible preference stock for each share of ABC common stock. The preference stock will be convertible on a share-for-share basis into ITT common stock and will carry a dividend, which is cumulative, equal to twice the dividend on ITT's common stock, but not less than \$2.40 per share. This new convertible preference stock cannot be called for ten years. In the eleventh year, the initial redemption price is \$150 per share and will decrease thereafter at the rate of \$5 each year to a minimum of \$100. There are also anti-dilution provisions.

The consummation of the merger is subject to the approval of the stockholders of each company, the Federal Communications Commission and obtaining a favorable tax ruling.

Opinion of Independent Accountants

To the Board of Directors and Stockholders of American Broadcasting Companies, Inc.

In our opinion, the accompanying statement of consolidated financial position and the related statement of consolidated earnings present fairly the financial position of American Broadcasting Companies, Inc. and its subsidiaries at January 1, 1966 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

New York, N. Y.
February 21, 1966

Five Year Financial Summary (Dollars in Thousands)

EARNINGS AND DIVIDENDS	1965	1964	1963	1962	1961
Revenues					
Broadcasting	\$361,631	\$310,135	\$280,572	\$274,523	\$254,280
Theatres	80,982	78,891	76,209	75,956	83,328
Merchandise sales and other	33,852	31,889	29,948	29,262	25,477
Total	\$476,465	\$420,915	\$386,729	\$379,741	\$363,085
Earnings from operations	\$ 15,721	\$ 11,019	\$ 7,385	\$ 10,757	\$ 9,906
Capital and non-recurring gains (losses), net.....	\$ (156)	\$ 177	\$ 542	\$ 282	\$ 5,124
Per Share Common*					
Earnings from operations	\$3.39	\$2.40	\$1.62	\$2.36	\$2.18
Capital and non-recurring gains (losses), net.....	\$ (.04)	\$.04	\$.12	\$.06	\$1.13
Dividends					
Cash — Total**	\$ 6,962	\$ 5,512	\$ 4,463	\$ 4,368	\$ 4,245
Per share outstanding	\$1.50	\$1.20	\$1.00	\$1.00	\$1.00
Per share adjusted*	\$1.50	\$1.20	\$.98	\$.96	\$.94
Stock			2%	2%	2%
POSITION AT YEAR END					
Working capital	\$ 93,772	\$ 72,103	\$ 69,142	\$ 69,126	\$ 65,941
Property and equipment, net	\$ 74,292	\$ 70,177	\$ 69,575	\$ 68,113	\$ 64,272
Total assets	\$262,777	\$226,640	\$221,421	\$211,156	\$199,618
Long-term debt	\$ 62,030	\$ 46,559	\$ 49,304	\$ 52,770	\$ 51,670
Common stock equity	\$129,672	\$119,493	\$112,266	\$108,532	\$101,706
Number of common shares issued	4,681,896	4,623,548	4,557,444	4,456,427	4,361,376

* Adjusted for stock dividends paid in 1963 and prior years. Earnings per share are based on the average number of shares outstanding in each year.

** Excludes dividends paid in 1961 on preferred stock, which was fully retired in 1961.

