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

CURRENT ASSETS:

Cash $1,682,012
Accounts receivable — trade 6,286,466
(less reserve $90,380)
Prepaid insurance, taxes, rent, etc. 884,931
Total current assets $8,853,409

FIXED ASSETS, at cost:

Buildings, equipment and leasehold improvements $16,043,431
Less: Reserves for depreciation and amortization 6,051,465
Land 9,991,966
Total fixed assets $29,246,962

INTANGIBLES, at cost (Note 2) 8,756,620

DEFERRED CHARGES 33,236

$29,246,962

NOTES:

(1) 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.".

(2) 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.

(3) 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.

(4) The outstanding long-term debt consists of the following:

American Broadcasting Company, Inc.: 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
3% notes payable to bank in equal installments of $500,000 in 1953 through 1955, plus in the last year the deferred payment of the $500,000 installment due November 1, 1951 2,000,000
31/4% notes payable to bank (paid in full on February 13, 1953) 2,500,000
41/2% 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

Less: Instalments due within one year included in current liabilities 3,093,506

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
Less: Instalments due within one year included in current liabilities 3,093,506

$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
Statement of Consolidated Income and Earned Surplus
For the Year Ended December 31, 1952
(Note 1)

GROSS INCOME FROM OPERATIONS, less discounts and rebates $56,803,508

COST OF OPERATIONS:
Operating expenses (including depreciation and amortization of $1,481,439) $44,004,172
Commissions to advertising agencies 7,069,122
Selling, general and administrative expenses (including depreciation and amortization of $51,152) 5,498,087  56,571,381

PROFIT FROM OPERATIONS $ 232,127

OTHER INCOME:
Profit on sale of fixed assets $ 31,493
Miscellaneous 54,896 86,389

OTHER DEDUCTIONS:
Interest on long-term debt $ 415,072
Miscellaneous 3,069 418,141

PROVISION FOR FEDERAL INCOME TAXES $ (99,625)

NET LOSS FOR YEAR $ (141,725)

EARNED SURPLUS AT DECEMBER 31, 1951 4,127,940

EARNED SURPLUS AT DECEMBER 31, 1952 (not available for dividends under terms of loan agreements) $ 3,986,215

See notes to financial statements.