

AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

FINANCIAL STATEMENTS

DIRECTORS' MEETING NOVEMBER 14, 1946

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11/7/46

CONSOLIDATED BALANCE SHEETS

AT SEPTEMBER 30, 1946 AUGUST 31, 1946 AND SEPTEMBER 30, 1945

ASSETS

	Sept. 30, 1946	Aug. 31, 1946	Sept. 30, 1945
CURRENT ASSETS:			
Cash on hand and demand deposits	\$ 10,950,716.04	\$ 10,687,818.99	\$ 11,221,356.76
Marketable Securities, at cost (approximately market):			
U. S. Government	\$ 40,779,196.66	\$ 42,288,749.88	\$ 11,155,452.50
Canadian Government	226,250.00	226,250.00	136,350.00
	<u>\$ 41,005,446.66</u>	<u>\$ 43,114,999.88</u>	<u>\$ 11,291,802.50</u>
Accounts Receivable:			
U. S. Government			
For services performed at cost under war contracts	\$ 1,170,879.93	\$ 1,178,793.43	\$ 3,497,035.10
Less: Advance payments and partial payments	544,330.65	544,330.65	265,079.15
	<u>\$ 626,549.28</u>	<u>\$ 634,462.78</u>	<u>\$ 3,231,955.95</u>
For the transportation of air mail	845,804.34	971,404.54	1,951,858.71
For air travel, etc.	839,766.17	858,042.57	1,831,368.41
Air travel plan subscribers	3,250,191.77	2,922,119.42	1,258,456.16
Other airline companies and agents-traffic and express balances	4,647,801.00	4,505,752.70	1,616,677.78
Other trade accounts	2,681,298.30	3,047,466.25	509,538.35
Indebtedness of employees	157,555.95	154,944.44	113,338.90
	<u>\$ 13,052,966.81</u>	<u>\$ 13,094,192.69</u>	<u>\$ 10,513,194.26</u>
Less: Reserve for doubtful accounts receivable	120,319.35	127,893.83	144,107.75
	<u>\$ 12,932,647.46</u>	<u>\$ 12,966,298.86</u>	<u>\$ 10,369,086.51</u>
Inventories-materials and supplies, at the lower of cost or market	\$ 1,466,167.04	\$ 1,574,945.49	\$ 841,043.00
Total Current Assets	<u>\$ 66,354,977.20</u>	<u>\$ 68,344,063.22</u>	<u>\$ 33,723,288.77</u>
ADVANCE IN SPECIAL CONTRACT ADVANCE PAYMENT ACCOUNT	-	-	6,140.90
INVESTMENT AND SPECIAL FUNDS:			
Investment in American Overseas Airlines, Inc., at cost	\$ 9,450,000.00	\$ 9,480,000.00	\$ 3,000,000.00
Investment in wholly-owned subsidiary not consolidated, at cost	700,000.00	600,000.00	551,000.00
Cash deposits in connection with the acquisition of airplanes & engines	10,748,005.43	10,448,354.46	150,000.00
Miscellaneous investments in connection with operations, at cost	271,285.88	176,942.74	120,245.65
Other special deposits	185,590.96	185,618.31	108,919.16
	<u>\$ 21,384,882.27</u>	<u>\$ 20,890,915.51</u>	<u>\$ 3,930,164.81</u>
FLIGHT EQUIPMENT, (including Spare Parts and Assemblies) AT COST	\$ 43,030,470.94	\$ 41,212,634.58	\$ 11,558,736.51
Less: Reserve for obsolescence and depreciation	10,442,852.57	9,866,559.59	7,410,914.29
	<u>\$ 32,587,618.37</u>	<u>\$ 31,346,074.99</u>	<u>\$ 4,147,822.22</u>
LAND, BUILDINGS AND OTHER EQUIPMENT, AT COST	\$ 12,370,768.00	\$ 11,396,904.68	\$ 6,206,613.16
Less: Reserve for depreciation	2,510,610.76	3,435,088.18	2,894,875.33
	<u>\$ 8,860,157.24</u>	<u>\$ 7,961,816.50</u>	<u>\$ 3,311,737.83</u>
NON-OPERATING PROPERTY AND EQUIPMENT, AT ESTIMATED REALIZABLE VALUE	-	-	21,320.00
LONG TERM OPERATING PROPERTY PREPAYMENTS, LESS AMORTIZATION	\$ 913,385.97	\$ 900,613.51	\$ 623,524.96
DEFERRED CHARGES:			
Prepaid rents, insurance and other expenses	\$ 491,672.27	\$ 427,432.20	\$ 362,734.57
Unamortized debenture discount and expense	609,166.20	612,211.53	-
Other deferred charges	556,568.10	533,280.79	89,701.86
Expenses on sale of Preferred stock	104,283.70	104,283.70	-
	<u>\$ 1,771,690.27</u>	<u>\$ 1,677,208.22</u>	<u>\$ 452,436.43</u>
	<u>\$ 131,462,711.32</u>	<u>\$ 131,120,691.95</u>	<u>\$ 46,216,435.92</u>

CONSOLIDATED BALANCE SHEETS

AT SEPTEMBER 30, 1946, AUGUST 31, 1946 AND SEPTEMBER 30, 1945

LIABILITIES, CAPITAL STOCK AND SURPLUS

	Sept. 30, 1946	Aug. 31, 1946	Sept. 30, 1945
CURRENT LIABILITIES:			
Accounts payable	\$ 7,331,197.21	\$ 7,619,446.72	\$ 2,820,191.00
Accrued interest	400,000.00	300,000.00	-
Other airline companies-traffic balances payable	6,736,499.70	5,655,755.63	2,147,791.00
Air travel plan subscribers deposits	5,187,975.00	5,093,175.00	4,013,571.00
Accrued salaries and wages	1,021,907.14	898,904.15	559,181.00
Provision for federal income taxes (less-federal income tax credit resulting from loss for period)	934,335.10	1,709,669.57	4,833,601.00
Other accrued taxes	261,235.06	212,540.79	190,141.00
Other accrued liabilities	1,069,580.42	955,151.29	1,359,201.00
Total Current Liabilities	<u>\$ 23,042,729.63</u>	<u>\$ 22,444,643.15</u>	<u>\$ 15,923,711.00</u>
LIABILITY FOR ADVANCE ON GOVERNMENT CONTRACT OPERATIONS	\$ -	\$ -	\$ 6,141.00
UNEARNED TRANSPORTATION REVENUE	\$ 727,862.66	\$ 721,408.09	\$ 383,121.00
RESERVE FOR TRANSITION TO PEACETIME OPERATIONS	\$ 1,878,153.16	\$ 1,888,447.06	\$ 2,750,000.00
3% SINKING FUND DEBENTURES - DUE JUNE 1, 1966	<u>\$ 40,000,000.00</u>	<u>\$ 40,000,000.00</u>	<u>\$ -</u>
CAPITAL STOCK:			
Preferred stock, par value \$100. per share			
Authorized - 600,000 shares			
Issued and outstanding-400,000 shares of 3½% cumulative convertible preferred stock	<u>\$ 40,000,000.00</u>	<u>\$ 40,000,000.00</u>	<u>\$ -</u>
Common stock, par value \$1.00 per share			
Authorized - 12,000,000 shares			
Issued and outstanding-6,452,835.85 shares \$1.00 per value at 9/30/46 and 8/31/46 and 1,290,567.69 shares \$5.00 per value at 9/30/45	<u>\$ 6,452,835.85</u>	<u>\$ 6,452,835.85</u>	<u>\$ 6,452,835.85</u>
250,000 shares reserved for exercise of option expiring 6/1/50 at \$11.70 per share 1,904,762 shares reserved for conversion of 3½% convertible preferred stock (at \$21.00 per share)			
Employees stock, par value \$1.00 per share			
Authorized - 500,000 shares			
Issued and outstanding - none	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SURPLUS:			
Paid-in surplus	<u>\$ 6,267,434.05</u>	<u>\$ 6,267,434.05</u>	<u>\$ 6,267,434.05</u>
Earned surplus			
Balance at December 31, 1945 and December 31, 1944	\$ 13,422,302.87	\$ 13,422,302.87	\$ 10,376,851.00
Net profit or loss for the nine months ended 9/30/46, eight months ended 8/31/46 and the nine months ended 9/30/45	370,837.54	223,065.32	4,059,841.00
	<u>\$ 13,793,140.41</u>	<u>\$ 13,645,368.19</u>	<u>\$ 14,436,701.00</u>
Less: Dividends paid	299,444.44	299,444.44	-
Redemption premium on 695 shares of prior preferred stock redeemed on January 15, 1945	-	-	3.51
Total earned surplus	<u>\$ 13,493,695.97</u>	<u>\$ 13,345,923.75</u>	<u>\$ 14,433,181.00</u>
Total surplus	<u>\$ 19,761,130.02</u>	<u>\$ 19,613,357.80</u>	<u>\$ 20,700,611.00</u>
	<u>\$131,862,711.32</u>	<u>\$131,120,691.95</u>	<u>\$ 46,216,431.00</u>

AMERICAN AIRLINES, INC. & CONSOLIDATED SUBSIDIARY
COMPARATIVE STATEMENT OF PROFIT & LOSS

FOR THE MONTHS OF SEPTEMBER 1946, AUGUST 1946 AND SEPTEMBER 1945
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1946 AND SEPTEMBER 30, 1945

	September 1946	Cents Per Rev. Mile	August 1946	Cents Per Rev. Mile	September 1945	Cents Per Rev. Mile	9 Mos. Ended Sept. 30, 1946	Cents Per Rev. Mile	9 Mos. Ended Sept. 30, 1945	Cents Per Rev. Mile
OPERATING REVENUES										
Passenger	\$ 5,852,659.80	101.1	\$ 5,780,606.77	100.3	\$ 3,183,729.92	78.6	\$41,851,619.08	91.9	\$27,149,068.31	81.6
Mail	214,586.04	3.7	213,221.90	3.7	494,016.83	12.2	2,257,604.11	5.0	4,791,710.00	14.4
Express	172,010.67	3.0	151,653.70	2.6	120,260.96	3.0	1,260,886.28	2.8	2,046,456.09	6.2
Freight	204,162.56	3.5	180,040.37	3.1	97,327.33	2.4	1,076,201.74	2.4	614,034.48	1.8
Excess baggage	68,126.47	1.2	60,848.61	1.1	38,549.16	1.0	486,067.83	1.1	486,024.65	1.5
Charter and special - passenger	2,644.01	.1	1,178.80	-	1,059.00	-	9,049.86	-	9,987.15	-
Charter and special - freight	67,120.08	1.2	87,351.95	1.5	25,910.17	.6	354,317.13	.8	104,225.99	.3
Incidental revenue	43,143.70	.7	35,666.55	.6	9,314.34	.2	225,570.22	.4	101,655.45	.3
Total Operating Revenue	\$ 6,624,453.33	114.5	\$ 6,510,568.73	112.9	\$ 3,970,167.71	98.0	\$47,521,316.25	104.4	\$35,303,162.12	106.1
OPERATING EXPENSES										
Flying operations	\$ 1,262,160.05	21.8	\$ 1,262,620.61	21.9	\$ 792,986.97	19.6	\$ 9,829,406.75	21.6	\$ 6,778,468.17	20.5
Flight equipment maintenance-direct	738,785.47	12.8	674,435.99	11.7	332,088.33	8.2	4,940,232.48	10.9	2,577,977.09	7.7
Depreciation - flight equipment	573,185.46	9.9	493,996.34	8.5	156,308.24	3.8	2,851,017.27	6.2	942,891.79	2.8
Total Flying Expenses	\$ 2,574,130.98	44.5	\$ 2,431,052.94	42.1	\$ 1,281,383.54	31.6	\$17,620,656.50	38.7	\$10,299,337.05	31.0
Ground operations	\$ 1,221,910.51	21.1	\$ 1,244,919.68	21.6	\$ 579,255.58	14.3	\$ 8,911,553.71	19.5	\$ 4,831,918.10	14.5
Ground equipment maintenance-direct	91,215.66	1.6	83,893.15	1.4	54,769.78	1.4	580,122.55	1.3	343,346.58	1.0
Equipment maintenance - indirect	592,777.96	10.3	618,663.59	10.7	318,287.73	7.9	4,258,849.33	9.4	2,219,826.33	6.7
Passenger service	358,210.05	6.2	481,766.82	8.4	308,300.74	7.6	3,665,793.49	8.0	2,379,569.61	7.2
Traffic and sales	686,411.67	11.8	625,928.70	10.9	378,440.33	9.3	5,271,009.49	11.5	3,017,619.70	9.1
Advertising	45,556.52	.8	85,387.56	1.5	76,879.76	1.9	945,114.61	2.1	795,801.44	2.4
Publicity	79,966.74	1.4	74,788.13	1.3	21,681.17	.5	487,422.43	1.1	284,893.49	.9
General and administrative	510,816.60	8.8	393,005.79	6.8	129,599.85	3.2	4,071,996.55	9.0	2,688,066.99	8.1
Depreciation-property and ground equipment	86,348.66	1.5	85,956.68	1.5	46,429.29	1.2	618,478.39	1.4	380,197.50	1.0
Total Ground Expenses	\$ 3,673,214.37	63.5	\$ 3,694,310.10	64.1	\$ 1,913,644.23	47.3	\$28,810,340.55	63.3	\$16,941,239.74	50.3
Total Operating Expenses	\$ 6,247,345.35	108.0	\$ 6,125,363.04	106.2	\$ 3,195,027.77	78.9	\$46,430,997.05	102.0	\$27,240,576.79	81.9
Net operating income	\$ 377,107.98	6.5	\$ 385,205.69	6.7	\$ 775,139.94	19.1	\$ 1,090,319.20	2.4	\$ 8,062,585.33	24.2
Non-operating income	44,928.31	.8	46,032.55	.8	14,351.13	.4	271,159.31	.6	138,184.87	.4
Gross Income	\$ 422,036.29	7.3	\$ 431,238.24	7.5	\$ 789,491.07	19.5	\$ 1,361,478.51	3.0	\$ 8,200,770.20	24.6
Deductions from gross income										
Portion of estimated expenses of transition to peacetime operations representing amount equivalent to Federal income tax credit resulting therefrom.	\$ 6,222.79	.1	\$ 5,586.33	.1			\$ 534,434.71	1.2		
Interest on bank loans and long term debt	100,000.00	1.7	100,000.00	1.7			472,291.67	1.0		
Interest deferred	29,696.25	.5	25,529.18	.4			135,339.76	.3		
Other	127,737.53	2.2	61,180.71	1.1	202,844.03	5.0	489,254.35	1.1	540,926.37	1.6
Total Deductions	\$ 204,264.07	3.5	\$ 141,237.86	2.5	\$ 202,844.03	5.0	\$ 1,360,640.97	3.0	\$ 540,926.37	1.6
Net income before Federal income taxes	\$ 217,772.22	3.8	\$ 290,000.38	5.0	\$ 586,647.04	14.5	\$ 837.54	-	\$ 7,659,843.83	23.0
Provision for Federal income taxes					260,000.00	6.4			3,600,000.00	10.8
Federal income tax credit resulting from loss for the period	70,000.00	1.2	100,000.00	1.7			370,000.00	.8		
NET PROFIT OR LOSS CARRIED TO SURPLUS	\$ 147,772.22	2.6	\$ 190,000.38	3.3	\$ 326,647.04	8.1	\$ 370,837.54	.8	\$ 4,059,843.83	12.2
REVENUE MILES FLOWN	5,786,407		5,766,499		4,218,438		45,529,518		34,661,659	
REVENUE PASSENGER MILES FLOWN	136,485,944		128,555,324		72,310,450		918,496,081		572,021,805	
REVENUE PASSENGERS CARRIED	262,366		266,273		118,739		1,749,299		934,379	

Cents per revenue mile flown are reported on airport to airport distances, September, 1946 and the nine months ended September 30, 1946 are actual, while September 1945 and the nine months ended September 30, 1945 have been converted to an airport to airport basis by reducing the course miles flown by 4%.

Summary of the Minutes of a Regular Meeting
of the Board of Directors of American Airlines, Inc.
Held August 21, 1946

There were present at the meeting: Directors Ames, Benedict, Bruce, Damon, Evans, Farley, Hammond, Mosier, Queeny and Smith.

1. The minutes of the previous meetings held June 7, 1946 were approved.
2. The Treasurer presented financial statements prepared as of June 30, 1946.
3. The regular quarterly dividend was declared on the \$3.25 Preferred Stock, payable September 1, 1946, to stockholders of record as of August 21, 1946.
4. A report was submitted showing that management had approved since the last directors' meeting, capital expenditures totaling \$658,784.03 for this corporation and \$23,782.10 for American Airlines de Mexico, S. A.

The following additional capital expenditures were authorized:

Alteration and construction of buildings at Tulsa Modification Center	\$1,447,525
Equipment for Maintenance base at Tulsa Modification Center	\$ 500,000
Construction of provisional terminal building at Westchester County Airport-Rye, New York	\$ 100,000
Reconditioning and extension of Monterrey, Mexico Airport and enlargement and additions to buildings (American Airlines de Mexico, S. A.)	\$ 583,000

5. The directors agreed to hold the October meeting in Tulsa, Oklahoma.
6. The directors ratified an agreement with American Overseas Airlines, Inc., providing for the exercise of rights of this corporation to purchase at \$12.00 per share 540,000 additional shares of \$1.00 par value stock of American Overseas Airlines, Inc., and for the purchase of up to an additional 257,895 such shares at the same price if the rights thereto distributed to stockholders other than American Export Lines, Inc., are not exercised.

American Airlines, Inc.

Agenda for Director's Meeting
November 14, 1946

- ✓ 1. Approval of the minutes of the Directors' meeting of August 21, 1946
(See Pages 3-4)
- ✓ 2. Presentation of financial statements--September 1946.
- ✓ 3.- Capital Expenditures:
 - (a) Those approved since last meeting:

American Airlines, Inc.	\$602,851.80	
American Airlines de Mexico, S.A.	<u>31,641.22</u>	\$ 634,493.02
 - (b) Supplemental Capital Authorization-
Westchester County Airport
 - (c) Request that \$3,000,000 authorized
10/17/45 for DC-4 Ground Equipment
be reallocated to include DC-6 as
well as DC-4 Equipment.
 - (d) DC-4 Spares \$3,000,000.00
DC-6 Spares 3,000,000.00
\$6,000,000.00
Less amount authorized 8/16/44 3,000,000.00 \$3,000,000.00
 - (e) Ground Equipment for CV-240
aircraft. \$1,164,000.00
 - (f) Three DC-4 Airfreighters \$ 600,000.00
- ✓ 4. Leases:
 - (a) Renegotiated lease at Nashville, Tennessee.
- ✓ 5. Request for authority to permit L. E. Slaybaugh and R. A. Cowan to countersign checks drawn on the disbursement bank account at St. Joseph, Missouri and to permit J. A. Wooten and the Assistant Secretary to sign payroll checks at St. Joseph, Missouri.
- ✓ 6. Request for authority to transfer funds.
7. Memorial Resolutions.
8. Consideration of amending By-Laws to reduce number required for a quorum.

9. Community Chest.
10. Civil Aeronautics Board proceedings.
11. Shares reserved for exercise of option:
 - a. Listing on the New York Stock Exchange.
 - b. Authority to Registrar and Transfer Agent.
12. Manhattan Air Terminals, Inc.
13. Employees Retirement Benefit Plan.
14. Consideration of dividend to stockholders of Preferred Stock.
15. Consideration of dividend to stockholders of Common Stock.
16. Consideration of Year End Compensation.
17. Christmas gifts for employees on leave.
18. Request for ratification of a commitment of American Airlines, Inc. to the Chase National Bank covering loans by the Chase National Bank to employees of American Overseas Airlines, Inc.

Seats to Kay 3990

17873 seats reserved

50. DC-6

100 CV 240 =

20 Roubau
3 Strato Cruis

42 Purple DC 4
6 Freight " 4

90

DC 3

30-1947 Delivery
10 C-32 = motor
64-6-3
84-6-3

7. The Secretary reported that pursuant to prior authorization by the directors the management had advanced to Sky Chefs, Inc., \$100,000 on open account at three percent interest.
8. The officers were authorized to execute a supplemental lease agreement with Kenton County, Kentucky providing for prepayment of rentals in the amount of approximately \$94,500.

The Chairman of the Board, the President, any Vice President or the Treasurer were authorized to enter into agreements and to prepay rentals provided the amount of annual rental on the basis of requirements on the date of agreement is not in excess of \$25,000 per year.
9. The directors extended to September 30, 1946 the time for acceptance of deposits of shares of Common Stock of Mid-Continent Airlines, Inc.
10. The Regional Vice Presidents were authorized to sign checks drawn on the imprest bank accounts; J. C. McCormick and W. F. Calliott were authorized to sign checks drawn on the payroll bank accounts and E. S. Pelzer and J. L. Hubbell were authorized to sign checks drawn on the operating bank accounts and the Internal Revenue Tax Account of the corporation.
11. Adjustments were made in the salaries of certain officers of the corporation.

Mr. Wayne L. McMillen was elected an Assistant Secretary of the corporation.
12. The officers were authorized to execute an amendment to the Group Annuity Contract issued by the John Hancock Mutual Life Insurance Company extending the $2\frac{1}{2}\%$ interest rate until October 1, 1949.
13. R. L. McVean of the Corporation Guarantee and Trust Company was appointed registered agent for the corporation in Illinois.

American Airlines, Inc.

Passenger, Mail, Express and Airfreight Traffic Statistics

October, 1946

	October 1946	October 1945	% Increase or Decrease	10 Months 1946	10 Months 1945	% Increase or Decrease
<u>Passengers</u>						
Revenue Miles Flown in Passenger Service	6,111,854	4,362,556	40.1	49,899,297	37,114,907	34.4
Revenue Miles Flown - Total	6,282,602	4,568,534	37.5	51,618,786	39,230,193	31.6
Revenue Miles - DC-3	4,119,271	4,568,534	(9.8)	43,090,570	39,230,193	9.8
Revenue Miles - DC-4	2,163,331	-	-	8,528,216	-	-
Revenue Passengers Carried	264,620	120,400	119.8	2,013,919	1,054,779	90.9
Revenue Passenger Miles Flown - Total	139,273,410	79,175,794	75.9	1,057,769,496	651,197,599	62.4
Revenue Passenger Miles - DC-3	58,891,891	79,175,794	(25.6)	713,124,616	651,197,599	9.5
Revenue Passenger Miles - DC-4	80,381,519	-	-	344,644,880	-	-
Seat Miles Operated - Total	185,181,863	86,949,882	113.0	1,258,668,263	721,200,506	74.5
Seat Miles - DC-3	78,895,585	86,949,882	(9.3)	837,944,785	721,200,506	16.2
Seat Miles - DC-4	106,286,278	-	-	420,723,478	-	-
Passenger Load Factor - System	75.2	91.1	-	84.6	90.3	-
Passenger Load Factor - DC-3	74.6	91.1	-	85.0	90.3	-
Passenger Load Factor - DC-4	75.6	-	-	83.2	-	-
Average Length of Haul Per Passenger	528	658	(19.8)	525	618	(15.0)
<u>Mail</u>						
Tons Carried	831	1,449	-	NA	16,810	-
Ton-Miles Flown	671,325	1,008,820	(33.5)	5,670,716	11,671,376	(51.4)
<u>Express</u>						
Tons Carried	1,506	586	-	NA	9,259	-
Ton-Miles Flown	633,519	297,739	112.8	3,740,701	4,382,715	(14.6)
<u>Airfreight</u>						
Tons Carried	1,660	367	-	NA	2,483	-
Ton-Miles Flown	911,531	264,106	245.1	4,246,255	1,643,230	158.4
<u>Payload</u>						
Average Revenue Load Carried Per Mile	5,000	4,091	22.2	4,553	4,210	8.1
Weight Load Factor	58.2	79.2	-	68.3	81.7	-

() denotes decrease

COMPARATIVE STATEMENT OF PROFIT AND LOSS ON ROUTE F.A.M. 26

FORT WORTH DALLAS MEXICO CITY EL PASO MEXICO CITY

FOR THE MONTHS OF SEPTEMBER 1946, AUGUST 1946, SEPTEMBER 1945

AND THE NINE MONTHS ENDED SEPTEMBER 30, 1946 AND SEPTEMBER 30, 1945

			Sept. 1946	August 1946	Sept. 1945	Nine Months Ended Sept. 30, 1946	Nine Months Ended Sept. 30, 1945
OPERATING REVENUES							
Passenger			\$150,284.61	\$130,810.89	\$135,180.70	\$1,368,166.08	\$1,332,012.97
Mail							
U.S. Government			2,043.09	1,716.85	2,108.65	13,030.70	18,626.21
Foreign			2,245.40	2,734.93	-	19,140.71	-
Freight and Express			19,045.24	24,705.74	23,044.18	234,209.08	178,179.47
Excess Baggage			3,958.42	2,977.12	3,596.70	32,649.83	32,932.39
Incidental Revenue			14,761.52	14,597.70	7,421.58	133,331.78	67,633.50
Total Operating Revenue			\$192,338.28	\$177,543.23	\$171,351.81	\$1,800,528.18	\$1,629,384.54
OPERATING EXPENSES							
Flying operations	\$ 12,670.55	\$ 36,605.58	\$ 49,276.13	\$ 41,205.32	\$ 34,470.73	\$ 402,888.76	\$ 355,350.70
Flight equipment - Maintenance Direct	1,020.89	23,637.10	24,657.99	15,214.01	14,695.65	166,727.21	123,675.59
Depreciation - Flight Equipment	-	13,893.60	13,893.60	5,610.39	6,815.04	64,290.25	44,144.08
Total Flying Expenses	\$ 13,691.44	\$ 74,136.28	\$ 87,827.72	\$ 62,029.72	\$ 55,981.42	\$ 633,906.22	\$ 523,170.37
Ground Operations	23,102.32	14,599.88	37,702.20	34,426.04	24,894.59	304,759.92	215,837.01
Ground Equipment Maintenance - direct	2,595.22	378.80	2,974.02	5,086.36	4,892.44	35,673.95	33,518.77
Equipment Maintenance - indirect	6,236.11	3,520.38	9,756.49	9,027.44	6,527.52	92,887.85	51,191.30
Passenger Service	8,520.80	7,036.00	15,556.80	14,207.14	21,275.58	160,986.35	157,155.78
Traffic and Sales	14,961.35	3,127.76	18,089.11	14,897.10	16,764.91	177,646.57	144,497.51
Advertising and Publicity	9,246.94	-	9,246.94	6,389.44	8,697.08	56,857.43	59,285.71
General and Administrative	12,437.08	7,485.56	19,922.64	15,432.92	11,084.05	181,894.00	100,434.22
Depreciation- ground Equipment	14,757.04	788.61	15,545.65	15,511.41	15,742.95	139,867.87	138,787.68
Total Operating Expenses	\$105,548.30	\$211,073.27	\$216,621.57	\$176,997.57	\$165,860.54	\$1,784,480.16	\$1,423,878.35
Net operating income			\$ 24,283.29	\$ 545.66	\$ 5,491.27	\$ 16,048.02	\$ 205,506.19
Profit on sale of equipment			20.62	-	3,722.47	3,015.52	3,722.47
Deductions from income	\$ 1,185.79		\$ 24,262.67	\$ 545.66	\$ 9,213.74	\$ 19,063.54	\$ 209,228.66
Net income before Federal income taxes			1,185.79	1,852.91	1,666.01	14,677.47	9,190.92
Pro-rata share of Federal income taxes			\$ 25,448.46	\$ 1,307.25	\$ 7,547.73	\$ 4,386.07	\$ 200,037.74
NET PROFIT OR LOSS			\$ 25,448.46	\$ 1,307.25	\$ 4,395.73	\$ 4,386.07	\$ 106,037.74
REVENUE MILES FLOWN							
			208,538	198,902	193,149	1,834,358	1,725,530
REVENUE PASSENGER MILES							
			3,368,733	3,058,893	3,206,369	29,623,217	27,168,563
REVENUE PASSENGERS CARRIED							
			4,164	3,683	3,687	31,885	31,408

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AMERICAN AIRLINES, INC.

Statement of capital expenditures which have been authorized by the management since the last meeting of the Board of Directors on August 21, 1946 and which are herewith submitted for approval by the Directors.

<u>Executive Authorization Number</u>	<u>Description</u>	<u>Amount Authorized</u>
C1646-1	Additional alterations for Training Center-Ardmore	\$ 13,114.80
C1737-1	Additional ground station communication equipment for Nashville-Tulsa Airway - Harrison, Ark.	4,858.00
C1768-1	Additional cost of 110 Sky Cradles for DC-4 Fleet	1,100.00
C1809	14 Magnetos for DC-3 fleet	3,360.00
C1810	Install wiring and flood lights in additional space Dallas Airport	1,187.50
C1811	Stake truck for warehouse use - NYMA	1,892.42
C1812	Small truck for Line Maintenance - NYMA	1,350.00
C1813	5 Automotive units as replacement and additional equipment - Los Angeles	10,400.00
C1814	Steel matting and fence to provide additional run- up area for Aircraft - NYMA	34,702.50
C1815	60 Reservations tables and 30 space control tables- System	8,931.90
C1816	Additional alterations to A.A. Bldg. - Tulsa	65,337.00
C1817	45 Electric fans for A.A. Building - Tulsa	1,698.75
C1818	Install blower units in DC-4 fleet to increase eff- iciency of cabin heater system and provide spares.	10,201.75
C1819	Alterations to provide additional shop and stock- room space - Oklahoma City Airport	4,500.00
C1820	Reproduction equipment for Publications Dept.-NYP	17,450.00
C1821	Truck for mail service between airport and city-Tulsa	2,050.00
C1822	Furniture for executive offices - NYP	1,088.60
C1823	Furniture and office equipment for Treasury Dept.- New York, Tulsa and Ft. Worth	5,144.88
C1824	Furniture and office equipment for Purchasing Dept.-NY	1,677.00
C1825	Ramp house for passengers and cargo operations on Municipal Airport - Los Angeles	17,362.40
C1826	Provide parking lot for employee use on Municipal Air- port - Los Angeles	3,844.60
C1827	Alterations and equipment for new airport-Cincinnati	25,020.00
C1828	Belt conveyor for baggage in Temporary Terminal Bldg.- Chicago	1,350.00
C1829	Alterations to improve facilities in airport Terminal- St. Louis	2,500.00
C1830	Station wagon to cover alternate airport operation -WA	1,535.85
C1831	20 Heaters on trailers for ground service to DC-4 fleet- System	10,100.00
C1832	Installation cost of additional automatic telephone service to offices in New York	1,050.00
C1833	110 Very high frequency ground station receivers as re- placement and additional requirements-System	30,525.00
C1834	Install radio equipment in 3-BT-13 Aircraft-Ardmore	4,566.72
C1835	Test unit for automatic direction finders - NYMA	3,679.62
C1836	Small truck for communications line maintenance-NYMA	1,350.00

AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1946

- NOTE 1: The accompanying financial statements include in consolidation the Company's wholly owned subsidiary, American Airlines de Mexico, S.A. The accounts of the following subsidiaries are not included in consolidation: American Overseas Airlines, Inc., Sky Chefs, Inc.
- NOTE 2: No provision has been made for Federal excess profits tax for 1945 and prior years as the Company is believed to be exempt therefrom although its liability for Federal taxes on income is subject to the Internal Revenue Bureau's review of the tax returns filed for the years 1942 through 1945.
- NOTE 3: On September 17, 1945 the Company entered into an agreement with a representative of holders of certain shares of the common stock of Mid-Continent Airlines, Inc., subject to the approval of the Civil Aeronautics Board, to issue one share of its common stock of a par value of \$5.00 per share in exchange for each four shares of common stock of Mid-Continent Airlines, Inc. and to extend the same offer to other stock holders of Mid-Continent Airlines, Inc. Subsequently the par value of American Airlines, Inc. common stock was changed from \$5.00 per share to \$1.00 per share, thereby changing the exchange ratio from 1 share to 5 shares of American Airlines, Inc. for 4 shares of Mid-Continent Airlines, Inc. Under date of September 27, 1946 the Civil Aeronautics Board denied the application of American Airlines, Inc. to acquire the common stock of Mid-Continent Airlines, Inc.
- NOTE 4: The Company is presently negotiating for the purchase of, or has commitments for flight equipment and major items of other equipment and facilities estimated at approximately \$68,000,000 of which it is estimated approximately \$13,000,000 will be expended during the balance of the year 1946.

The Company has guaranteed a bank loan in the amount of \$10,000,000 obtained on March 7, 1946 by American Overseas Airlines, Inc. On August 23, 1946 American Overseas Airlines, Inc. reduced said bank loan by payment of \$5,000,000 and extended the balance of the loan for a period of 6 months.

The Company has also guaranteed the performance by American Overseas Airlines, Inc. of the latter's obligation under a purchase contract for the purchase of eight Boeing airplanes at a total basic price of approximately \$10,600,000

- NOTE 5: There was excluded from operating expenses for the month of September and the nine months ended September 30, 1946 the estimated cost (amounting to \$16,516.69 and \$1,406,281.55 for the respective periods) resulting from delays in reassigning personnel from military contract to commercial operations and from retraining of personnel returning from military service. The portion of such costs equivalent to the Federal income tax credit resulting from their deductibility for tax purposes was charged to profit and loss (in the amounts of \$6,222.79 and \$534,434.71 for the respective periods) and the balance (in the amount of \$10,293.90 and \$871,846.84 for the respective periods) was charged to the reserve for transition to peacetime operations.

AMERICAN AIRLINES DE MEXICO, S.A.

Statement of capital expenditures which have been authorized by the management since the last meeting of the Board of Directors on August 21, 1946 and which are herewith submitted for approval by the Directors.

<u>Executive Authorization Number</u>	<u>Description</u>	<u>Amount Authorized</u>
C1862	10 Trucks as replacement in System	\$ 17,119.92
C1863	2 Power plants to provide increased capacity for Operations - Actopan	8,576.00
C1864	Motorcycle for mail service airport to city - Mexico City	815.00
C1865	Furniture and equipment for airport office-Mexico City	417.50
C1866	3 Typewriters for communications and ticket offices - Mexico City Airport	341.00
C1867	Alterations and furniture for Fleet Service - Mexico City	630.00
C1868	Ground communication transmitter to permit night operation - Mexico City	3,250.00

11 Authorizations each for an amount less than \$100.00
for the purchase of furniture, shop and miscellaneous
equipment

491.80

\$ 31,641.22

NOTE 6: From early in 1942 to July 31, 1946 services were performed by the Company for the U. S. Government under war contracts at cost thereof and the Company has waived all profits thereon to December 31, 1945. The cost and expenses applicable to the Company's performance of such contracts are not included in the accompanying profit and loss statements, but have been charged directly to the U. S. Government. Part of the services under these contracts had been terminated at December 31, 1945 and the remainder were terminated as of July 31, 1946. Renegotiation proceedings pursuant to the War Contracts Renegotiation Act have been concluded for 1944 and prior years, no refunds being required thereunder. The Company believes that such proceedings for the years 1945 and 1946 will likewise result in no refund being required.

NOTE 7: American Overseas Airlines, Inc. granted to holders of its capital stock of record, on August 21, 1946, the right to subscribe to 1,049,895 shares of its authorized, but unissued, capital stock in the ratio of $1\frac{1}{2}$ additional shares for each share held, and on August 21, 1946 American Airlines, Inc. purchased from American Overseas Airlines, Inc. 540,000 shares, at a price of \$12.00 per share, or \$6,480,000, increasing its investment in American Overseas Airlines to \$9,480,000 as reflected on the attached balance sheet.

Of the unsubscribed shares, totaling 368,759, the Company, as of October 3, 1946, is obligated to purchase, from American Overseas Airlines, a minimum of 171,761 additional shares at \$12.00 per share and has the obligation to purchase two-thirds of the portion of 25,950 shares that are unsubscribed for by the officers and supervisory personnel of American Overseas Airlines.

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AMERICAN AIRLINES, INC.

Statement of capital expenditures which have been authorized by the management since the last meeting of the Board of Directors on August 21, 1946 and which are herewith submitted for approval by the Directors.

<u>Executive Authorization Number</u>	<u>Description</u>	<u>Amount Authorized</u>
C1837	Tractor for cabin service - El Paso	\$ 1,844.00
C1838	Alterations to provide additional facilities in Sales Office - Phoenix	8,173.00
C1839	Alterations, air conditioning and other equipment for Sales Office - Newark	10,418.00
C1840	Alterations and equipment for new Sales Office-Little Rock	2,200.00
C1841	Alterations and equipment for new Sales Office- New Haven	6,724.02
C1842	Furniture and office equipment for Regional Sales Office - NY	1,072.35
C1843	Alterations and equipment to increase facilities in Sales Office - Dallas	26,405.81
C1844	Alterations and equipment for new Sales Office - Houston	5,408.48 ✓
C1845	Alterations and equipment for new Sales Office-Oklahoma City	9,104.50
C1846	Alterations to provide additional facilities for Reservations Office - Los Angeles	15,500.00
C1847	Addition to Televisor board for Reservations Control - Boston	4,300.00
C1848	201 Propeller blades as replacement for DC-4 fleet	52,762.50
C1849	Station wagon for general use - St. Joseph	1,726.53 ✓
C1850	Equipment to provide employee cafeteria in Warehouse- New York	10,974.50
C1851	Alterations to provide additional space for telephone facilities - NYMA	3,630.00
C1852	Panel truck for inter-office mail service - New York	1,300.00
C1853	Airconditioning of additional buildings, 5 flasher beacons for obstruction lighting and fire extinguisher equipment for Training Center - Ardmore	9,646.72
C1854	Truck for alternate airport operation - Philadelphia	1,510.00
C1855	Ground communications transmitter for remote site - Cleveland	5,730.00
C1856	6 Windcharger towers for ground communications remote site - New York	3,330.70
C1857	Ground communication equipment and A.A. share of construction for remote site at Los Angeles Municipal Airport	15,883.50
C1858	10 Baggage scales and 6 safes for Ticket Offices -System	2,708.00
C1859	Alterations and equipment for new Sales Office-Knoxville	5,587.35
C1860	Furniture and equipment for Reservations Office in A.A. Building - Tulsa	1,157.00
C1861	Alterations in ATC Building to provide adequate facilities for air mail post office - NYMA	33,912.71

478 Authorizations each for an amount less than \$1,000.00 for the purchase of furniture shop and miscellaneous equipment

63,912.84

\$602,851.80