

AMERICAN AIRLINES, INC.
New York, New York

August 30, 1949

To: Supervisory Personnel
American Airlines, Inc.

From: President

Subject: American Airlines Earnings and Dividends

The last dividend paid on our Common Stock was in 1945. We were unable to pay dividends in 1946, 1947 or 1948, due to losses sustained.

Many of the men and women who have invested their earnings in American have asked about the prospect for a dividend in 1949. It may be that you have had similar inquiries.

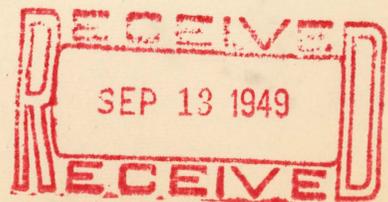
We shall want to pay a return on the investment in our common stock as soon as the earnings and financial position of the company will permit. I hope that when dividend payments can be resumed that they can thereafter be maintained with regularity. That will be dependent on future earnings.

We shall not be able to pay a dividend in 1949. You should know the reason for that. An understanding of the reason will permit you to discuss it with those who may inquire; it will also give you better understanding of the necessity for additional earnings, in order that the investors may have a return on the money they have devoted to our business.

The situation, in summary form, is that we have \$6,850,000 less accumulated earnings than we had on December 31, 1945:

TABLE

Earnings re-invested in the company at December 31, 1945		\$ 14,706,735.
Losses: 1946, 1947 and 1948	\$ 6,670,380.	
Less - Earnings in 1949 to June 30	3,535,909	
Net Loss - 1946, 1947, 1948 and 1949		<u>3,135,471.</u>
		11,572,264.
Paid out, as 3 $\frac{1}{2}$ % return to investors in preferred stock		<u>4,149,444.</u>
		7,422,820.
Income from other sources		<u>433,334.</u>
Balance, June 30, 1949		\$ <u>7,856,154.</u>
Net reduction, 1945 to June 30, 1949		\$ 6,850,581.



When we sold additional securities in 1946, Preferred Stock and Debentures, we agreed that no dividends would be paid on the Common Stock if earned surplus was less than \$10,640,742. It was \$2,784,588 less than that amount on June 30, 1949, and no Common Stock dividends can be paid until we earn that additional amount, plus an amount sufficient to pay the dividend itself.

We are making substantial progress. We will earn a profit in 1949, contrasted with losses for each of the previous three years. I hope that it can be said that we have "turned the corner" and that earnings can be reported for future periods. That is dependent upon the economy and efficiency with which we operate and an increasingly good result from our Sales effort.

Many of us can remember when the total capital of the company was less than \$1,000,000. Our responsibilities to our investors have increased as the years have gone by and the company has grown in size and relative importance. Investors have shown their confidence in American by entrusting more than \$100,000,000 to us, for the purpose of conducting the operation and with the reasonable expectation that they shall have a return on their investment. As a measure of the job we must do, 7% return on \$100,000,000 is \$7,000,000 per year, after the payment of Federal taxes.

American Airlines can be a great company only if men and women continue to be willing to invest their savings in the stock and debentures of the company. They will be willing to do that, over any reasonable period of time only if we are able to conduct a profitable business and pay a return, with regularity, on the funds they have entrusted to us.

More than 40,000 men, women and financial institutions have shown their confidence in American Airlines, and in you, by electing to become an investor in your company. Let's justify that confidence by conducting the affairs of the company in such fashion as to warrant and permit the payment of a reasonable dividend to the shareholders in 1950.

C. R. Smith