



AMERICAN AIRLINES, INC.

100 PARK AVE., NEW YORK 17, N. Y.

REPORT OF THE ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of the shareholders of American Airlines, Inc. was held May 19, 1953 at the statutory office of the company in Wilmington, Delaware. Shareholders owning 4,902,596 shares of common stock were present in person or by proxy, representing 75½% of the shares outstanding and entitled to vote. The following shareholders were re-elected as Directors:

HAROLD T. AMES	SILLIMAN EVANS
JAMES ASTON	JOHN W. FARLEY
HARRY E. BENEDICT	CHARLES T. FISHER, JR.
JAMES BRUCE	JAMES A. JACKSON
EDWARD H. BUTLER	A. N. KEMP
AMON G. CARTER	ROBERT W. MILLER
CHARLES S. CHESTON	O. M. MOSIER
THOMAS M. CONROY	EDGAR M. QUEENY

C. R. SMITH

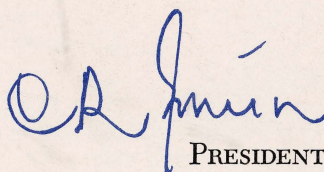
Messrs. Arthur Young and Company were re-appointed as independent auditors of the corporation.

We appreciate the confidence expressed by the number of shares represented and thank those who attended the meeting and those who submitted their proxies.

On Wednesday, May 20, 1953, approximately 2,500 shareholders and their friends attended an Open House in the company's hangars at LaGuardia Airport where they were afforded an opportunity to meet the Directors and Officers, ask questions and inspect the company's aircraft and facilities.

A report of the questions asked at the Annual Meeting and during the discussion period of the Open House, together with answers given thereto, follows.

Sincerely yours,


PRESIDENT

June 1, 1953

QUESTIONS ASKED BY SHAREHOLDERS AT THE ANNUAL MEETING AND OPEN HOUSE



MR. C. R. SMITH, PRESIDENT OF AMERICAN AIRLINES, INC.
SPEAKING AT THE SHAREHOLDERS' OPEN HOUSE.

Question:

When is it possible that we may have an increase in dividends?

Answer:

We have very substantial financial obligations, during this year and next, for the purchase of additional aircraft. The detail of that was given in the Annual Report. We need to have funds on hand with which to pay those obligations when they come due. In order to provide for that it will be necessary to retain a substantial proportion of the earnings for the year. I cannot now predict that we will pay in 1953 more than the 50¢ per share which was paid on the common stock last year. Later, if earnings and cash requirements permit, we may be able to authorize an increase.

Question:

When do you expect to place the DC-7 airplanes in service and how are you planning to pay for them?

Answer:

American has ordered 25 of the DC-7 airplanes. We should have five or six of them on hand by the end of this year. All of them should be delivered by the middle of next year. The first operation with the DC-7 will be on the transcontinental route, New York to Los Angeles, and it should be going by January 1, 1954.

With reasonable earnings during 1953 and the first half of 1954 we should be able to pay for aircraft on order without additional financing, without bank loans and without the sale of additional stock.

Question:

Does the company have any plans for a larger issue of capital stock or preferred stock?

Answer:

We do not anticipate that additional stock will be sold during this year.

SHAREHOLDERS GATHERED AT OPEN HOUSE
AMERICAN AIRLINES, INC., AND OTHER OFF





DC-7 FLAGSHIP SEATS 60 PASSENGERS AND CRUISES AT 363 MILES PER HOUR. AMERICAN WILL START DC-7 SERVICE TRANSCONTINENTALLY IN 1954.

Question:

What are the business prospects for 1953?

Answer:

During the first three months of 1953 we had a 10% increase in gross revenues and both April and May have shown increases over last year. There must come a point sometime when the rate of growth will taper off; however, we anticipate a substantial increase in gross income for the year and a somewhat better net at the end of the year.

TO HEAR MR. C. R. SMITH, PRESIDENT OF AMERICAN AIRLINES REPORT ON THE COMPANY'S PROGRESS.



FRIENDLY PERSONALIZED SERVICE TO PASSENGERS HAS TRADITIONALLY BEEN ONE OF THE CHARACTERISTICS OF AIR TRANSPORTATION, PARTICULARLY AMERICAN AIRLINES.

Question:

How many years will it be before the cargo business catches up to our passenger business?

Answer:

Cargo revenues are now about 12% of the total revenues. They will continue to expand but it will be a long time before they equal passenger revenues.

Question:

How successful has the company been in coping with the inflationary trend of prices?

Answer:

During the first half of 1953 effective budgetary control permitted us to operate with unit costs comparable to those of last year. This was accomplished in spite of the fact that most major categories of expense have been affected by the inflationary trend. Some of the increased cost items, such as gasoline and oil, are outside the control of management. However, this makes the controllable costs the most vital concern of management. Unit costs for the year 1953 should generally be no higher than 1952, although total dollar costs will be higher.

Question:

When you decide to buy jet airplanes, will you buy from Britain or will you wait until America catches up with Britain on jet plane design?

Answer:

If and when we are prepared to purchase jet airplanes, and that may be distant, we will compare quality and cost of those available, whether



THE LATEST TO JOIN THE A. A. FLEET THIS DC-6A AIRFREIGHTER CAPABLE OF CARRYING A 28,500 POUND PAYLOAD OVER LONG DISTANCES IS NOW IN SERVICE.

in the United States or in Great Britain, or elsewhere, and will buy the airplane which provides the best composite of operating and economic characteristics.

Question:

I understand that one of the DC-6 airplanes on view here cost over a million dollars. What is the life of this airplane?

Answer:

The DC-6 airplane is being depreciated over a seven year life with a remaining residual value of 10%. Since the first of these planes was placed in service in the Spring, 1947, all of this type will be fully depreciated by the middle of 1955. The DC-6B, which is basically the same airplane as the DC-6 but a little larger in fuselage length providing more cargo or passenger space, is being depreciated over a five year life, also with a 10% residual. The principal factor is not physical wear and tear but type obsolescence. As more, faster airplanes are available, the DC-6 type will be used on some of the shorter runs, possibly prolonging their earning capacity.

Question:

What disposition is made of old planes when they are no longer economic to operate?

Answer:

There is a good market for used airplanes of modern type. American Airlines has a modern, postwar fleet and, consequently, no old airplanes to sell. When we do have some available we anticipate that they can be sold without difficulty.

Question:

Have the officers who exercised their options retained their stock?

Answer:

To date nine officers have exercised all or part of their options. All of them have retained their stock.



IN 1952 AMERICAN'S AIRFREIGHT TRAFFIC SHOWED AN INCREASE OF 26% OVER 1951. MODERN CARGO HANDLING EQUIPMENT SPEEDS LOADING AND UNLOADING OF AIRFREIGHT.

