



AMERICAN AIRLINES INC.


CABLE ADDRESS AMAIR

100 EAST 42nd STREET · NEW YORK 17, NEW YORK · MURRAY HILL 5-3900

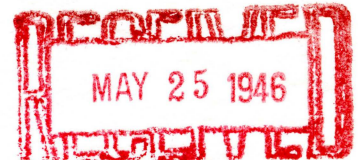
May 22, 1946

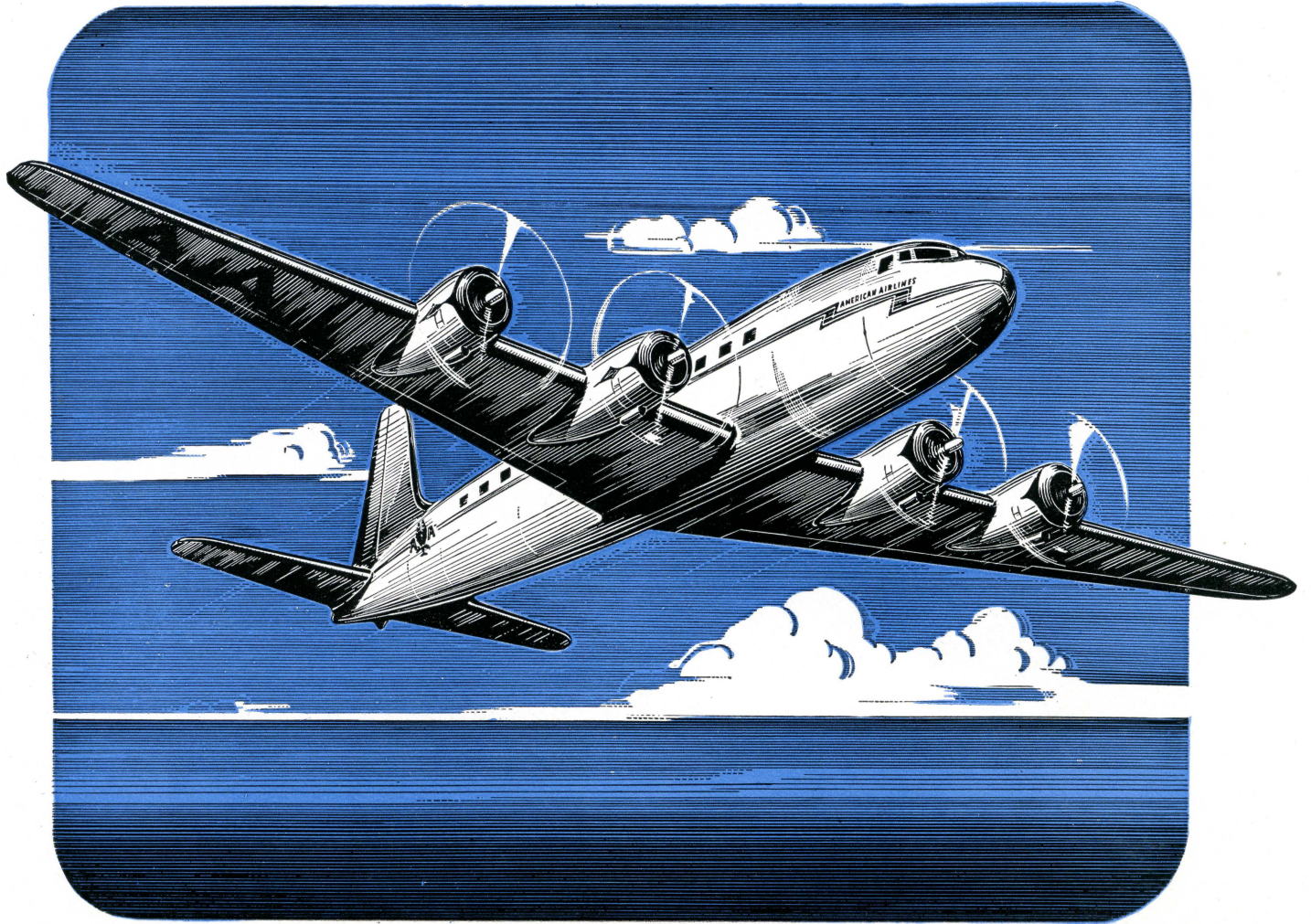
To the Directors of American Airlines, Inc.:

The practice of sending an annual report to employees, which was suspended during the war, was resumed this year. A copy of this year's report is attached.


C. W. Jacob
Secretary

CRJ:rc
att.





A REPORT TO THE EMPLOYEES

AMERICAN AIRLINES, *Inc.*



FOR THE YEAR ENDED DECEMBER 31

1945

A REPORT TO THE EMPLOYEES
INCLUDING FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER THIRTY-FIRST 1945





ACKERMANN, LOUIS F.
ALLEN, GEROE C.
ALLEN, KEITH N.
ANDERSON, HAROLD A.
ARMSTRONG, JACK B.
BALLOW, JAMES L.
BARTON, STUART E.
BEAKE, WILLIAM C.
BIGOTTO, LOUIS
BROWN, JACOB E.
CAISSE, KENNETH M.
CALLAWAY, JAMES H.
CHARLTON, HAROLD T.
CHRISTIANO, JOHN L.
COLKET, GRANT NELSON
CURRIER, DAVID F.
CURTIN, CORNELIUS E.
DAVIS, FRANK F.
DAVIS, ROBERT EDWARD
DIETZE, ROBERT H.
DIXON, JEAN W.
DOUBLE, EDWARD W.
DUNDON, JAMES P.
EADIE, WILLIAM F.
FICHTL, ERNEST F.
GILBERT, JOHN J.
GILBERT, ROBERT D.
GOLDEN, GLENN
GONDER, FRED N.
GORSKI, ANTHONY J.
HADOBAS, WILLIAM A.
HANAVAN, JOHN J.
HAWES, LAUREN W.
HOLLY, EDWIN
HUNT, EDWARD
HUNTER, DAVID D.
ISSERSON, MELVIN
JOHNSTON, GEORGE T.
KAUFFMAN, JOHN W.
KEATING, JOHN E.
KELLEY, WILLIAM P.
KOHLWES, JAMES G.
LAWLOR, GEORGE W.

LEE, ROBERT STANLEY
LIDDY, VINCENT E.
LOMBARDI, JOSEPH A.
LUBEROFF, HARRY
MAIER, MILFORD F.
McGREW, WALTER E.
McINTYRE, EDWARD D.
MERTZ, WALTER O.
MILLER, BENJAMIN D.
MITCHELL, ROY L.
MORGAN, ROBERT L.
MORRISON, EARL F.
OGLESBY, BARTON S.
O'MALLEY, WILLIAM J.
O'REILLY, JOHN B.
OZANNE, JAMES R.
PIELEMAYER, HAROLD E.
PIMM, HENRY G., Jr.
PORTERFIELD, JOSEPH A.
QUALE, RALPH J.
RAS, JOHN A.
REED, WILLARD, Jr.
RENSHAW, DAVID N.
SAMMIN, JAMES P.
SCHNEIDER, ALBERT R.
SCHWARTING, HOWARD H.
SEELY, WARD L.
SHERMAN, DONALD A.
SINK, ALVA L.
SKELLY, HAROLD J.
SMART, LLEWELYN R.
SMITH, EMLÉN H.
SMITH, JOSEPH
SPRAGUE, CLAYTON E.
STEVENS, WILLIAM M.
STEUTZEL, CARL C.
TILLY, HARWELL P., III
TREWEEK, JAMES M.
WADE, WARREN J.
WALSH, THOMAS G.
WATKINS, EDWIN CLYDE
WILLIAMS, ROBERT B.



ANNUAL REPORT TO EMPLOYEES

New York, N. Y., May 9, 1946

TO: ALL MEMBERS OF THE ORGANIZATION OF AMERICAN:

The Employees' Annual Report was discontinued during the war, due partially to the fact that many of our activities on behalf of the government could not be detailed and discussed. Issuance of the Report has now been resumed and we hope that it can hereafter be continued each year.

The last Report was that for the year of 1940. Since that time there have been many changes; in the world, in the business in which we are engaged and in the personnel of the company. Many of our men and women have been in the military services and some are still serving there. Others served the war effort in responsible positions in industry and in the government and all others served well in maintaining transportation facilities, both at home and aboard.

It is worthwhile that we now take stock of the company, of ourselves and of our duties and responsibilities.

WHO IS AMERICAN AIRLINES, INC.?

American Airlines, to the man or woman with whom you are dealing, is YOU. Every company has a collective personality, some good and some bad, but all determined by the collective spirit and personality of the people making up the organization.

The high reputation of scheduled airline service is due in considerable part to the reputation of airline people for giving service over and above the ordinary standards in transportation. The fine name of American is based upon the reputation of the men and women in American for giving service over and above that normally expected in air transportation.

It is difficult to maintain high standards of courtesy and service during time of war; the tempo of the times is hurry and bustle, impatience with delay and irritation with oversights which would usually be more philosophically accepted. On the whole, the national standard of service has deteriorated during the past several years. American has maintained a standard of service higher than the national average, and for that we are grateful

to the thousands of men and women in American who have patiently and skillfully made that possible, but the standard of service on American is lower than it once was and is lower than we want it to be in the future.

The future lies ahead. We are grateful for your many accomplishments in the war years and are confident of your even greater accomplishments in the years to come.

The position of American in air transportation did not just happen. It was attained by the loyal, concerted and exceptional efforts of the people in American.

It is well that those who were here recall, and those who were not here know, that for the first 10 years of the approximately 20-year history of air transportation, American, although the largest U. S. company in terms of route miles, was no better than second or third in volume of business. For about 10 years now, American has been the leader of the industry in terms of traffic carried and total income. It was in the first five years of this period from 1936-1941 that American established its reputation. From 1935 to 1941, the percentage of the industry business carried by American consistently increased and just before the war we were carrying 30 percent of the passengers, 27 percent of express and 22 percent of all U. S. mail.

The proportion of the total industry business done now by American is substantially less than it was before the war. In 1945 we carried only 23 percent of the industry passengers, 30 percent of express and freight, and 20 percent of all U. S. mail. This change has occurred because the war was severely disruptive to some of our services and with pre-war high load factors we had proportionately less room to expand. Also, American has more competition today than it had before the war. The effects of that competition have not yet been fully felt, since many authorized services have not been developed by competitive airlines. It is to be expected that we in American shall soon encounter a high degree of competition on every route, far surpassing anything that we have experienced to date. The future position of American in air transportation will be dependent upon the ingenuity and the ability of the men and women in American to adapt and prepare themselves for the rapidly changing conditions in the expanding era ahead.



*That Intangible Quality
of Service*

OF WHAT IS AMERICAN AIRLINES SYSTEM COMPRISED?

American Airlines System is comprised of American Airlines, Inc., and four partially or wholly-owned subsidiary companies.

AMERICAN AIRLINES de MEXICO, S. A.

This company is organized under the laws of Mexico to furnish American Airlines, Inc., through its 280 employees and facilities, all ground services for the conduct of its business with the Republic of Mexico.



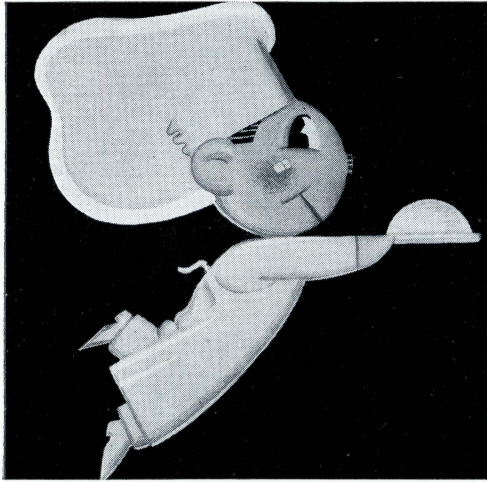
American Service is Now Worldwide

AMERICAN OVERSEAS AIRLINES, INC.

This company became a part of American Airlines in 1945 when, following approval by the Civil Aeronautics Board, 51.4 percent of the company's stock was purchased for \$3,000,000. American Overseas Airlines is certificated to serve Denmark, Ireland, Finland, Germany, Greenland, Holland, Iceland, Labrador, Newfoundland, Norway, Poland, Russia, Sweden and the United Kingdom. American Overseas employed 2,234 persons on March 31, 1946.

SKY CHEFS, INC.

Sky Chefs was organized in 1941, to own and operate airport restaurant facilities and to provide meal service on the company's planes at certain cities. Currently, Sky Chefs has 750 employees and operates airport restaurant facilities at Baltimore, Buffalo, Burbank,



*Tasty Foods by Our
"Flying Chef"*

Cincinnati, El Paso, Fort Worth, Hartford, Knoxville, Little Rock, Louisville, Nashville, Oklahoma City, Philadelphia, Phoenix, Tucson and Tulsa.

AIRBORNE INSTRUMENTS LABORATORY, INC.

This company originated during the war, under the sponsorship of the Office of Scientific Research and Development and direction of Columbia University, as a research agency for the U. S. Navy. The primary activity of its 182 employees is the development of improved radio navigation facilities, particularly in the application of radar to aerial navigation. American organized the present corporation in 1945, to insure no lapse in the valuable research it was

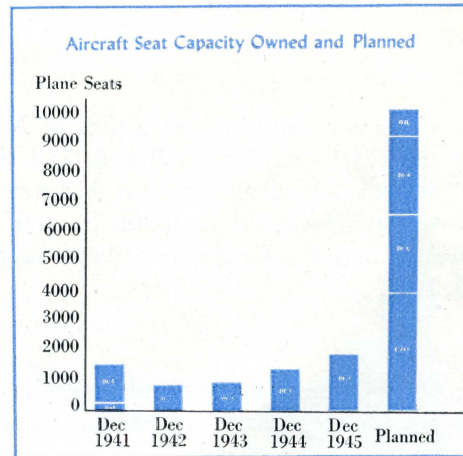
doing. It is planned that participation in its ownership and management will be offered to the other U. S. airlines.

SIGNIFICANT EVENTS OF 1945 AND EARLY 1946 WERE:

THE NEW EQUIPMENT PROGRAM

The government continued in 1945 to return DC-3 type airplanes which were requisitioned during the war for military services. Starting from 67 airplanes on the first of the year, the fleet was built up to a total of 93 DC-3 airplanes, 88 of which were in commercial operation in December. This compares with a prewar peak of 84 Douglas airplanes and a wartime low of 43.

We have demonstrated our confidence in the future of air transportation, and our confidence in YOUR ability to make that future come true, by providing for the acquisition by American Air-



lines of the largest and most effective fleet of transport aircraft ever to be acquired by a single air transport organization:

<i>Number</i>	<i>Type</i>	<i>Seats</i>	<i>Cost</i>	<i>Delivery</i>
50	Douglas DC-4	50	\$17,000,000	1946
50	Douglas DC-6	52-58	28,000,000	1946-47
100	Consolidated 240	40	22,000,000	1947
20	Republic Rainbow	44	23,000,000	1948
<hr/> 220			<hr/> \$90,000,000	

When you add spare parts and equipment to this total, we are betting \$100,000,000 on the ability of the organization of American. That's a big bet and you share with us the responsibility of making sure that it is a good bet.

Seating capacity of these 220 airplanes will be about five times present seating capacity of all our DC-3 airplanes. When you take into consideration the increased speed of the new airplanes we will soon have a plant capable of turning out EIGHT TIMES as much air transportation as can be produced by our present twin-engined fleet.

Technical advances in aviation during the war have been greatly accelerated. Radar, thermal wing de-icing, jet propulsion, developments in aerodynamics, and increased power plant efficiencies all foreshadow revolutionary changes in the art of commercial flying.

American will not lag behind in an orderly adoption and adaption of these more effective devices.



*It Takes a Lot of People to Fill
a Four-Engine Flagship*

Planned capital expenditures for 1946, 1947, and 1948 are more than \$100,000,000. In February 1946, the company borrowed \$25,000,000 from 54 banks in order to obtain temporary funds for commitments; toward meeting the requirements for permanent financing, it is proposed to secure approximately \$80,000,000 during 1946 through the sale of debentures and convertible Preferred Stock. Out of the proceeds of this loan, we intend to pay the \$25,000,000 loan referred to above.

THE CONTINUED HIGH TRAFFIC DEMAND



*Airfreight is an Increasing
Proportion of the Business*

High load factors, high utilization of equipment and the increase in airplanes enabled a marked increase in traffic carried. Passenger miles flown increased from 572,000,000 in 1944 to 801,000,000 in 1945, an increase of 40 percent. With the average passenger and his baggage weighing approximately 200 pounds, passenger traffic was approximately 30,000,000 ton miles. Air express and freight increased from 5,400,000 in 1944 to 7,900,000 ton miles in 1945, and air mail increased from the previous high of 11,200,000 ton miles in 1944 to 13,300,000 in 1945. Passengers constituted 79 percent of the ton miles flown, express and freight comprised 8 percent and mail 13 percent of the total.

Priorities were discontinued but despite increased schedules and capacity, demand continued to be far in excess of available space. The percent of available capacity utilized continued at the high wartime level.

Passengers will continue to be our primary source of revenue for some time to come but steps are being taken today which will result in a large increase in mail and cargo traffic. The Airfreight service which American inaugurated in 1944 continues to expand. This service was another American first. Steps are now being taken to reduce rates even further. In 1945, in cooperation with shippers and Consolidated Vultee Aircraft Corporation, we participated in experiments of carrying perishable fruits and vegetables by air and also in carriage of freight in plane load lots under individual contract to shippers. The experiments were successful and we expect to expand our operations as soon as equipment is available.

The Post Office Department has recommended to Congress that a 5 cent postage rate for airmail be established, a reduction of 3 cents from the present 8 cent rate. The Post Office Department is also studying the possibilities of the carriage of all long-haul mail by air at no additional charge over surface rates.

A LOWERED PROFIT

Each year we have to take in more dollars of income in order to earn a dollar of profit—and that trend will continue in 1946 and in 1947.

In 1944, we took in a total of \$39,000,000, and made a profit of \$5,396,163 before setting aside a reserve of \$1,000,000 for reconversion costs. Last year, 1945, we took in a total of \$47,000,000, but our profit was reduced to \$4,339,458.

Last year, in the first quarter of 1945, we made money. This year, in the first quarter, and with substantially increased revenues, we lost a considerable sum of money.

Each year the margin of profit is growing thinner—and we have to work harder and take in more dollars in order to show earnings—and 1946 will be the thinnest margin to date. We must watch the nickels and dimes this year.

Common Stock dividend No. 6 of \$1.00 per share was paid December 22, 1945 on 1,290,495 shares of record. The remainder, approximately \$3,000,000, was reinvested in the business.

Due to rate reductions revenues per airplane mile flown decreased from 113 cents per mile flown in 1944 to 99 cents in 1945, a reduction of 14 cents. Operating expenses per mile flown decreased from 86.2 cents per mile to 81.9 cents per mile, a reduction of only 4.3 cents. This reduction in per mile expenses was the result largely of spreading over-head expenses over a larger volume of operations.

Certain specific elements of costs increased greatly during 1945. Substantial wage and salary increases were made; further increases became effective early in 1946. The reduction of the work week to 40 hours on January 1, 1946 and payments for shift differentials resulted in a considerable increase in “per hour” compensation and a large percentage increase in total salary and wage costs in this twenty-four hour-per-day, seven day-per-week business. At present, increased expenditures are being encountered, arising from reconversion costs and from expenses incurred in preparation for the domestic expansion program. At the same time, we are not yet receiving much benefit from increased revenues from the fleet of four-engine aircraft to be put into service. Operating expenses in January and February had risen to 91.1 cents and 105.9 cents per mile respectively from the average of 81.9 cents in 1945. As a result, it is anticipated that the results of operations for the first quarter of 1946 will be substantially less favorable than for the comparable period of 1945, and that operations for the



*Proper Maintenance
is Essential*

AMERICAN AIRLINES SYSTEM



ROUTE
CANADA • DENVER
NETHERLANDS •



early months of 1946 will result in loss. The trend for 1946 indicates a materially increased volume of business but at a much lower margin of profit.

It will be essential to cut costs by increased efficiency in 1946 to prevent a serious reduction in earnings. With an increase in equipment, the percent of available space occupied will have a tendency to fall. Present fares are so low in relation to cost of operations that the DC-3 airplane will lose money with average loads only slightly less than at present.

REDUCTION IN RATES

Mail rates were lowered, effective January 1, 1945, from 60 cents to 45 cents per ton mile. On August 15, 1945, passenger fares were reduced over the system, to 4.5 cents per passenger mile. Express and freight rates, have now been lowered.

These rate reductions have important effect. Air rates are now approximately the same or lower than first class rail rates plus Pullman. Including cost of meals, air travel is considerably cheaper than first class rail plus Pullman, and we are now in a position to sell air transportation on a relative cost basis.

WAR ACTIVITIES

Transatlantic military operations were discontinued in December, 1945, after 9,440 transatlantic crossings. Other military transport operations were discontinued as of March, 1946. As in other years all war contracts were performed at cost, without fee or profit. In all war activities, in the military services as well as in civilian duties, the record of the participation of American men and women from American is known and will constitute a memorable page in the history of the organization.

To the eighty-five members of our organization who gave their lives in the war or who are reported missing in action, we offer tribute and to the members of their families we extend our deepest sympathy.

EXPANSION

The Civil Aeronautics Board approved our purchase of stock control of American Export Airlines, Inc., and the issue to that company of certificates for operation to important countries in northern Europe. Integration of that company into the American Airlines System was commenced and the name was changed to American Overseas Airlines, Inc. The first commercial land plane service to Europe was inaugurated with converted Douglas DC-4 airplanes.

In September the company signed a contract, subject to Civil Aeronautics Board approval, for the purchase of not less than 50.75 percent of the Common Stock of Mid-Continent Airlines, representing a controlling interest. If approved by the Civil Aeronautics

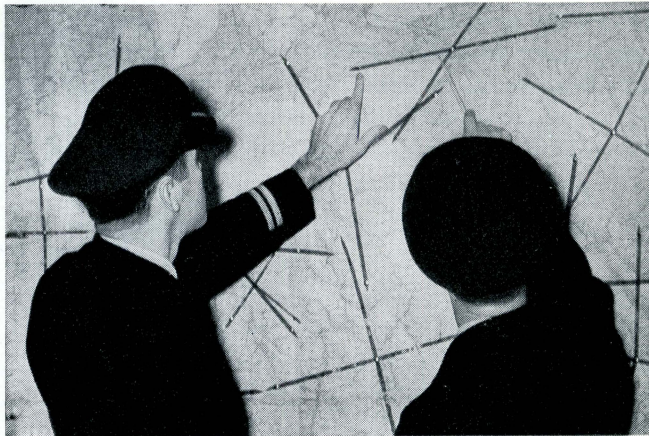
Board, this will bring to the American Airlines System such important cities as New Orleans, Shreveport, Kansas City, Des Moines, Omaha, Minneapolis and St. Paul, and through schedules will be operated to these cities from cities on American's present system. Hearings were held before a Board examiner in January 1946, but the case has not been decided. The Examiner's report recommends against approval but that is not conclusive and the case will be pressed before the Civil Aeronautics Board.

With the war ended, American personnel in the services began to return and plans for reconversion to peacetime operations were activated. The former Douglas Aircraft Modification Center at Tulsa, Oklahoma was acquired, to make possible the expansion of overhaul and maintenance facilities, and American purchased a 12-story building for regional offices in Tulsa. Plans were completed to take over the Ardmore, Oklahoma Army Air Base comprised of 2,200 acres with airport and building for the purpose of centralizing flight training activities. It is expected that this plant will have capacity for over 200 trainees monthly. Throughout all departments in the company plans are being formulated to provide for the expected increase in volume of business.

In 1940 the organization was comprised of 4,017 persons; by December, 1945, it had grown to 11,450. Of the 2,206 personnel who had gone on leave of absence with the armed forces, 989 had returned by April 1, 1946. In addition, 3,474 other ex-servicemen had joined the company by that time. Eighty percent of male persons joining the company during March, 1946 were ex-servicemen, while sixty percent of all male employees were former members of the armed services. We are glad to welcome them as part of the American team.

SUGGESTION SYSTEM

The best suggestions about improvement of service and efficiency come from those who are best acquainted with the requirements of the business. You are those who know most about our business and you have been of great aid in sending in your suggestions. More than 10,000 individual ideas have been considered and more than 1,000 have been adopted. Cash awards to date have amounted to \$23,000.



A Carefully Planned Operation

EMPLOYEES' STOCK

None of the Employees' Stock has been issued or sold and we cannot now predict when this stock will become available. The company is interested in aiding the employees to acquire stock but until the policy of the Federal tax agencies with respect to taxes on the ownership and sale of stock of this kind is more firmly established it is, in our opinion, in your best interest that the stock not be issued and sold.

AWARDS

Distinguished service merits distinguished awards and based upon such service the following awards were made—Distinguished Service Award: Capt. John H. Catchings, Capt. Ernest K. Gann, Capt. Morris M. McGuire, Capt. Sheldon E. Pangburn, Capt. John L. Thomas, Capt. Andrew M. Wynne, Jr., Millard H. Tetterton, Capt. Louis W. Yager, Engineering Pilot John F. Davidson, First Officer Edwin C. Watkins (deceased); Award of Merit: Capt. Walter G. Hughen, Clinton A. Schofield.

You participated in the decision which resulted in these awards for the reason that the Distinguished Service Awards Board relies upon recommendations from personnel of the company for outstanding accomplishments which merit consideration for awards.

THE PROBLEMS WE FACE

The problems ahead are numerous and complex.

Safety must have first consideration, always. This is a day-in day-out problem, forever with us. Only through the individual efforts of every member of the organization can we successfully meet the problem.

We are faced with all the problems of rapid expansion. Our organization must be expanded and streamlined with efficiency in handling a large volume of traffic as a primary goal. At the same time, we must regain that intangible quality of service which has made American the world's leader in air transportation. This will require a large training program both in organized classes and in "on the job" training and every person will



Training for the Future

have to realize his responsibility to himself and to the public to improve his work as much as is possible. In many instances, promotion will of necessity be rapid and all of us will have to work hard to keep abreast of the developments. The immediate expansion requirements will be greater than the capacity of many of our facilities. With the present shortage of construction equipment, materials and labor, we will be delayed in putting in new facilities which are absolutely necessary. In the meantime, we will have to do the best we can.

And last but not least, we face the problem of competition in greater force than this organization has known before. Many new routes have been certificated to other carriers which directly or indirectly parallel our routes. Surface carriers recognize the possible infringement of air on their present traffic and are gearing themselves for improved, low cost service.

American's leadership and the progress of the industry will depend upon all of us, upon our courtesy, thoughtfulness, open-mindedness, and readiness to serve the public first.

American is taking the lead in equipment purchases and capacity is being greatly expanded. Today it seems that the demand is insatiable, but tomorrow we will have a tremendous job in filling that capacity. Again we will have to develop and create traffic and keep that which we develop. There is exceptional opportunity for career and advancement in the industry, but that opportunity will be conditioned by our ability to produce economically and sell air transportation. Personnel of American have set high standards for conduct and performance. It has made this organization the acclaimed leader in the field. Much will be expected in the future.



President



Chairman of the Board

AMERICAN AIRLINES SYSTEM CITIES AUTHORIZED FOR SERVICE

UNITED STATES

Abilene
Akron
Albany
Ann Arbor
Baltimore
Battle Creek
Big Spring
Binghamton
Boston
Bridgeport
Bristol
Buffalo
Charleston-Dunbar
Chicago
Cincinnati
Clarksburg
Cleveland
Columbus
Corning
Dallas
Dayton
Detroit
Douglas

El Paso
Elkins
Elmira
Erie
Fort Worth
Hartford
Huntington
Indianapolis
Jackson
Joplin
Kalamazoo
Knoxville
Little Rock
Los Angeles
Louisville
Lynchburg
Memphis
Nashville
Newark
New Haven
New York
Niagara Falls

Oklahoma City
Parkersburg
Peoria
Philadelphia
Phoenix
Providence
Roanoke
Rochester
St. Louis
San Antonio
San Diego
Scranton-Wilkes Barre
South Bend
Springfield, Ill.
Springfield, Mass.
Springfield, Mo.
Syracuse
Texarkana
Tucson
Tulsa
Utica
Washington

CANADA

Toronto
Windsor

MEXICO

Mexico City
Monterrey

DENMARK

Copenhagen

EIRE

Shannon

FINLAND

Helsinki

GERMANY

Berlin
Frankfurt

GREAT BRITAIN

Glasgow
London

GREENLAND

Blue West 1

ICELAND

Reykjavik

LABRADOR

Goose Bay

NETHERLANDS

Amsterdam

NEWFOUNDLAND

Gander

NORWAY

Oslo

POLAND

Warsaw

RUSSIA

Leningrad
Moscow

SWEDEN

Stockholm

COMPARATIVE STATISTICS OF PROGRESS

YEARS 1941-1945

	1945	1944	1943	1942	1941
Operating Revenues:					
Passenger	\$37,317,430	\$29,338,231	\$23,356,327	\$21,512,980	\$20,922,773
Mail	\$ 5,981,051	6,685,282	4,886,389	3,266,825	4,269,881
Express	\$ 2,417,105	2,483,246	2,580,562	1,720,036	756,116
Freight	\$ 967,468	46,676	—	—	—
Other	\$ 732,946	690,577	628,152	482,173	350,008
Total	\$47,416,000	39,244,012	31,451,430	26,982,014	26,298,778
Expenses, Federal Income Taxes and Reserves¹	\$43,076,542	34,847,849²	28,258,461²	23,130,300³	23,825,617
Net Profit Carried to Surplus	\$ 4,339,458	4,396,163	3,192,969	3,851,714 ³	2,473,161
Dividends on Preferred Stock	\$ —	159,380	212,507	212,507	212,507
Dividends on Common Stock	\$ 1,290,495	1,271,896	862,272	862,272	862,272
Total Dividends to Stockholders	\$ 1,290,495	1,431,276	1,074,779	1,074,779	1,074,779
Net Income Retained in the Business	\$ 3,048,963	2,964,887	2,118,190	2,776,935	1,398,382
Current Assets	\$30,420,420	32,187,698	27,959,118	21,845,308	16,236,986
Current Liabilities	\$16,536,268	13,120,576	11,418,980	9,771,779	8,567,767
Net Working Capital	\$13,884,152	19,067,122	16,540,138	12,073,529	7,669,219
Aircraft, Ground and Other Equipment (depreciated value)	\$ 9,689,548	5,385,731	4,270,605	5,216,380	6,875,487
Total Assets	\$45,857,823	39,259,256	33,476,517	27,991,392	23,968,411
Paid-in Surplus	\$ 6,267,434	5,855,878	1,942,682	1,942,682	1,942,682
Earned Surplus	\$13,422,303	10,376,858	7,411,971	5,293,781	5,216,845
Total Surplus	\$19,689,737	16,232,736	9,354,653	7,236,463	4,459,527
Preferred Stock Outstanding	\$ —	549,474	5,100,000	5,100,000	5,100,000
Common Stock Outstanding	\$ 6,452,838	6,385,811	5,748,480	5,748,480	5,748,480
Net Worth	\$26,142,575	23,168,021	20,203,133	18,084,943	15,308,007
Commercial Airplanes (at end of year)	117 ⁵	67	47	43	79
Expenses per Revenue Mile Flown (Exclusive of Federal Income Taxes and Reserves):					
Expenses, before Provision for Depreciation, Obsolescence and Interest ¹	77.9¢	82.7¢	82.6¢	71.3¢	61.8¢
Provision for Depreciation and Obsolescence	4.0¢	3.5¢	4.6¢	6.2¢	8.1¢
Interest	—	—	—	—	.2¢
Total	81.9¢	86.2¢	87.2¢	77.5¢	70.1¢
Revenue Miles Flown	47,988,164	34,581,949	26,397,687	27,828,321	32,098,663
Passengers per Revenue Mile Flown with Passengers	17.6	17.6	16.8	14.6	12.8
Passenger Seat Miles Flown	891,243,514	636,211,268	494,320,807	542,385,606	590,172,096
Revenue Passenger Miles	801,219,311	572,094,112	435,913,741	402,298,900	409,400,652
Passenger Load Factor	89.9%	89.9%	88.2%	74.2%	69.4%
Air Mail Ton Miles	13,326,023	11,166,384	8,145,462	4,546,184	2,935,789
Air Express-Freight Ton Miles	7,903,845	5,389,226	4,882,115	2,992,486	1,359,267
Average Revenue Load per Plane, per Mile (pounds):					
Passenger ⁴	3,339	3,309	3,303	2,920	2,560
Mail	555	646	617	326	176
Express-Freight	329	311	370	215	84
Total	4,223	4,266	4,290	3,461	2,820

¹ Includes net of Other Income and Deductions.

² Includes provision of \$1,000,000 in 1944 and \$1,750,000 in 1943 for transition to peace time operation.

³ Net profit for 1942 includes (and Expenses have been reduced by) \$834,846, net after applicable Federal taxes, realized from the sale of flight equipment at the direction of the United States Government.

⁴ Each passenger's weight, including baggage, estimated at 200 pounds.

⁵ On hand 65 DC3's owned, 24 DC3's leased, and 28 C54's which the company intends to purchase and were being modified at that date. Does not include aircraft for training or experimental purposes.

THIS IS WHAT WE OWNED DECEMBER 31, 1945

TOTAL ASSETS

Cash—for day-to-day expenses and largely on deposit with banks.....		\$11,993,858
Money invested in bonds and notes of U. S. and Canadian Governments.....		7,417,378
Money owed to American by U. S. Government for work performed at cost under war contracts and for the carriage of mail and government employees.....		5,319,064
Money owed to American by Travel Cardholders, other airlines, etc.....		3,792,198
Miscellaneous repair parts and supplies in our shops and store rooms.....		897,922
Investment in and advances to American Overseas Airlines, Inc.....		4,000,000
Investment in Sky Chefs, Inc.		500,000
Investment in Airborne Instruments Laboratory, Inc.....		151,000
Cash deposits for acquisition of aircraft and other miscellaneous investments and deposits....		1,123,558
Money paid in advance for rents, insurance and other items for future use.....		951,977
Aircraft, land, buildings, equipment, furniture and other property used in our business	\$20,509,886	
Less provision for obsolescence and depreciation.....	10,799,018	9,710,868
Total of what we owned.....		<u>\$45,857,823</u>

THIS IS WHAT WE OWED DECEMBER 31, 1945

TOTAL LIABILITIES

Owed for materials and miscellaneous items not yet paid for.....	\$ 4,906,074
Owed to Air Travel Plan subscribers.....	4,277,198
Owed for taxes—largely to U. S. Government.....	4,317,760
Owed to other airline companies for interline traffic settlements.....	2,416,542
Owed to employees for salaries and wages.....	618,694
Payments in advance on transportation not yet performed.....	428,980
Reserve established to be available for expenses involving the transition from the wartime contract operation to a peacetime air transport era.....	2,750,000
Total of what we owed.....	<u>\$19,715,248</u>

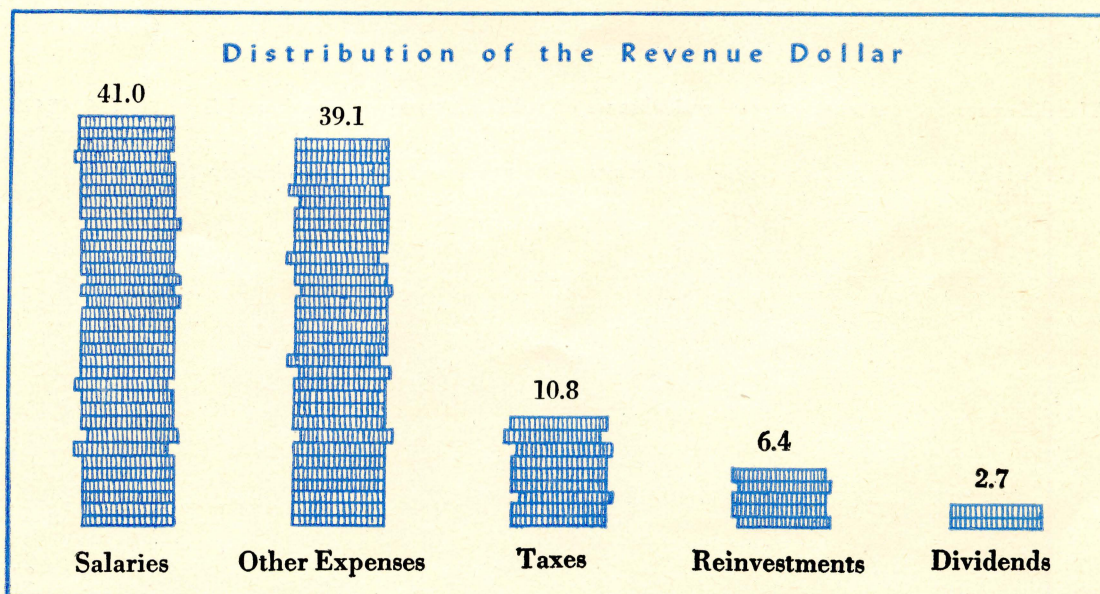
THIS IS WHAT WE WERE WORTH DECEMBER 31, 1945

The difference between what we owed and what we owned is what we were worth, and is..... \$26,142,575

(This is evidenced by 1,290,567 shares of common stock belonging to approximately 17,700 owners.)

SUMMARY OF INCOME AND EXPENSES FOR 1945

Received for commercial services:	
From transportation of passengers.....	\$37,317,430
From United States Government for carriage of Mail.....	5,981,051
From transportation of Express.....	2,417,105
From transportation of Airfreight.....	967,468
From miscellaneous services.....	732,946
Giving a total income of.....	<u>\$47,416,000</u>
 Less expenses necessary to operate the business:	
Gasoline and oil for airplanes.....	\$ 3,319,390
Materials and outside repairs to airplanes and facilities.....	2,540,199
Travel, transfer and away from base expense of employees.....	1,575,897
Passenger meals, supplies and services.....	1,724,241
Advertising and public relations.....	1,383,166
Charges for depreciation of equipment and facilities.....	1,925,182
Other goods and services including rent, insurance and telephones.....	6,058,805
Federal and State taxes—gasoline, income, social security, property, etc.....	5,122,842
Giving a total of.....	<u>\$23,649,722</u>
This left available for employees and owners.....	\$23,766,278
Which was distributed as follows:	
Wages and salaries.....	\$19,426,820
Dividends to stockholders for the use of their money.....	1,290,495 20,717,315
Balance, which has been re-invested in the business, to aid in paying for the aircraft, hangars, equipment and facilities required for the re-equipping program of the company.....	<u>\$ 3,048,963</u>





Service Fit for a "King"

AMERICAN AIRLINES, Inc.

DIRECTORS

HAROLD T. AMES
HARRY E. BENEDICT
JAMES BRUCE
EDWARD H. BUTLER
AMON G. CARTER

RALPH S. DAMON
SILLIMAN EVANS
JOHN W. FARLEY
THOMAS STEVENS HAMMOND
CHANDLER HOVEY

A. N. KEMP
WALTER SCOTT McLUCAS
O. M. MOSIER
EDGAR MONSANTO QUEENY
C. R. SMITH

OFFICERS

C. R. SMITH,
Chairman of the Board

RALPH S. DAMON,
President

VICE-PRESIDENTS

AMOS CULBERT
R. E. S. DEICHLER
TERRELL C. DRINKWATER
L. G. FRITZ

WILLIAM LITTLEWOOD
O. M. MOSIER
CHARLES A. RHEINSTROM
REX W. D. SMITH, JR.

P. P. WILLIS

TREASURER

H. K. RULISON

SECRETARY

C. W. JACOB

WILLIS G. LIPSCOMB, Assistant Vice President
W. H. MILLER, Assistant Vice President
CARLENE ROBERTS, Assistant Vice President
P. G. LARIE, Comptroller and Assistant Treasurer
C. H. KIBBEE, Assistant Treasurer
V. J. LONG, Assistant Secretary and Assistant Treasurer
A. R. BONE, Regional Vice President
W. NELSON BUMP, Regional Vice President
L. W. KING, Regional Vice President
M. D. MILLER, Regional Vice President
C. R. SPEERS, JR., Regional Vice President