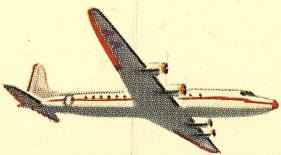


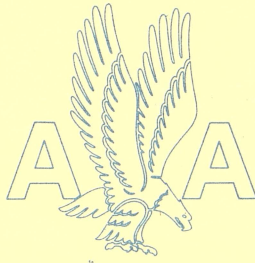
*Symbol of
Service*



Annual Report

YEAR ENDED DECEMBER 31, 1950

America's Leading Airline **AMERICAN AIRLINES, INC.**

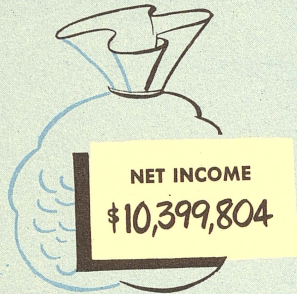


Annual Report

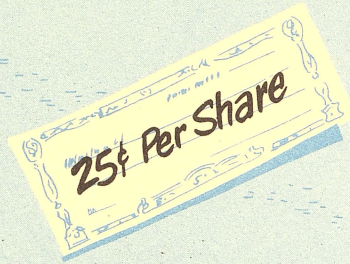
YEAR ENDED DECEMBER 31, 1950



HIGHLIGHTS OF 1950



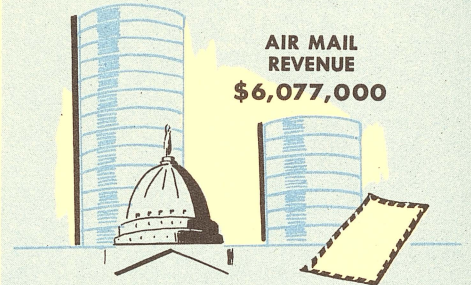
1950 net income was \$10,399,804 after taxes. Earnings were \$1.39 per common share after payment of preferred stock dividends.



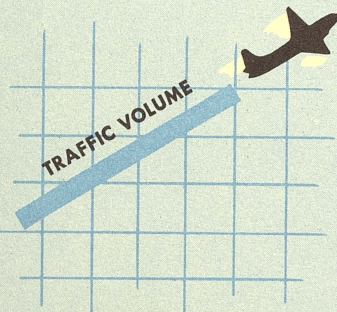
A dividend of 25¢ per share was paid on the common stock.

TAXES
\$11,400,000

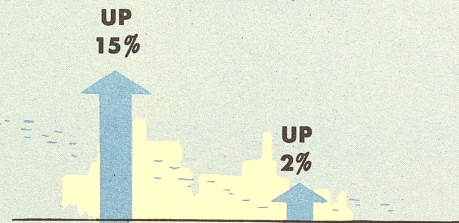
AIR MAIL
REVENUE
\$6,077,000



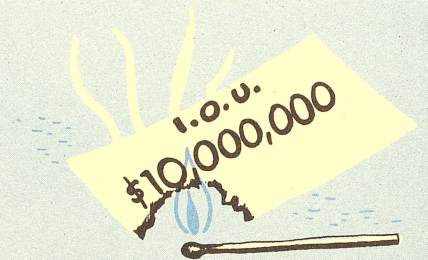
Federal taxes on income were \$11,400,000, almost twice the \$6,077,000 received from the government in mail pay.



Traffic volume was highest in the history of the Company.



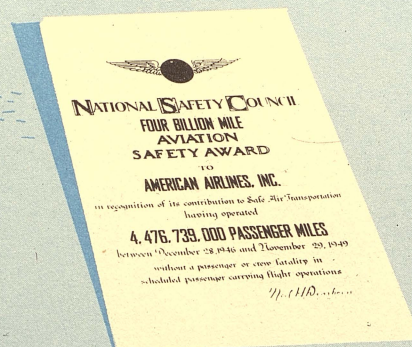
Revenue increased 15% while operating expenses, exclusive of Federal taxes on income, increased only 2%. Operating expense per revenue ton mile was 11% lower than in 1949.



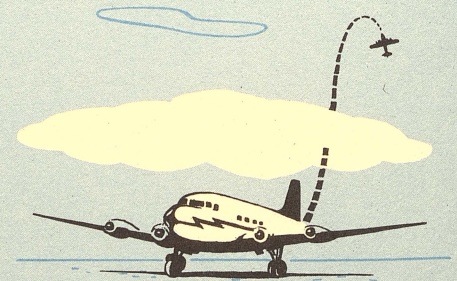
During the two years 1949 and 1950, long term debt has been reduced from \$40,000,000 to \$30,000,000.



Five new 2-engine Convairs were purchased and delivered and orders were placed for seventeen 4-engine DC-6B's for 1951 delivery. Cost of the twenty-two new planes with parts will total about \$22,500,000.



The Company enjoyed a perfect safety record in 1950, while operating 1.8 billion passenger miles.



New navigation and landing aids have contributed much to the quality and dependability of the service.

AMERICAN AIRLINES, INC.

Facts in Brief-

	<u>1950</u>	<u>1949</u>
WE RECEIVED FROM CUSTOMERS	\$118,685,000	\$103,206,000
WE SPENT OR SET ASIDE FUNDS FOR:		
Wages, Salaries and Related Expenses	\$ 46,827,000	\$ 46,694,000
Gasoline and Oil (Including Tax)	15,277,000	14,959,000
Materials and Services Bought from Others	7,071,000	6,442,000
Physical Wear and Obsolescence of Facilities	10,792,000	10,383,000
Federal Taxes on Income	11,400,000	1,800,000
Other Expenses	<u>16,918,000</u>	<u>15,783,000</u>
Total	<u>\$108,285,000</u>	<u>\$ 96,061,000</u>
Net Income	<u>\$ 10,400,000</u>	<u>\$ 7,145,000</u>
Preferred Stock Dividends	\$ 1,400,000	\$ 1,400,000
Common Stock Dividends	\$ 1,613,000	\$ ---
Retained in the Business	\$ 7,387,000	\$ 5,745,000
Net Income Per Share of Common Stock	\$1.39	\$.89
Number of Passengers	3,530,000	3,264,000
Number of Passenger Miles	1,808,000,000	1,569,000,000
Mail Ton Miles	10,262,000	9,058,000
Air Cargo Ton Miles (Express and Freight)	44,182,000	38,606,000



Flight Deck DC-6 Flagship. Highly trained flight crews plus the latest in aeronautical engineering achievement are two important reasons why American Airlines is America's Leading Airline.

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REPORT TO STOCKHOLDERS . . .



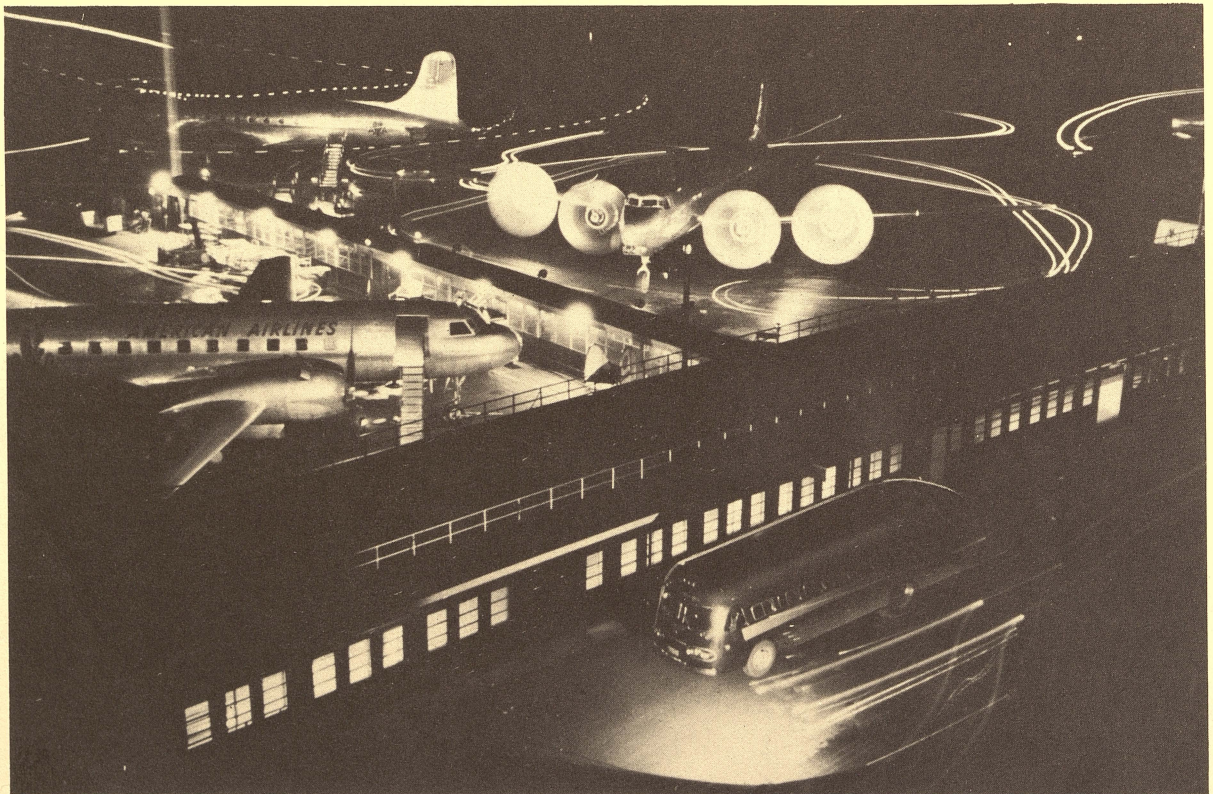
Profits and Dividends

Revenues were the highest in the history of the Company, totalling \$118,685,000. After providing for all expenses, including loss of \$923,000 on liquidation of the Company's investment in American Overseas Airlines, and after provision for Federal taxes on income of \$11,400,000, the net income was \$10,399,804. After payment of dividends on the preferred stock, the earnings were \$1.39 per share of common stock.

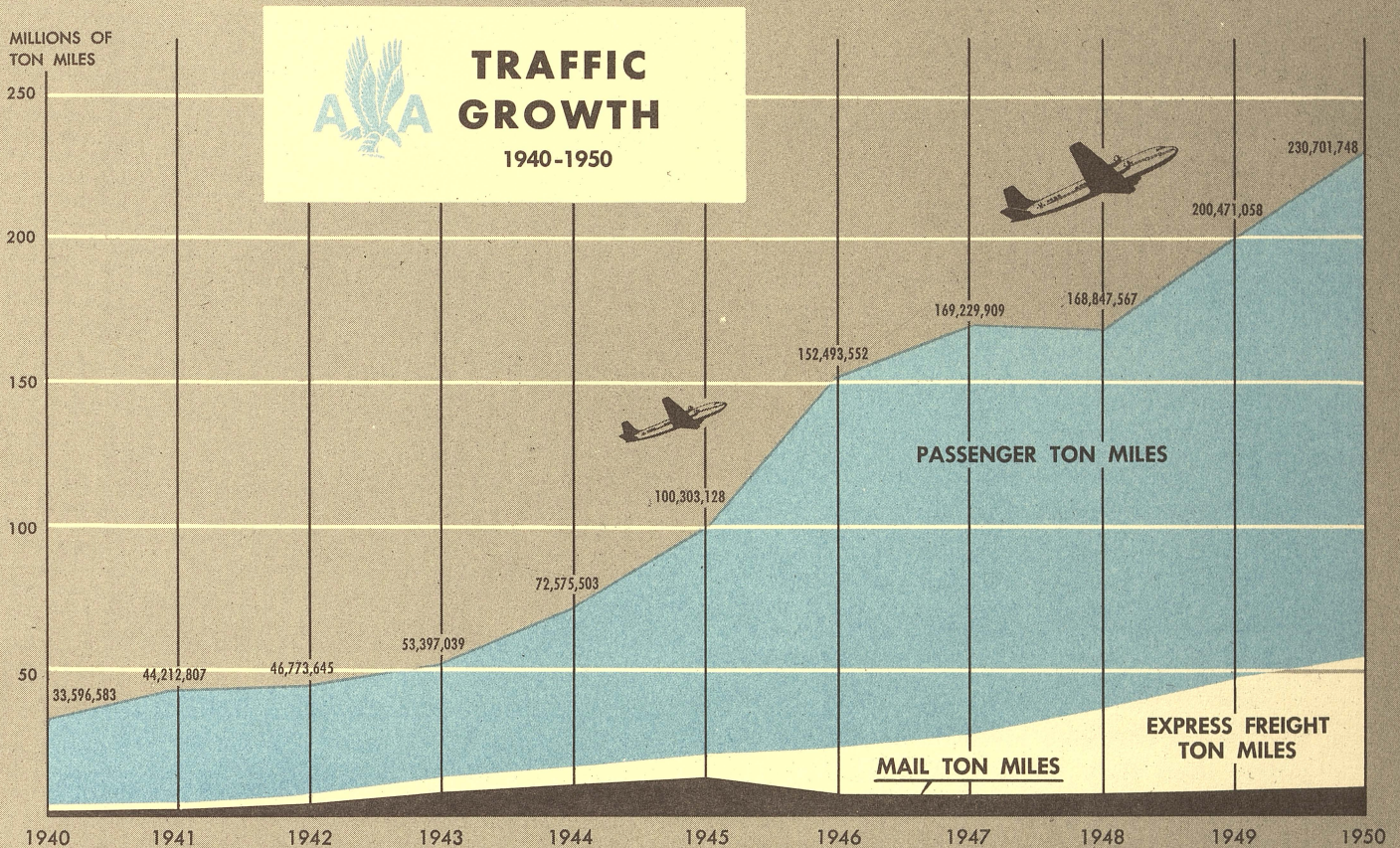
For the previous year 1949, with revenues of \$103,206,000, the net income was \$7,144,570 or 89¢ per common share (including \$633,000 reimbursement for grounding costs incurred in prior years). The improvement in earnings is attributable to the increase of more than \$15,000,000 in revenue without comparable increase in expenses. The increase in operating expenses was \$1,700,000, exclusive of Federal taxes on income.

We had heavy losses in the postwar years 1946, 1947 and 1948. The years 1949 and 1950 were considerably better, but we will need several more profitable years before the earnings for the period are in keeping with reasonable return on investment.

During 1950, the Company paid preferred stock dividends of \$1,400,000, or \$3.50 per share, and common stock dividends of \$1,613,208, or 25¢ per share.



This picture of La Guardia Field is typical of the day and night activity at the major airports served by American Airlines.



Growth of Traffic and Revenue

American continued its growth in 1950. Total ton miles of traffic transported were 230,702,000, compared with 200,471,000 in 1949. Passenger miles totalled 1.81 billion compared with 1.57 billion in 1949.

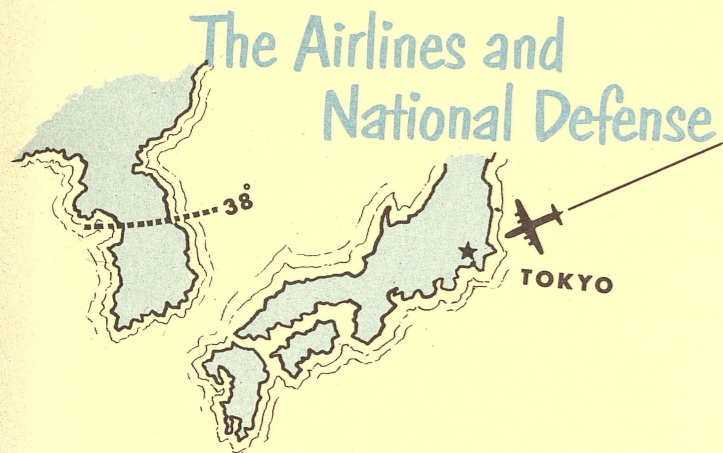
In 1940, ton miles transported totalled 33,600,000. Traffic volume has grown almost seven-fold in the ten years since 1940.

Passenger traffic in 1950 increased 15% over that for 1949, mail increased 13%, and cargo increased 14%.

Some of our freight planes were as-

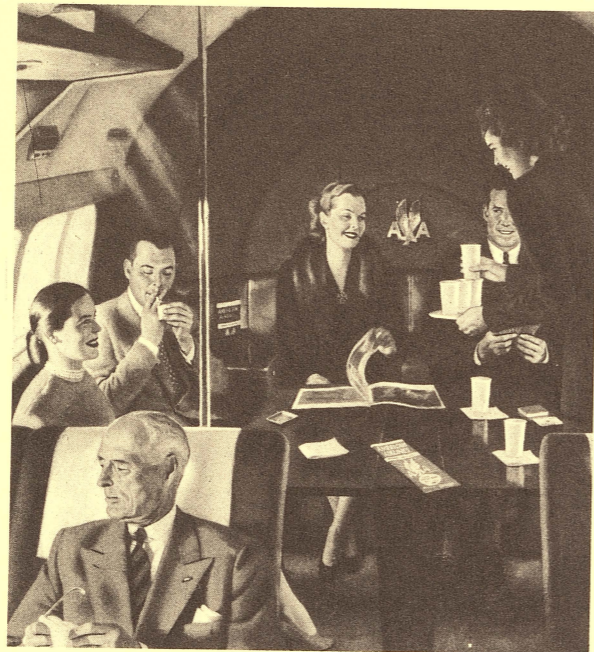
signed to the Korean airlift and continue to operate there. Because these planes were not available for commercial use, the growth in cargo traffic was less than it otherwise would have been. An eleven day strike of maintenance personnel in March 1950 also reduced all business during that month.

Passenger revenues of \$100,755,000 comprised 85% of the total. Freight and express revenues were almost \$10,000,000, or about 8½%, while mail revenue of \$6,077,000 accounted for only 5% of the total.



In July the Military Air Transport Service requested the aid of the airlines to transport materiel and personnel to the Far East. The transport plane is often the deciding factor in support of a critical battle or campaign.

The airlines are in a much better position to aid National Defense in this emergency than they were in World War II. Domestic trunk lines flew an estimated 11,331,786,000 seat miles in 1950 versus 2,341,877,000 in 1941. Many new planes will be delivered in 1951. In addition, if the demand requires it, each plane can be used more hours per day, thus further increasing capacity.



THE NEW DC-6B's

Even larger than the DC-6, with a 3,500 mile cruising range, the DC-6B's have a speed reserve that means even greater schedule dependability. Again American sets the pace in air transportation.

Planes

The Company operates 49 four-engine Douglas DC-6 planes, 79 two-engine Convairs, and 13 DC-4 Airfreighters, a total of 141 planes. During 1950, the Company purchased 5 Convairs at a total cost of about \$2,500,000.

The order for Douglas DC-6B's for delivery in 1951 was increased from 11 to 17. Deliveries start early in 1951. Total cost for the 17 DC-6B's, together with spare parts, is expected to be about \$20,000,000.

The new plane will accommodate the same number of passengers as the present DC-6, but is 5 feet longer and will accommodate about 4500 lbs. more cargo. The engines are 2400 horsepower each as compared with 2100 for the DC-6 engines. The cost per ton mile of traffic transported is expected to be somewhat less than that for the present DC-6.

The new planes to be placed in service during 1951 will permit a considerable expansion of traffic volume. The number of planes in service will increase from 141 to 158.

The planes in the entire Convair fleet are being structurally modified so as to increase their weight carrying capacity.

American is particularly fortunate in that it purchased the bulk of its postwar fleet at prices much lower than those now existing. American's cost of flight equipment owned as of December 1950 was about \$72,000,000. At current prices, this same equipment new would cost about \$135,000,000. As a result, the Company was required to borrow less money, and the annual obsolescence and depreciation expense is less than it would otherwise be.





Four Billion Mile Safety Award

During the year, American received the first 4 billion mile aviation safety award ever presented by the National Safety Council. The award covered a period from December 28, 1946 to November 29, 1949. During this extensive period the Company operated 4,476,739,000 passenger miles without a passenger or crew fatality.


NATIONAL SAFETY COUNCIL
FOUR BILLION MILE AVIATION SAFETY AWARD
 TO
AMERICAN AIRLINES, INC.

in recognition of its contribution to Safe Air Transportation
having operated

4, 476, 739, 000 PASSENGER MILES
 between December 28, 1946 and November 29, 1949
 without a passenger or crew fatality in
 scheduled passenger carrying flight operations

Med H. Hearborn
President

Improvement of Service

Improvement has taken place in the quality and dependability of the service.

The improvement in winter performance has been especially notable. During the period November 1949-February 1950, schedule dependability was over 96%. Only a few years ago this was good performance for an entire year, winter *and* summer. On several of our principal schedules there was not a single winter cancellation. Performance during the winter 1950-51 has proven even better.

Major factors in this record are the many new navigational devices now in use. VHF (Very High Frequency) radio has eliminated static in plane-ground communications. ILS (Instrument Landing Sys-

tem) gives the pilot visual reading regardless of visibility and enables him to land safely and efficiently when visibility is poor. GCA (Ground Control Approach) is a ground-operated radar that keeps track of planes permitting the sending of instructions from the ground that precisely direct the plane to the airport.

A number of additional navigational and landing devices will be installed within the near future.

There have been also many improvements in flying techniques and in those of airport traffic control. These improvements are important in the trend toward elimination of the historical seasonal decline in passenger business during the winter.



Personnel

The success of our operations depends upon the performance of members of the organization, and the quality of our route pattern and the equipment used. We have every reason to be proud of all three.

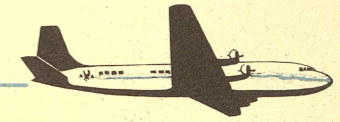
Our personnel have made excellent use of the more productive flight equipment

and facilities with which our stockholders have provided them. Standards of courtesy to our customers have remained high, and, along with well planned promotional efforts, have resulted in substantially increased patronage.

Due to our modern equipment and employee efficiency, productivity has increased each year since the end of the war. In 1950 the Company transported 20,630 revenue ton miles of traffic per employee as compared with 17,740 in 1949, and 11,470 in 1946.

The current mobilization program will place heavy additional burdens upon the Company's personnel. We have every reason to believe that they will meet the demands of this emergency in the same excellent manner as has been done in the past.

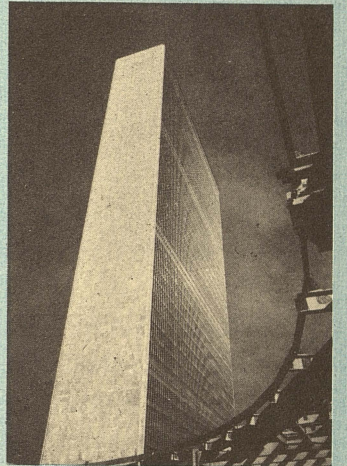
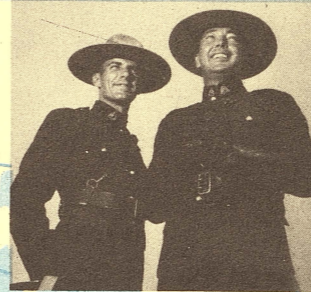
The *AMERICAN AIRLINES* System



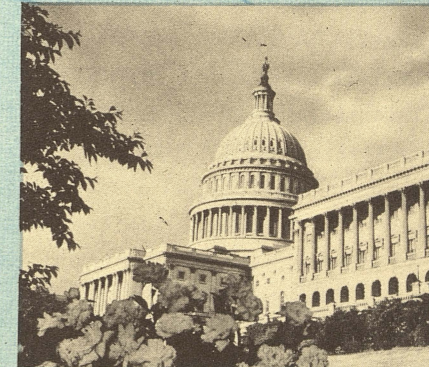
American Airlines famed transcontinental routes are one reason why more people fly American than any other airline in the world.



Only American Airlines offers direct flights to Mexico City from east, west, and central U. S. A.



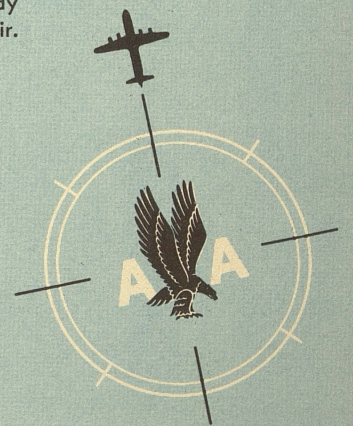
Focal point of world interest, the United Nations, New York, is served by over 200 daily Flagship flights.

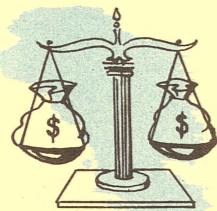


The Nation's Capital is only a half a day away from any place in the U. S. A. by air.



From the Great Lakes to the Gulf, American Airlines serves the heart of America.





Financial

The current position of the Company is strong, with net working capital of \$13,081,000 at the close of 1950. In addition, the Company has set aside \$29,000,000 to pay for equipment additions and replacements in 1951, including \$20,000,000 for 17 Douglas DC-6B 4-engine aircraft.

The sale of American Overseas Airlines was completed in 1950. The Company received \$10,747,000 in liquidation of its holding of American Overseas Airlines' stock. The loss of \$923,000 sustained is included in the income statement for 1950.

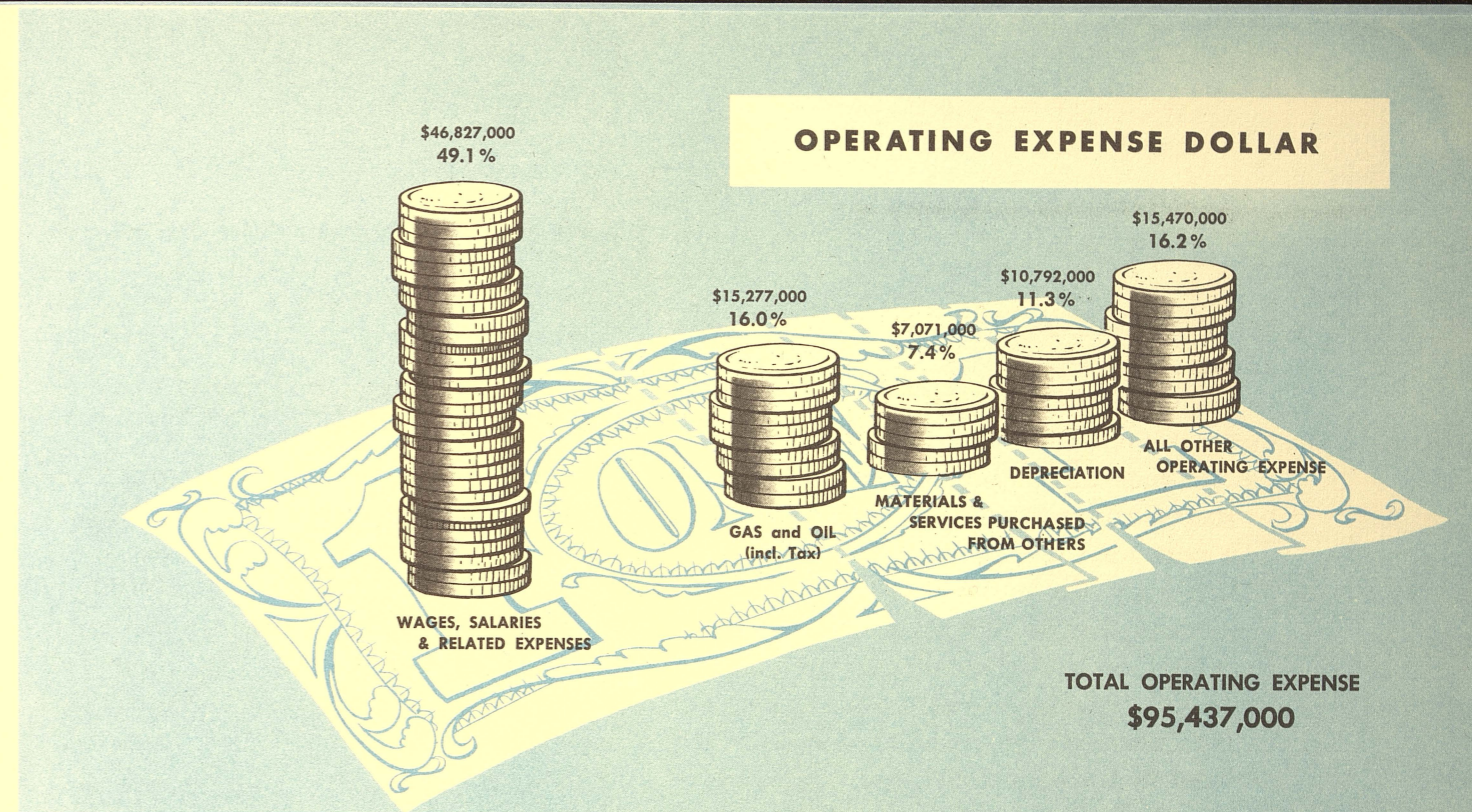
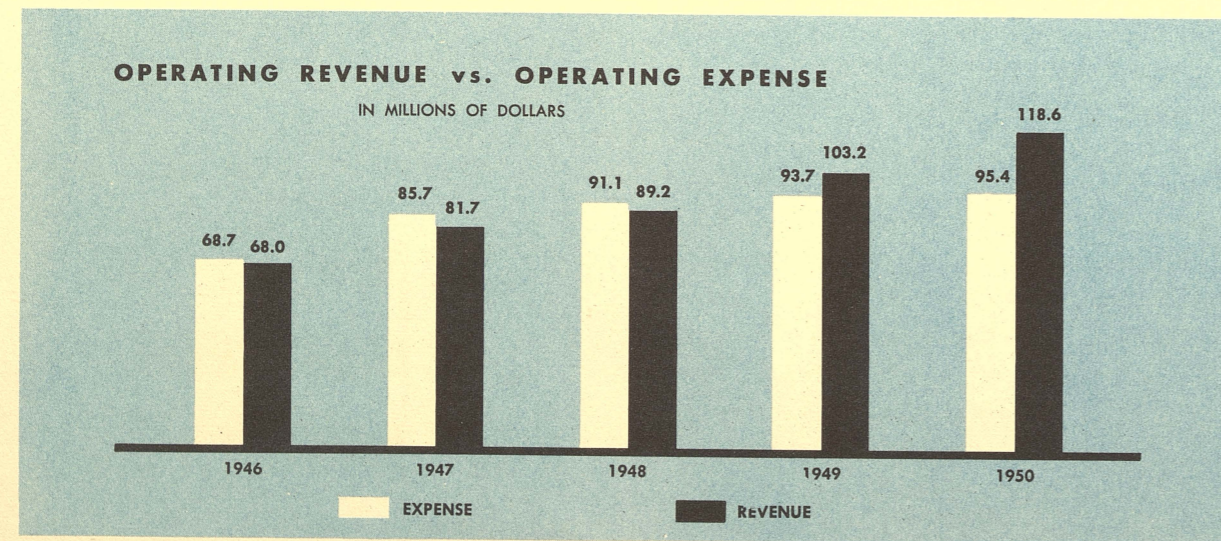
The Company purchased more of its 3% Debentures, bringing the total acquired through December 31, 1950 to \$10,000,000 principal amount, thus reducing the long term debt from \$40,000,000 to \$30,000,000. Of the total purchased, \$4,050,000 principal amount has been delivered to the trustee for use in anticipating sinking fund payments for 1951, 1952 and 1953.

Expense Trend

The favorable expense trend continued during 1950. The increase in operating expenses (exclusive of Federal taxes on income) was only 2%, or about \$1,700,000.

Although operating expenses increased, the unit cost was decreased by about 11%. The cost per revenue ton mile transported was 41.4¢ as compared with 46.7¢ in 1949. American's 1949 costs were the lowest in the airline industry and it is believed that final reports will also show this was true for 1950.

The outlook for 1951 indicates substantial increases in expenses, including wages, depreciation, and materials. The effect of this on unit cost will depend in large part on business volume and the tempo of mobilization, which, in turn, will affect the extent of demand for air service. A very heavy demand, permitting expansion with higher utilization and load factors, will tend to offset an increase in unit costs.



Rates and Fares

Notwithstanding World War II and post-war inflation, the average rates charged the public have declined during the decade. Our average revenue per ton mile of all types of traffic combined was 61.8¢ in 1940 and 51.4¢ in 1950, a decline of about 17%. On the other hand, transportation rates for other forms of transportation have increased substantially.

American's average passenger fare of 5.56¢ per passenger mile, however, is slightly higher than that for 1940, when the average was 5.10¢. But the increase is about 9% as compared with an average rail increase of about 44%. The average fare for 1950 was only slightly lower than that for 1949, even though a low fare air coach service was operated in 1950.

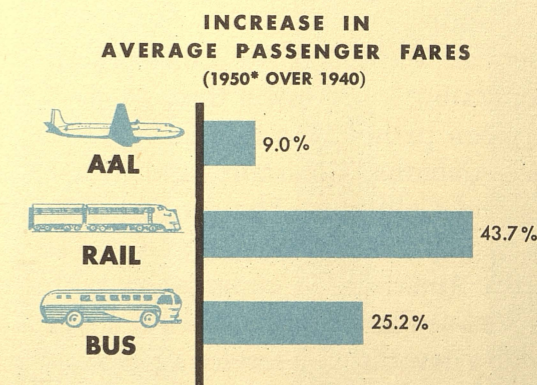
Coach service has been very successful and profitable though it constitutes only about 6% of our total passenger business.

The American Family Fare Plan continued to contribute toward the profitability of the Company by levelling off daily fluctuations in passenger traffic.

tuations in passenger traffic.

Cargo rates (freight and express) have been reduced drastically during the past ten years. The average revenue per ton mile transported in 1940 was 59.4¢ as compared with 22.4¢ in 1950, a decline of 62%. As a result, the increase in volume has been striking. The 44,000,000 ton miles transported in 1950 was 46 times that for 1940.

Partly as a result of the rate policy, airline traffic has grown substantially in the postwar period while total common carrier traffic, including all modes of transportation, has declined drastically during the same years.



*Bus data is for 1949 based on Greyhound Corporation

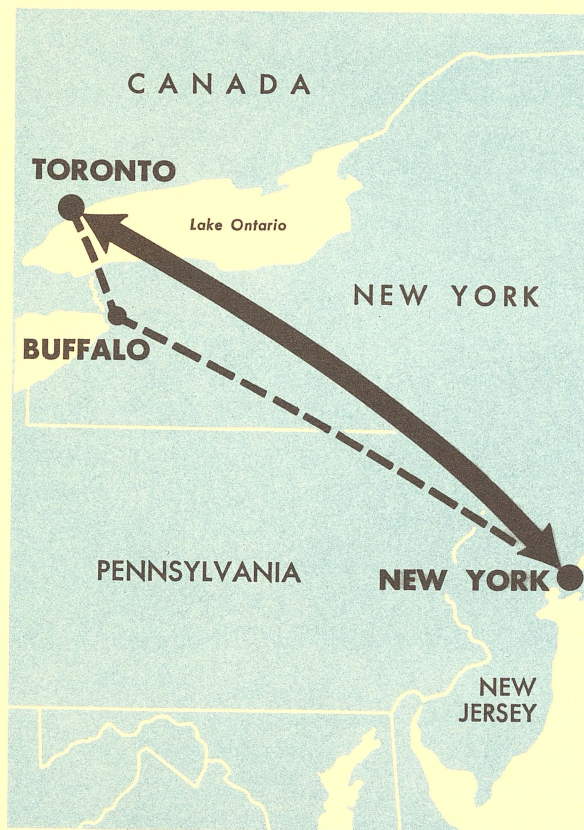
Routes

On November 28, 1950 the Government approved nonstop flights by American between Toronto, Canada and New York. The Company had been offering through service between these cities but was required by its certificate to make a stop at Buffalo. The new service was begun in February 1951.

One of the considerations of the Civil Aeronautics Board in authorizing new routes has been to provide through service without change of plane where the passenger had to transfer from the route of one airline to that of another. In some cases this resulted in new airlines being put on top of one or several others to provide a very limited amount of *new* service.

In an important policy decision announced on February 8, 1951, the Civil Aeronautics Board denied a number of new route requests of this type. At the same time, the Board announced its approval in principle of certain inter-airline agreements to allow through service between connecting airlines without change of plane. This type of agreement may provide for interchange of aircraft by day-to-day lease or for "trackage" rights. This is a constructive policy decision. It will permit the finest through service to the public without the wasteful effects of parallel competition over marginal routes.

American and Delta Air Lines are already operating a successful through service between principal cities in Florida, Georgia, Alabama, Louisiana, and Texas, Arizona and California. The decision permits us to improve this service and it also authorizes American in conjunction with Braniff Airways and Continental Air Lines to arrange a new through service agreement between the important cities of Houston and San Antonio and the West.



Toronto—New York, only one hour, forty-five minutes.

Government Subsidy of Air Transportation

It has been the policy of our Government to provide subsidy support to certificated air mail transportation services that are unable to pay their own way and to include the subsidy in amounts paid for carrying air mail. This has led many people to believe that all airlines are subsidized—that all mail pay includes subsidy and that any profit made by an airline comes from Government subsidy.

American receives no subsidy for carrying mail. The Post Office Department pays American almost exactly the same rate per pound mile for mail that the Company charges for carrying passengers. The revenue received for mail, \$6,077,000, before

paying any expenses, was only 5% of total traffic revenue. We paid back to the Government \$11,400,000 in Federal taxes on income, almost twice the total mail pay collected. The Civil Aeronautics Board has certified since 1942 that our mail rate is a service or commercial rate for work performed.

Most of the Company's business and most of its profit come from traffic other than mail—passengers, express and freight.

The President and various departments of the Government have urged Congress to pass legislation to require that subsidy claims be paid separately and apart from reimbursement for carrying the mail. This reform is badly needed and nearly all airlines now advocate legislation for this purpose.

Although American has not requested any subsidy for many years, it does not oppose payment of subsidy to essential air services which would not otherwise be available. We do oppose payment of subsidy for the purpose of supporting competitive services that provide no new service to the public.

Officers and Directors

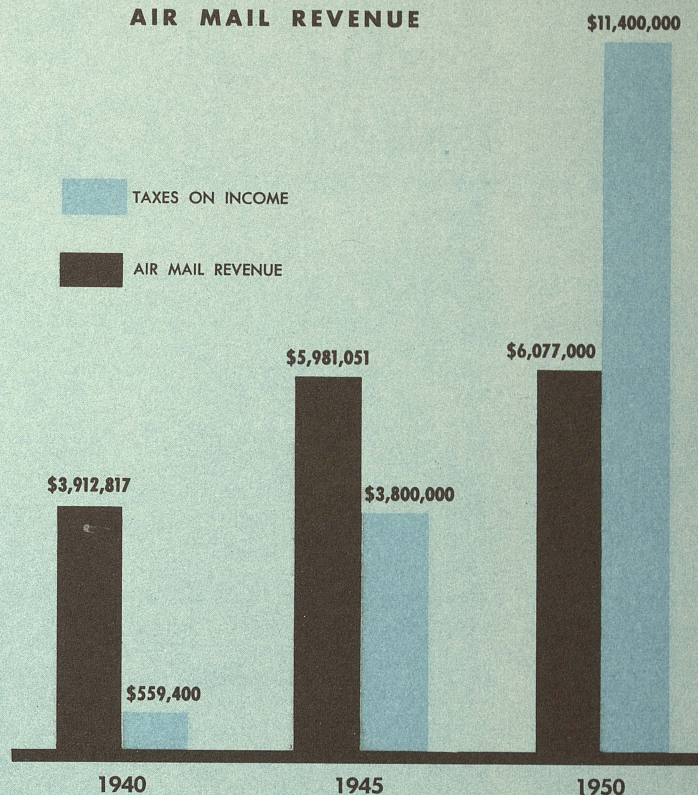
We report with regret, the death of our director, Thomas S. Hammond, during 1950.

The number of directors has been increased to 17 and Mr. James H. Douglas, Jr. of Chicago and Mr. James A. Jackson of New York were elected in 1951 to fill the vacancies.

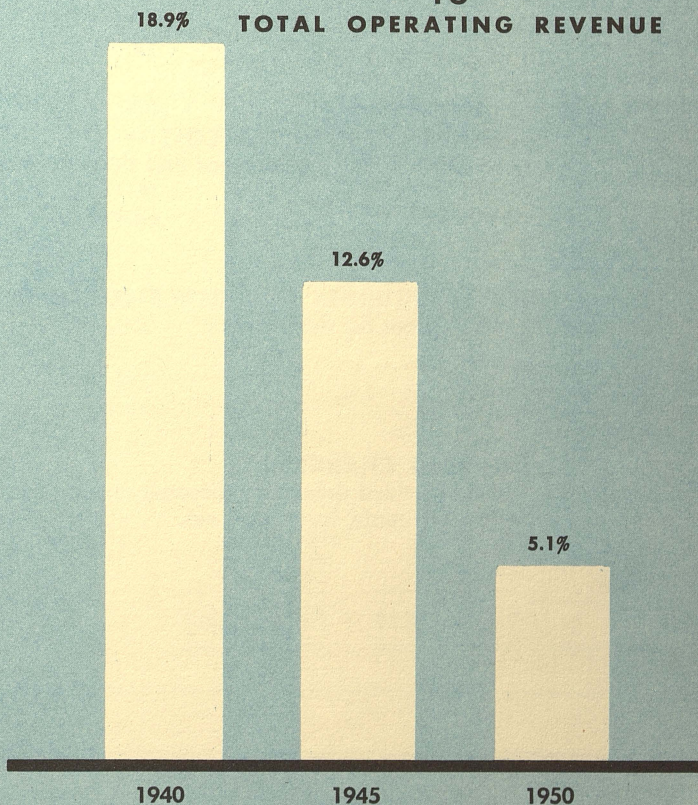
Effective February 17, 1951, Mr. C. R. Smith, President, was granted a leave of absence for 90 days service as an officer of the U. S. Air Force.

By order of the
New York, N. Y. Board of Directors
March 21, 1951 AMERICAN AIRLINES, INC.

AMERICAN AIRLINES FEDERAL TAXES ON INCOME VS. AIR MAIL REVENUE



AMERICAN AIRLINES PERCENT OF AIR MAIL REVENUE TO TOTAL OPERATING REVENUE



AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

Consolidated Balance Sheets

At December 31, 1950

and December 31, 1949

Assets

	Dec. 31, 1950	Dec. 31, 1949
CURRENT ASSETS:		
Cash	\$ 10,892,052	\$ 9,723,903
U. S. Government securities (short term), at cost	5,767,614	7,183,463
Accounts receivable (less reserve: 1950—\$123,435; 1949—\$138,707)	18,593,502	13,259,968
Inventories of materials and supplies, at the lower of cost or market	1,142,306	1,085,485
TOTAL CURRENT ASSETS	\$ 36,395,474	\$ 31,252,819
INVESTMENTS AND SPECIAL FUNDS, AT COST:		
Funds for equipment additions and replacements (Note 1):		
Deposits	\$ 1,650,000	\$ —
U. S. Government securities and short term commercial notes	27,350,000	13,000,000
	\$ 29,000,000	\$ 13,000,000
Investments in and advances to subsidiaries not consolidated:		
American Overseas Airlines, Inc. (Note 2)	—	11,669,783
Other subsidiaries (100% owned) (Equity: 1950—\$1,823,000; 1949—\$1,710,000)	1,526,000	1,491,000
Special deposits	122,585	303,663
Miscellaneous investments	568,646	545,974
	\$ 31,217,231	\$ 27,010,420
FLIGHT EQUIPMENT, AT COST		
Less: Reserve for obsolescence and depreciation	\$ 72,070,966	\$ 69,687,296
	26,394,268	19,565,591
	\$ 45,676,698	\$ 50,121,705
LAND, BUILDINGS AND OTHER EQUIPMENT, AT COST		
Less: Reserve for depreciation	\$ 19,521,470	\$ 19,467,279
	8,860,508	7,890,716
	\$ 10,660,962	\$ 11,576,563
DEFERRED CHARGES:		
Unamortized debenture discount and expense	\$ 423,307	\$ 493,231
Prepaid rents, insurance, etc.	1,578,553	1,284,778
	\$ 2,001,860	\$ 1,778,009
	\$125,952,225	\$121,739,516

Reference is made to

Liabilities, Capital Stock and Surplus

	Dec. 31, 1950	Dec. 31, 1949
CURRENT LIABILITIES:		
Accounts payable	\$ 14,481,042	\$ 12,822,007
Accrued salaries and wages	1,130,767	1,030,571
Accrued Federal taxes on income (less U. S. Government savings notes: 1950—\$10,700,000; 1949—\$1,400,000)	868,267	400,000
Other accrued liabilities	1,488,237	1,356,353
Air travel plan subscribers' deposits	5,346,075	5,043,050
TOTAL CURRENT LIABILITIES	\$ 23,314,388	\$ 20,651,981
UNEARNED TRANSPORTATION REVENUE	\$ 2,307,271	\$ 1,474,565
3% SINKING FUND DEBENTURES, DUE JUNE 1, 1966 (Sinking fund re- quirements—\$1,350,000 per year commencing June 1, 1951)	\$ 40,000,000	\$ 40,000,000
Less: Debentures repurchased	10,000,000	3,331,000
	\$ 30,000,000	\$ 36,669,000
CAPITAL STOCK:		
	Number	
	of Shares	
Preferred stock, par value \$100 per share:		
Authorized	600,000	
Issued and outstanding (3½% cumulative convertible)	400,000	\$ 40,000,000
Common stock, par value \$1 per share:		
Authorized	12,000,000	
Issued and outstanding	6,452,835	6,452,835
Reserved:		
For conversion of 3½% cumulative convertible preferred stock	1,904,762	
For exercise of options (Note 3)	250,000	
Employees stock, par value \$1 per share:		
Authorized	500,000	
Issued and outstanding	None	
SURPLUS:		
Paid-in surplus (no change for 1950 or 1949)	6,159,654	6,159,654
Earned surplus (per accompanying statement) (Note 4)	17,718,077	10,331,481
	\$125,952,225	\$121,739,516

the accompanying notes.

AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

STATEMENTS OF
Consolidated Income and Earned Surplus

For the Years Ended December 31, 1950 and December 31, 1949

	<u>Year Ended Dec. 31, 1950</u>	<u>Year Ended Dec. 31, 1949</u>
REVENUES:		
Passenger	\$100,754,731	\$ 88,308,990
Mail (Note 5)	6,077,039	5,555,685
Express	2,579,838	1,837,274
Freight	7,297,798	6,191,340
Other	1,975,294	1,312,584
	<u>\$118,684,700</u>	<u>\$103,205,873</u>
EXPENSES:		
Flying operations	\$ 24,562,334	\$ 24,779,948
Ground operations	14,563,091	14,920,951
Maintenance and repairs	20,088,228	19,342,228
Passenger service	6,338,396	5,987,202
Traffic and sales	9,826,577	9,451,093
Advertising and publicity	2,844,971	2,518,564
Social security taxes, retirement benefit plan, etc.	1,506,661	1,666,433
General and administrative	4,915,083	4,662,845
Provision for obsolescence and depreciation	10,791,838	10,383,491
Interest and miscellaneous (net) (Notes 2 and 5)	1,447,717	548,548
Provision for Federal taxes on income (Note 6)	11,400,000	1,800,000
	<u>\$108,284,896</u>	<u>\$ 96,061,303</u>
NET INCOME FOR YEAR	\$ 10,399,804	\$ 7,144,570
EARNED SURPLUS:		
Balance at beginning of year	10,331,481	4,586,911
	<u>\$ 20,731,285</u>	<u>\$ 11,731,481</u>
Deduct Dividends Paid:		
On 3½% cumulative convertible preferred stock (\$3.50 per share per year)	1,400,000	1,400,000
On common stock (\$.25 per share)	1,613,208	—
	<u>\$ 3,013,208</u>	<u>\$ 1,400,000</u>
Balance at end of year (Note 4)	<u>\$ 17,718,077</u>	<u>\$ 10,331,481</u>

Reference is made to the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

- 1 The Company has outstanding commitments aggregating approximately \$29,000,000 for 17 Douglas DC-6B aircraft and other equipment for delivery in 1951 and funds in this amount have been set aside for this purpose.
- 2 In 1950 the Company's former 62% owned subsidiary not consolidated, American Overseas Airlines, Inc., sold its assets and business to Pan American World Airways, Inc. and distributed the cash proceeds, after expenses, to its stockholders. The loss of \$922,728 sustained by the Company on the liquidation of the subsidiary is included as an expense, under interest and miscellaneous (net), in the income statement for 1950.
- 3 In May 1950 the Company's stockholders authorized the issuance of options expiring June 1, 1955 upon 250,000 shares of common stock at not less than \$11.70 per share to a limited number of executive and similar personnel (but excluding directors who were not officers) of the Company and its subsidiaries. A Committee of Directors not eligible under the plan have so far granted options in accordance with such authority to 30 executives in an aggregate amount of 143,000 shares at a price of \$11.70 per share.
- 4 The terms of the debentures and preferred stock provide certain restrictions on the payment of cash dividends on the common stock and the purchase of preferred stock and common stock. The portion of the Company's earned surplus at December 31, 1950 not so restricted amounted to \$6,895,649.
- 5 U. S. airmail revenue has been accrued on the basis of temporary rates fixed by the Civil Aeronautics Board. It is not possible at this time to determine final mail payments for the period 1947 to date.
The Company received \$400,000 in 1950 and \$633,333 in 1949 under an order of the Board awarding the Company \$33,333 per month in partial reimbursement for costs (estimated by the Board to equal or exceed \$2,000,000) incurred in 1947 and 1948 as a result of the temporary grounding of the Company's DC-6 aircraft. These reimbursements are treated as a reduction of expenses, under interest and miscellaneous (net), in the income statements. The \$633,333 received in 1949 was credited directly to earned surplus in the Company's annual report for that year but to conform to the 1950 treatment has now been included in 1949 income.
- 6 The 1950 provision for Federal taxes on income includes \$1,200,000 for excess profits tax. The 1949 tax provision was reduced by approximately \$1,185,000 as the result of the "carry-forward" for tax purposes of prior years' losses.
- 7 The Company is one of five defendants in a civil anti-trust suit instituted in 1950 by an air freight carrier which seeks treble damages totaling \$30,000,000. In the opinion of counsel for the Company, based on the facts so far advanced prior to trial, the suit will not result in any ultimate net liability to the Company.

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TULSA
WICHITA

ARTHUR YOUNG & COMPANY
ACCOUNTANTS AND AUDITORS
165 BROADWAY
NEW YORK 6, N. Y.

CANADA
ENGLAND
FRANCE
VENEZUELA

To the Board of Directors and Stockholders
American Airlines, Inc.:

We have examined the consolidated balance sheet of American Airlines, Inc. and Consolidated Subsidiary at December 31, 1950 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 auditing 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 Airlines, Inc. and Consolidated Subsidiary at December 31, 1950 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

New York, N. Y.
February 28, 1951

Comparative Statistics

YEARS 1946-1950

	1950	1949	1948	1947	1946
OPERATING REVENUES:					
Passenger	\$100,754,731	\$ 88,308,990	\$ 76,861,942	\$ 71,255,221	\$ 58,746,001
Mail	6,077,039	5,555,685	4,769,376	3,172,053	3,269,052
Express	2,579,838	1,837,274	1,880,629	1,923,383	2,083,367
Freight	7,297,798	6,191,340	4,623,121	4,092,532	2,860,460
Other	1,975,294	1,312,584	1,150,901	1,288,171	1,124,554
Total	118,684,700	103,205,873	89,285,969	81,731,360	68,083,434
Expenses, Federal income taxes, and reserves (1)					
	108,284,896	96,061,303	92,179,640	85,132,126	68,459,377
Net income (loss) carried to surplus	10,399,804	7,144,570	(2,893,671)	(3,400,766)	(375,943)
Current Assets	36,395,474	31,252,819	29,327,813	33,782,452	55,340,431
Current Liabilities	23,314,388	20,651,981	18,634,795	19,605,481	20,261,437
Net Working Capital	13,081,086	10,600,838	10,693,018	14,176,971	35,078,994
Aircraft, Ground, and Other Equipment (depreciated value)	56,337,660	61,698,268	70,239,339	69,797,759	44,865,321
Total Assets	125,952,225	121,739,516	117,126,161	121,782,723	127,930,051
3% Sinking Fund Debentures, Due June 1, 1966	30,000,000	36,669,000	40,000,000	40,000,000	40,000,000
Preferred Stock Outstanding	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Common Stock Outstanding	6,452,835	6,452,835	6,452,835	6,452,835	6,452,835
Paid-in Surplus	6,159,654	6,159,654	6,159,654	6,159,654	6,159,654
Earned Surplus	17,718,077	10,331,481	4,586,911	8,880,582	12,396,916
Commercial Airplanes (at end of year)	141	142	186	154	115
Operating expenses per revenue ton mile	41.4c	46.7c	54.0c	50.7c	45.1c
Operating expenses per capacity ton mile	27.6c	27.8c	28.8c	31.3c	30.6c
Capacity Ton Miles Flown	346,046,405	336,594,751	316,781,889	274,246,458	224,380,739
Revenue Ton Miles Flown	230,701,748	200,471,058	168,847,567	169,229,909	152,493,552
Revenue Miles Flown	60,560,467	58,278,818	57,902,716	61,086,558	63,356,885
Passenger Seat Miles Flown	2,610,425,868	2,429,410,621	2,241,878,804	2,066,891,042	1,603,159,044
Revenue Passenger Miles	1,807,883,940	1,569,460,673	1,353,042,761	1,437,869,883	1,307,908,611
Passenger Load Factor	69.3	64.6	60.4	69.6	81.6
Air Mail Ton Miles	10,262,306	9,057,965	8,210,043	7,013,493	7,238,049
Air Cargo Ton Miles	44,182,262	38,606,401	28,814,650	21,717,523	16,239,844

(1) Includes net of other income and deductions.



DIRECTORS

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HARRY E. BENEDICT
JAMES BRUCE
EDWARD H. BUTLER

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CHARLES S. CHESTON
THOMAS M. CONROY
JAMES H. DOUGLAS, JR.

C. R. SMITH

SILLIMAN EVANS
JOHN W. FARLEY
CHARLES T. FISHER, JR.
JAMES A. JACKSON

A. N. KEMP
ROBERT W. MILLER
O. M. MOSIER
EDGAR M. QUEENY

OFFICERS

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VICE-PRESIDENT AND SECRETARY

C. W. JACOB

VICE-PRESIDENT AND TREASURER

WILLIAM J. HOGAN

REGIONAL VICE-PRESIDENTS

A. R. BONE, JR.

W. NELSON BUMP

WALTER H. JOHNSON, JR.

STANLEY G. KING

M. D. MILLER

OFFICES

General Office: 100 Park Avenue, New York 17, New York

Corporate Office: 100 West 10th Street, Wilmington, Delaware

Transfer Agent: Common Stock—New York—Schroder Trust Company, New York 15, N. Y.

Transfer Agent: Common Stock—Chicago—Continental Illinois National Bank and Trust Company, Chicago 90, Illinois

Transfer Agent: Preferred Stock—The Chase National Bank of the City of New York, New York 15, New York

Registrar: Common Stock—New York—Guaranty Trust Company of New York, New York 15, New York

Registrar: Common Stock—Chicago—The First National Bank of Chicago, Chicago 90, Illinois

Registrar: Preferred Stock—Guaranty Trust Company of New York, New York 15, New York

Trustee and Paying Agent—Debentures: The New York Trust Company, New York 15, New York

General Counsel: Debevoise, Plimpton and McLean, New York 5, New York

Common and Preferred Stocks, and Sinking Fund Debentures listed on the New York Stock Exchange

