MONSANTO CHEMICAL COMPANY

GENERAL OFFICES

SAINT LOUIS

CABLE ADDRESS
MONSANTO-ST. LOUIS

July 25, 1935.

TO THE STOCKHOLDERS OF
MONSANTO CHEMICAL COMPANY:

Subject to independent audit, net earnings available to our common stock for the second quarter of 1935, including that of the subsidiaries of The Swann Corporation which were acquired during the period, amounted to $923,125 or 94.8c a share on the 974,133 shares outstanding on June 30th. $704,918, or 81½c a share, was earned during the corresponding period on the 864,000 shares outstanding last year. Net earnings available to our common stock, including the earnings of The Swann Corporation, for the six months ending June 30th, 1935, totaled $1,848,449, or $1.897 a share, which compares favorably with $1,379,035, or $1.59½ a share earned last year on the respective number of shares outstanding at the end of each period.

Upon our acquisition, the former subsidiary companies of The Swann Corporation had outstanding $703,600 of 6% and 7% preferred stocks. Monsanto had outstanding $877,500 of 5½% first mortgage bonds.

In order to accomplish desirable economies, it was necessary to retire the preferred stocks of our newly acquired subsidiary companies, and it was advisable and profitable to refund our first mortgage bonds at prevailing low interest rates. In addition, profitable avenues for investment of some additional capital developed. However, in view of our constant demand for capital for plant, sound financing indicated the refunding of these obligations in a manner which would eventually supply permanent capital, and which thus would release for dividend or other corporate purposes that amount otherwise required for debt retirement.

Therefore, there was sold at par, early in April, to a group of sixteen—insurance companies, banks and investment trusts, etc.—an issue of $2,000,000 2½% 10-year convertible notes. These notes are convertible into common stock for a period of two years, ending May 1st, 1937, if not previously called, at $60 a share (which price was above the average market price at the time of the sale); for two years thereafter at $70, and increasing ten points each two years until the conversion price reaches $100 a share.

As indicated in the accompanying balance sheet, a favorable market had induced the conversion of $650,000 of these notes by June 30th, and we had retired also our 5½% mortgage bonds and all of the preferred stocks of our newly acquired subsidiaries.

If it is assumed that all the notes will be converted eventually, the net saving to common stockholders in bond interest and preferred dividends would amount to $84,524 per annum, which equals $3.31 per share on 25,518 shares—that portion of the convertible-note issue that was required for retirement of the senior issues. (1934 earnings were $3.20½ a share.) Furthermore, our Company would have no current or funded debt nor preferred issues (other than that of our British subsidiary) ahead of our common shares.

The reported earnings of the second quarter include $138,308 of non-recurring income but are net after the writing off of approximately $64,000, representing commissions and other expenses of the note issue, premium on bonds called and interest on called bonds to date of redemption, and the reservation of approximately $110,000 for anticipated extraordinary expenditures during the coming six months.

In view of the satisfactory earnings our Board of Directors today declared an extra dividend of 25 cents a share in addition to the usual dividend of 25 cents a share both to be paid September 14th, to stockholders of record August 24th next.

Edgar M. Queeny

President.

DSW 331307

MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet, June 30, 1935

ASSETS

Current Assets:		
Cash	$ 4,481,734.99	
Marketable Securities	259,699.36	
Customers Notes and Accounts Receivable	2,226,824.60	
Miscellaneous Accounts Receivable	98,535.08	
Inventories	5,366,140.18	$12,432,934.21
Other Assets:		
Due from Officers and Employees		
On purchases of Company's stocks	$ 94,224.86	
Advances	31,106.80	
Miscellaneous Investments	301,315.64	
Loans, Deposits, etc.	188,450.43	
Unconsolidated Subsidiaries at Nominal Value	1.00	$615,098.73
Plant Property:		
Land	$ 1,504,541.34	
Buildings	5,190,094.24	
Machinery and Equipment	14,664,941.70	$21,359,577.28
Patents and Processes:		$2.00
Deferred Charges:		
Prepaid Items	$ 191,852.49	
British Subsidiary Reorganization Expense	56,179.00	$248,031.49
		$34,655,643.71

LIABILITIES

Current Liabilities:		
Accounts Payable	$ 1,243,829.97	
Accrued Items	432,250.01	
Estimated Income Taxes	741,102.42	
Accrued Dividend on Preference Shares	20,661.00	$ 2,437,843.40
Funded Debt:		
2½% Convertible Notes Due May 1, 1945		$1,350,000.00
Reserves:		
Depreciation and Obsolescence	$ 7,639,286.71	
For Redemption of Returnable Containers	560,284.97	
For Fluctuations of Exchange	234,298.05	
For Contingencies	361,743.77	
For Relocations and Revaluations of Plants and Properties	628,617.57	$9,424,231.07
Minority Interests:		$397,736.73
Capital Stock and Surplus:		
Capital Stock:		
Monsanto Chemicals, Limited 5½% Redeemable Cumulative Preference Shares of £1 Each; Authorized 500,000 Shares; Outstanding 400,000 Shares	$ 1,940,000.00	
Monsanto Chemical Company Authorized 1,250,000 Shares of $10.00 Each; Issued 1,013,414 Shares; Less—in Treasury * 39,281 Shares; Outstanding 974,133 Shares	9,741,332.50	
Surplus:		
Paid-In Surplus	2,333,674.03	
Earned Surplus Acquired from Predecessor Corporation	1,262,225.20	
Earned Surplus	5,768,600.78	$21,045,832.51
		$34,655,643.71

Notation.—The Assets and Liabilities of the British Subsidiary have been converted at $4.85 per £.

*Includes 22,504 Shares held for conversion of 2½% convertible notes.

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