MONSANTO CHEMICAL COMPANY

GENERAL OFFICES

SAINT LOUIS

April 24, 1936.

TO THE STOCKHOLDERS OF
MONSANTO CHEMICAL COMPANY:

Operations and sales for the quarter ending March 31, 1936, were at a high level. After all charges, including taxes at rates now current, the unaudited consolidated net profits amounted to $1,071,691. After deducting minority interest and subsidiary preferred dividend requirements, the balance is $1,032,852, which equals $1.03⅓ a share on 999,123 shares outstanding at the end of the period.

Including the undivided earnings of the then controlled subsidiaries, as well as The Swann Corporation, which was then controlled but not wholly owned until later in the year, the net earnings applicable to the common stock for the corresponding period of the previous year were $925,324, or 96.4c a share on 959,554 shares, which were outstanding after the exchange of stock for The Swann Corporation had been consummated. For the twelve months ending March 31, 1936, such consolidated net earnings were $4,111,122, which, after deducting minority interest and preferred dividend requirements of subsidiary companies, amounts to $3.95½ on each of the outstanding shares as of the end of the period.

During the quarter, contracts were entered into, which provided for the purchase of Thomas & Hochwalt Laboratories of Dayton, Ohio, and its subsidiary, the Dayton Synthetic Chemicals, Inc., for a consideration of 14,000 shares of Monsanto Chemical Company stock. The transaction was completed April 13, 1936. Included in the assets thus acquired is the only outstanding minority interest in Monsanto Petroleum Chemicals, Inc. This company, which is now wholly owned, is in a development stage and has carried on its research work in the laboratories of Thomas & Hochwalt.

The Thomas & Hochwalt Laboratories augment the Monsanto Research Department with a highly trained staff with varied experience in many different industries. Arrangements have been made for the gradual discontinuance of the research Thomas & Hochwalt have been conducting for other companies, and the transfer of their sole attention to the problems of the Monsanto Chemical Company, which we believe will accelerate the development of several promising, exploratory and application problems that are not directly connected with manufacturing activities and which can be conducted advantageously apart from the manufacturing units.

On the reverse side of this page are comparative consolidated balance sheets, as of March 31, 1936, and last year end.

As stated in my annual report, "We have projected a comprehensive program for 1936. Involved are the acquisition of phosphate mines and reserves to secure and lower the cost of this important raw material. The revamping and probable change in location of some operations will also lower costs, resulting, we believe, in expanded uses for their output. The erection of plant to produce several new products, that have passed through the development stage, and additional auxiliary facilities which are required, have been included. The completion of this program should tend to stabilize, at least, our current earnings."

A substantial amount of additional capital is required to carry on this program. We have therefore filed with the Securities and Exchange Commission a registration statement covering the issuance of 101,310 shares of our capital stock. When this registration is effective it is our intention to offer these shares to our stock holders on the basis of one new share for each ten held. At that time the subscription price will be fixed and you will be kept fully advised.

Edgar M. Queeny

President.

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MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

INCORPORATED IN DELAWARE

Comparative Consolidated Balance Sheets at March 31, 1936, and December 31, 1935

ASSETS

	March 31, 1936	December 31, 1935	Increase *Decrease*
CURRENT ASSETS:			
Cash and securities	$ 3,246,013.64	$ 3,685,082.53	*$439,068.89*
Notes and accounts receivable, less reserve	2,776,175.32	2,794,105.75	*17,930.43*
Inventories — at the lower of cost or market	5,282,157.80	5,165,088.61	117,069.19
	$11,304,346.76	$11,644,276.89	*$339,930.13*
OTHER ASSETS:			
Due from officers and employes on purchases of capital stock	$ 116,356.58	$ 128,062.00	*$ 11,705.42*
Investments in controlled companies	220,108.75	238,108.75	*18,000.00*
Miscellaneous investments	1,003,924.77	702,184.62	301,740.15
	$ 1,340,390.10	$ 1,068,355.37	$272,034.73
PLANT PROPERTY:			
Land	$ 1,613,400.28	$ 1,512,204.83	$101,195.45
Buildings	5,654,125.76	5,638,157.39	15,968.37
Machinery and equipment	16,477,204.57	15,833,477.41	643,727.16
	$23,744,730.61	$22,983,839.63	$760,890.98
PATENTS AND PROCESSES	$ 1.00	$ 1.00	—
DEFERRED CHARGES	$ 132,880.55	$ 143,192.02	*$ 10,311.47*
	$36,522,349.02	$35,839,664.91	$682,684.11

LIABILITIES

	March 31, 1936	December 31, 1935	Increase *Decrease*
CURRENT LIABILITIES:			
Accounts payable	$ 1,318,949.43	$ 1,470,673.31	*$151,723.88*
Accrued items	426,333.36	328,159.59	98,173.77
Estimated income taxes	772,054.91	814,159.20	*42,104.29*
	$ 2,517,337.70	$ 2,612,992.10	*$ 95,654.40*
RESERVES:			
Depreciation and obsolescence	$ 7,994,807.68	$ 7,785,573.78	$209,233.90
For redemption of returnable containers	578,807.03	548,677.39	30,129.64
For relocation and revaluation of properties, etc.	562,023.90	565,133.97	*3,110.07*
For fluctuations of exchange	234,298.05	234,298.05	—
For contingencies	372,855.51	382,255.16	*9,399.65*
	$ 9,742,792.17	$ 9,515,938.35	$226,853.82
CAPITAL STOCK AND SURPLUS:			
Preference shares of British subsidiary—5½%, redeemable and cumulative of £1 each; authorized 500,000 shares; outstanding 400,000 shares	$ 1,940,000.00	$ 1,940,000.00	$ —
Minority interest in American subsidiary	360,251.39	342,085.34	18,166.05
Common stock — Authorized 1,250,000 shares of $10.00 each; outstanding 999,123 shares	9,991,230.00	9,991,230.00	—
Surplus applicable to common stock:			
Paid-in surplus	3,388,291.83	3,388,291.83	—
Earned surplus	8,582,445.93	7,775,076.40	807,369.53
Earned surplus acquired from predecessor corporation	—	274,050.89	*274,050.89*
	$24,262,219.15	$23,710,734.46	$551,484.69
	$36,522,349.02	$35,839,664.91	$682,684.11

NOTE: *The assets and liabilities of the British Subsidiary have been converted at $4.85 per £.*

WALL STREET JOURNAL
January 18, 1936

Monsanto Chemical Co.

Will you be kind enough to give me some information about the Monsanto Chemical Co. Do you think it would be a good investment and do you believe that value of the shares will increase? Can larger dividends be expected? —J. W. H.

Since completion of its depression-initiated program of property expansion and product diversification, Monsanto Chemical Co. has been displaying a far greater measure of earnings resiliency than the average unit in its field. Whereas activities during the 1920s were principally confined to production of fine and medicinal chemicals, the larger percentage of revenues is now derived from a variety of "heavy" chemical lines employed in almost all industrial processes. With sales in newer divisions stimulated by broadening business improvement, and aided by increased returns from a foreign subsidiary, the consolidated enterprise in 1935 carried earnings to another record level. Recent estimates place net income for the year at roughly $3,700,000. Equivalent to $3.70 for each of the 1,013,415 one-class shares currently outstanding, this would compare with net profit of $2,619,465 earned in 1934, of $2,221,207 in 1933 and of $1,012,698 in 1932. Best pre-depression net income was the $1,691,338 secured in 1929. And while the profits uptrend can scarcely be expected to continue on a commensurate scale, the company seemingly can be relied upon to reflect in revenues and earnings any further extension of the general business recovery movement.

From treasury resources Monsanto Chemical Co. late in 1934 retired all of its funded debt outstanding. Although bearing testimony to a strong financial condition, the action carried even greater significance in its implication that plant capacity finally had been expanded sufficiently to care for future needs. And with treasury resources since bolstered by the large 1935 income increments, directors now have ample latitude for advancing regular dividend payments from the present $1 annual rate. In line with most equities in its group, the one-class stock, at 95, appears generously to capitalize current earnings; but as a vehicle for speculating on fortunes of the chemical industry, the issue is regarded as ranking among the more desirable.

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