# MONSANTO CHEMICAL COMPANY

GENERAL OFFICES

SAINT LOUIS

August 6, 1936.

TO THE STOCKHOLDERS OF
MONSANTO CHEMICAL COMPANY:

Net earnings for the second quarter of 1936 were $1,070,731. After deducting the part that was applicable to minority interests and subsidiary preferred dividends, the balance of $1,035,730 was equivalent to 92.9c a share on the 1,114,410 shares (including those just issued for additional capital) that are now outstanding. For the corresponding quarter of 1935 net earnings were $964,281, which after similar deductions amounted to $923,125 or 94.8c per share on the 974,133 shares which were then outstanding.

For the first six months of the current year, net earnings totaled $2,142,423, which netted $1.856 per share. For the corresponding period of 1935 they were $1,934,724 or $1.897 net per share on the smaller number of shares then outstanding.

No allowance has been made in the 1936 earnings for possible tax liability on undistributed profits. However, $482,875 was provided for normal income and capital stock taxes alone.

Sales for the six months were approximately 14% greater than those of a year ago. A smaller percentage of net return reflects lower selling prices for several important products, higher labor rates and raw material costs, increased taxes and larger charges for development. Contrary to the usual seasonal trend, our July sales maintained the high levels of recent months and greatly exceeded those of a year ago.

Our new capital issue which was consummated during the quarter met with a gratifying reception. Shareholders subscribed for 99.4% of the 101,310 shares which were offered to them at $60.00 a share. The remaining 604 shares were sold to the underwriters upon the expiration of the subscription period.

Mining operations at our new phosphate deposits at Monsanto, (near Columbia) Tennessee, are expected to start by September first. Construction of the ore treatment plant is proceeding on schedule and will be in operation shortly after that date.

An unaudited Balance Sheet as of June 30, 1936, which reflects our recent financing, compared with that of December 31, 1935, as well as an unaudited income account for the first half of this year are detailed on the inside and reverse of this folio.

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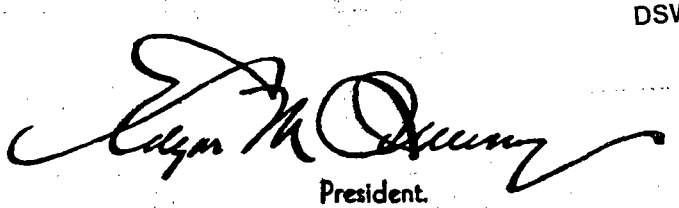

President.

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# MONSANTO CHEMICAL COMPANY AND SUBSIDIARY COMPANIES

INCORPORATED IN DELAWARE

## Comparative Consolidated Balance Sheets at June 30, 1936, and December 31, 1935

### ASSETS

| | June 30, 1936 | December 31, 1935 | Increase / *Decrease* |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash and securities | $ 8,769,221.00 | $ 3,685,082.53 | $5,084,138.47 |
| Receivables, less reserve | 2,791,298.66 | 2,794,105.75 | *2,807.09* |
| Inventories — at the lower of cost or market | 5,908,428.46 | 5,165,088.61 | 743,339.85 |
| | $17,468,948.12 | $11,644,276.89 | $5,824,671.23 |
| **OTHER ASSETS:** | | | |
| Due from officers and employes on purchases of capital stock | $ 221,556.09 | $ 128,062.00 | $ 93,494.09 |
| Miscellaneous investments | 705,529.99 | 877,894.36 | *172,364.37* |
| | $ 927,086.08 | $ 1,005,956.36 | *$ 78,870.28* |
| **CAPITAL ASSETS:** | | | |
| Phosphate deposits | $ 422,283.11 | $ 62,399.01 | $ 359,884.10 |
| Land | 1,649,789.33 | 1,512,204.83 | 137,584.50 |
| Buildings | 6,047,878.78 | 5,638,157.39 | 409,721.39 |
| Machinery and equipment | 17,265,819.73 | 15,833,477.41 | 1,432,342.32 |
| | $25,385,770.95 | $23,046,238.64 | $2,339,532.31 |
| **PATENTS AND PROCESSES** | $ 1.00 | $ 1.00 | — |
| **DEFERRED CHARGES** | $ 154,964.50 | $ 143,192.02 | $ 11,772.48 |
| | $43,936,770.65 | $35,839,664.91 | $8,097,105.74 |

### LIABILITIES

| | June 30, 1936 | December 31, 1935 | Increase / *Decrease* |
|---|---|---|---|
| **CURRENT LIA** | | | |
| Accounts paya | 30,534.49 | $ 1,470,673.31 | $259,861.18 |
| Accrued items | 49,055.93 | 328,159.59 | 220,896.34 |
| Estimated norm | 07,871.84 | 814,159.20 | *6,287.36* |
| | 87,462.26 | $ 2,612,992.10 | $474,470.16 |
| **RESERVES:** | | | |
| Depreciation at | 14,272.64 | $ 7,785,573.78 | $428,698.86 |
| For redemption | 74,235.83 | 548,677.39 | 25,558.44 |
| For relocation | 56,603.83 | 565,133.97 | *8,530.14* |
| For fluctuations | 34,298.05 | 234,298.05 | — |
| For contingenci | 06,349.35 | 382,255.16 | 24,094.19 |
| | 85,759.70 | $ 9,515,938.35 | $469,821.35 |
| **CAPITAL:** | | | |
| 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 | 374,913.05 | 342,085.34 | 32,827.71 |
| Common stock — Authorized 1,250,000 shares of $10.00 each; Outstanding (June 30, 1936: 1,114,410 shares; December 31, 1935: 999,123 shares) | 11,144,100.00 | 9,991,230.00 | 1,152,870.00 |
| Surplus applicable to common stock: | | | |
| Paid-in surplus | 8,292,890.27 | 3,388,291.83 | 4,904,598.44 |
| Earned surplus | 9,111,645.37 | 7,775,076.40 | 1,336,568.97 |
| Earned surplus acquired from predecessor corporation | — | 274,050.89 | *274,050.89* |
| | $30,863,548.69 | $23,710,734.46 | $7,152,814.23 |
| | $43,936,770.65 | $35,839,664.91 | $8,097,105.74 |

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

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# MONSANTO CHEMICAL COMPANY
## AND SUBSIDIARY COMPANIES

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### Statement of Consolidated Income for the Six Months Ended June 30, 1936

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| | | |
|---|---|---|
| GROSS PROFIT | | $4,418,956.72 |
| DEDUCT: | | |
| Selling and administrative expenses | $1,432,224.80 | |
| Research expenses | 422,932.05 | 1,855,156.85 |
| NET PROFIT | | $2,563,799.87 |
| OTHER INCOME | | 94,882.20 |
| GROSS INCOME | | $2,658,682.07 |
| INCOME CHARGES | | 84,731.76 |
| NET INCOME BEFORE PROVISION FOR INCOME TAXES | | $2,573,950.31 |
| PROVISION FOR NORMAL INCOME TAXES | | 431,526.71 |
| *NET INCOME | | $2,142,423.60 |
| DEDUCT: | | |
| Portion of net income applicable to minority interest in American subsidiary | | 32,827.71 |
| NET INCOME TRANSFERRED TO EARNED SURPLUS | | $2,109,595.89 |

*No provision has been made for possible Federal Surtax on undistributed net income.

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NOTE: The earnings of the British Subsidiary have been converted at $4.85 per £.

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