MONSANTO CHEMICAL COMPANY

SAINT LOUIS

WORKS
ST. LOUIS, MISSOURI
MONSANTO, ILLINOIS
EVERETT, MASSACHUSETTS
NITRO, WEST VIRGINIA
RUABON, NORTH WALES
SUNDERLAND, ENGLAND

DISTRICT OFFICES
NEW YORK
BOSTON
CHICAGO
SAN FRANCISCO
LONDON

DIVISIONS
MERRIMAC CHEMICAL COMPANY, INC.
BOSTON, MASSACHUSETTS
RUBBER SERVICE LABORATORIES COMPANY
AKRON, OHIO
MONSANTO CHEMICAL WORKS, LTD.
LONDON, ENGLAND

CABLE ADDRESS
MONSANTO-ST. LOUIS
CODES
A.B.C. 5TH AND 6TH
BENTLEY'S 2ND PHRASE
BENTLEY'S
ACME

July 26, 1933.

To the Stockholders of Monsanto Chemical Company:

The net earnings of our Company for the second quarter of 1933 were the best quarterly earnings in its history. Sales and profits amply reflected the improvement in general business conditions, which made itself evident toward the latter part of April. The earnings for the quarter were made on a decidedly lower price basis, thereby showing the results of the increased efficiency that has been built into our plants during the past few years.

Our net profit for the second quarter after all charges was $542,027, which was equivalent to $1.26 per share on the 427,608 shares outstanding, or more than double the 60 cents per share earned during the second quarter of 1932. Earnings for the half year amounted to $838,947 or $1.96 a share, compared to $1.24½ for the first six months of last year.

The attached balance sheet reflects the continued healthy condition of the Company. In spite of a net increase of $304,066 in plant facilities, and an increase of $528,362 in our investment account and payment of regular dividends, our cash and net current asset positions approximate those of the first of the year. The increase in the investment account is represented mainly by our acquisition of the controlling interest in the Swann Corporation.

The profits and current assets of our British subsidiary are included in both the attached consolidated income account and balance sheet at the rate of $3.40 to the £. Current quotations are over 30% higher. The income account does not contain any undistributed profits of affiliated companies in which we have investments.

The National Industrial Recovery Act presents many problems as well as benefits to industry. Your management, however, has anticipated the main purposes of the act. More than a year ago we voluntarily initiated the forty-hour week in our plants, and since last fall no employe of our American divisions has had duties which required him to work more than forty hours a week.

Our wage rates in general have not been reduced from the 1929 level. Therefore, I am confident that any minimum wage which may be established for the chemical industry will be below that which we are now paying. While I expect that no advance in wage rates will be required of our Company, I believe that greatest efficiency is attained by adequately paid workers, and that the interests of stockholders will be best promoted by maintaining our wage rates above future minimum requirements.

Our July shipments and sales are continuing at a high rate, although July and August normally are accompanied by a slackening of orders. Plant operation and employment consequently are in pleasant contrast to that of a year ago.

Edgar M. Queeny

President.

P - 2

DSW 331347

STLCOPCB4056127

MONSANTO CHEMICAL COMPANY

(and Predecessor Company)

AND SUBSIDIARY COMPANIES

Comparative Consolidated Balance Sheets as at June 30, 1933, and December 31, 1932

ASSETS

	June 30, 1933	December 31, 1932	Increase / *Decrease*
Current Assets:			
Cash and Short Term U. S. Treasury Notes	$ 2,377,622.13	$ 2,367,519.43	$ 10,102.70
Marketable Securities at Quoted Values	50,549.78	199,435.00	*148,885.22*
Customers' Notes and Accounts Receivable	1,638,516.32	1,051,279.37	587,236.95
Miscellaneous Accounts Receivable	36,862.54	36,545.68	316.86
Inventories	2,573,298.35	2,738,482.01	*165,183.66*
	$ 6,676,849.12	$ 6,393,261.49	$283,587.63
Deposits in Closed Banks—Estimated Recoverable Value:	$ 100,000.00		$100,000.00
Other Assets:			
Miscellaneous Investments	$ 851,501.75	$ 323,139.88	$528,361.87
Due from Officers and Employes	25,867.02	30,504.59	*4,637.57*
	$ 877,368.77	$ 353,644.47	$523,724.30
Property:			
Land	$ 1,213,102.78	$ 1,183,994.96	$ 29,107.82
Buildings	3,229,671.81	3,227,336.70	2,335.11
Machinery and Equipment	9,245,561.95	8,972,938.62	272,623.33
	$13,688,336.54	$13,384,270.28	$304,066.26
Patents and Processes:	$2.00	$2.00	
Deferred Charges:			
Prepaid Items	$ 144,964.14	$ 122,571.27	$ 22,392.87
Other	27,090.00	27,090.00	
	$ 172,054.14	$ 149,661.27	$ 22,392.87
	$21,514,610.57	$20,280,839.51	$1,233,771.06

Note.—Current Assets and Liabilities of the British subsidiary have been converted at $3.40 per £ at June 30, 1933, and at $3.33 per £ at December 31, 1932.

LIABILITIES

	June 30, 1933 Par Value $10 (shares)	Dec. 31, 1932 No Par Value (shares)	June 30, 1933	December 31, 1932	Increase / *Decrease*
Current Liabilities:					
Accounts Payable			$ 714,811.71	$ 604,136.38	$ 110,675.33
Accrued Accounts			208,907.22	140,792.24	68,114.98
Dividend Payable			133,540.94	133,383.13	157.81
Estimated Income Taxes			348,002.45	239,279.22	108,723.23
			$ 1,405,262.32	$1,117,590.97	$287,671.35
Funded Debt:					
5½% First Mortgage Sinking Fund Gold Bonds, due annually to November 1, 1942			$ 1,573,000.00	$ 1,653,000.00	*$80,000.00*
Less—In Treasury			28,500.00	108,500.00	*80,000.00*
			$ 1,544,500.00	$ 1,544,500.00	
Reserves:					
Depreciation and Obsolescence			$ 4,656,392.14	$ 4,316,499.56	$339,892.58
Containers in Hands of Customers			617,053.16	581,649.11	35,404.05
Contingencies			229,864.20	232,829.39	*2,965.19*
			$ 5,503,309.50	$ 5,130,978.06	$372,331.44
Capital Stock and Surplus:					
Capital Stock—					
Authorized, 500,000 Shares					
Issued	429,000 shs.	450,423 shs.			
Less—In Treasury	1,392 shs.	23,226 shs.			
Outstanding	427,608 shs.	427,197 shs.	$ 4,276,080.00	$ 7,119,950.00	*$2,843,870.00*
Capital Surplus			5,228,450.71	2,368,568.78	2,859,881.93
Earned Surplus acquired from predecessor Corporation			3,342,246.26		3,342,246.26
Earned Surplus			214,761.78	2,999,251.70	*$2,784,489.92*
			$13,061,538.75	$12,487,770.48	$ 573,768.27
			$21,514,610.57	$20,280,839.51	$1,233,771.06

MONSANTO CHEMICAL COMPANY
(and Predecessor Company)
AND SUBSIDIARY COMPANIES

Statement of Consolidated Income for the Six Months Ended June 30, 1933, and 1932, and Comparison

	Six Months ended June 30, 1933	Six Months ended June 30, 1932	Increase *Decrease*
Gross Profit from operations before Depreciation and Obsolescence	$2,298,288.74	$2,012,460.52	$285,828.22
Deduct:			
Selling and administrative expenses	$662,325.51	$657,311.39	$ 5,014.12
Depreciation and obsolescence	416,771.10	464,477.71	*47,706.61*
Research expenses	187,873.60	201,828.30	*13,954.70*
Total	$1,266,970.21	$1,323,617.40	*$56,647.19*
Net Profit from Operations	$1,031,318.53	$688,843.12	$342,475.41
Other Income:			
Interest Received	$19,693.19	$33,041.66	*$13,348.47*
Other	97,570.49	88,782.97	8,787.52
Total	$117,263.68	$121,824.63	*$4,560.95*
Gross Income	$1,148,582.21	$810,667.75	$337,914.46
Income Charges:			
Bond Interest and Discount	$42,473.74	$50,612.92	*$ 8,139.18*
Other Charges	98,257.89	114,470.21	*16,212.32*
Total	$140,731.63	$165,083.13	*$ 24,351.50*
Net Income before provision for income taxes	$1,007,850.58	$645,584.62	$362,265.96
Provision for income taxes	$168,902.99	111,363.46	$ 57,539.53
Net Income transferred to Surplus	$838,947.59	$534,221.16	$304,726.43
Per Share of Outstanding Stock	$1.96	$1.24½	$0.71½

Statement of Consolidated Earned Surplus June 30, 1933

DSW 331349

Earned Surplus of Monsanto Chemical Works, December 31, 1932		$2,999,251.70
Net Income for the Six Months ended June 30, 1933		838,947.59
Deduct		$3,838,199.29
Cash Dividends Paid	$266,930.32	
Organization Expenses of Monsanto Chemical Company	14,260.93	$281,191.25
Earned Surplus at June 30, 1933		$3,557,008.04
Transferred to Earned Surplus acquired from Predecessor Corporation, being Earned Surplus of Monsanto Chemical Works at date of acquisition of its business and assets by Monsanto Chemical Company		$3,342,246.26
Earned Surplus of Monsanto Chemical Company at June 30, 1933		$214,761.78

Note: The earnings of the British subsidiary have been converted at the rate of $3.40 per £.