



DIGITAL EQUIPMENT CORPORATION

Russell A. Gullotti  
Vice President

Digital Drive  
Merrimack, New Hampshire  
03054-9501

June 21, 1994

Mr. Robert G. Potter  
President,  
Monsanto Chemical Group  
800 North Lindbergh Boulevard  
St. Louis, Missouri 63167

Dear Bob:

Please review the attached letter dated June 20th from Bobby Thomas to your Worldwide Order Fulfillment Team Leader, Bob Barrett. In my opinion, the letter clearly demonstrates Digital's commitment to your successful implementation of SAP.

I wanted to make you aware of my full support of our commitment to Monsanto and to reiterate my offer to participate with you on the Senior Advisory Committee outlined in Bobby's letter.

Thank you again for your hospitality when I was in St. Louis and I look forward to seeing you again soon.

Sincerely,

Russ Gullotti  
President, Americas Area

cc: Roger Rose  
Bobby Thomas

Printed by ANDREA WILKINS @MKO

I N T E R O F F I C E   M E M O R A N D U M

Doc. No: 007268  
Date: 20-Jun-1994 11:02am EDT  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

TO: Andrea Wilkins @MKO

Subject: Please Review

Andrea,

I have changed the letter that I sent Russ on Friday somewhat. Would you please ask him to review the attached and give me his approval to deliver it to Monsanto. I have removed the Surety Bond offer from this one.

Russ discussed the Senior Advisory Committee with Bob Potter when he was here and I would only expect him to participate if Mr. Potter does.

I will ask Russ to send a cover letter to Mr. Potter voicing his support of the letter and attach my letter to his. I want to make sure that Mr. Potter sees this letter and understands our committment and that Russ is supportive.

I will draft the sample cover letter for Russ later today. It is important that I get the attached letter to Monsanto this week and that Russ' letter to Mr. Potter get's to him early next week.

Thanks,

Bobby

June 20, 1994

Mr. Robert E. Barrett  
Director, Worldwide Order Fulfillment  
Monsanto Chemical Group  
800 N. Lindbergh Boulevard  
St. Louis, Missouri 63167

Dear Bob:

As your Technology Team plans their final week of meetings with the three major technology vendors for SAP and as you wind done your selection of your implementation partner, I wanted to review a few key points that we feel are very important to Monsanto's success with your implementation of SAP.

Monsanto's current plans for SAP include the rollout to several divisions worldwide over the next two years. This will affect each division, its people, processes, business practices, systems and technology, in significant and not entirely understood ways. The ultimate success of your SAP implementation rests with a number of people in each division, Monsanto's SAP Alliance Partner, SAP America and Europe, and your Technology Partner.

Key factors for your program's success include clear communication, coordination and total commitment from all involved. To ensure progress towards common goals critical for your success, Digital strongly recommends establishing a "Senior Advisory Committee" consisting of senior executives from Monsanto, SAP, your SAP Alliance Partner, and your SAP Technology Partner. This committee would meet as required to review the program's progress against its plan and to assist in problem resolution on issues beyond the responsibility of the joint Alliance Partner/Technology Partner Program Management team. Mr. Russ Gullotti, President of Digital's Americas Area, has offered to participate on this Senior Advisory Committee.

Digital is convinced, and our experience shows, that direct involvement of upper management from all parties is critical to the successful implementation of a major project of this scope. We welcome the opportunity for further discussion to share additional ideas regarding the formation of an Advisory Committee to oversee the Monsanto SAP Implementation Program.

I also wanted to briefly review Digital's Advanced SAP Assistance Program(ASAP). ASAP is offered only to Digital's premier customers who are willing to contract with Digital for a minimum of \$500K of SAP Technical Services within a twelve month period. This integrated support plan for SAP/R3 clients is intended to minimize

your business risk by invoking all of Digital's experiences and strengths in R3 implementations.

Under ASAP, Digital will commit to two levels of risk-sharing with Monsanto in your WWOFF project. First, as we mutually develop the project plan and associated success criteria, Digital will fully guarantee the performance of its products. Secondly, as Monsanto's Executive Partner, you have the full commitment of Roger Rose, Midwest Regional Vice President to insure your success, plus the commitment of Russ Gullotti, President of the Americas Area to the above mentioned Executive Advisory Committee.

Also, Digital is transitioning its internal business processes to SAP running on the Alpha/OSF1 platform. Digital will provide Monsanto with unique access to Digital's own internal SAP/R3 project team. SAP/R3 team members from both Digital and Monsanto will participate in the following activities. The level, scope and frequency of these activities will be managed through your Digital Program Manager, Tom Flynn.

- Training Activities
- Periodic Project Reviews
- Peer-to-Peer Access
- Digital/SAP Users Group

Lastly, under ASAP, Digital will assign a team of named technical resources made up of senior engineers and consultants in key technology and support areas who will be available to Monsanto at no incremental cost. These key areas will include:

- Networking/Connectivity
- OSF/1
- Systems Engineering
- Hardware Engineering

Monsanto is clearly one of Digital's premier customers where we are willing to make the above commitments to ensure your success. We look forward to your decision and working closer with your WWOFF Team toward your successful SAP implementation.

Sincerely,

Bobby Thomas  
Monsanto Global Account Manager

cc: Ron Wright, Monsanto  
Carol Holmes, Monsanto  
Mike Marcum, Monsanto  
Mike Winkel, Monsanto

Russ Gullotti, Digital  
Roger Rose, Digital  
Tom Flynn, Digital  
Lee Mari, Digital

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 073260  
Date: 20-Jun-1994 12:15pm EDT  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

TO: Russ Gullotti @MKO

CC: Roger Rose @ACI

( Roger Rose @ACI )

Subject: Bob Potter Follow Up Letter

Andrea,

Attached is a sample letter for Russ to send to Bob. Please attach the letter that I delivered to Bob Barrett today (I will Fed Ex a copy to you today) when you mail the letter to Mr. Potter.

Thanks,

Bobby

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 073208  
Date: 17-Jun-1994 04:20pm EDT  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

TO: Russ Gullotti @MKO  
TO: Roger Rose @ACI

Subject: Monsanto SAP Letter

Russ and Roger,

Would you please review the attached letter that I would like to send to Monsanto's Team Leader for WWOF next week. (Last week before pilot decision)

I am awaiting all necessary approvals from our Consulting and Legal organizations on the commitments made. These commitments are identical to other large SAP proposals that have been submitted recently.

Russ, your offer to Mr. Potter for regular meetings with him was similar to the Senior Advisory Committee that is discussed in the letter, so I included your name as our representative. I envision that Committee consisting of senior management from all companies, Monsanto, Andersen, SAP and Digital. It will also be an excellent way to leverage additional business. If the members from the other companies are not of your level or the meeting frequency is too often, I will ask Roger to participate.

Please advise if you are not comfortable with the offer of your participation in the letter.

Roger, please give me your thoughts as well.

Russ, I will advise on the finalization of the letter and since you are copied I will ask you to send a note of support to Mr. Potter and attach the letter so he can see our commitment to the project.

Will await your comments.

Thanks,

Bobby

*Resend  
Bobby Thomas  
yes, you can  
Resend this as is*

June 17, 1994

Mr. Robert E. Barrett  
Director, Worldwide Order Fulfillment  
Monsanto Chemical Group  
800 N. Lindbergh Boulevard  
St. Louis, Missouri 63167

Dear Bob:

As your Technology Team plans their final week of meetings with the three major technology vendors for SAP and as you wind ~~done~~ <sup>down</sup> your selection of your SAP Alliance Partner, I wanted to review a few key points that we feel are very important to Monsanto's success with your implementation of SAP.

Monsanto's current plans for SAP include the rollout to several divisions worldwide over the next two years. This will affect each division, its people, processes, business practices, systems and technology, in significant and not entirely understood ways. The ultimate success of the SAP implementation rests with a number of people in each division, and with Monsanto's SAP Alliance Partner, SAP America and Europe, and your Technology Partner.

A key factor is a combination of clear communications, coordination and commitment to this program's success, from all involved. As such, Digital strongly recommends establishing a "Senior Advisory Committee" consisting of Monsanto, your selected SAP Alliance Partner, your SAP Technology Partner and SAP Executive Management. This committee would meet periodically to review the program and assist in problem resolution on issues beyond the responsibility of the joint Alliance Partner/Technology Partner Program Management team. Mr. Russ Gullotti, President of Digital's Americas Area, has offered to participate on this Senior Advisory Committee.

Digital is convinced and our experience shows that direct involvement of upper management from all parties is critical to the successful implementation of a major project of this scope. We welcome the opportunity to share additional ideas and discussion regarding the formation of an Advisory Committee to oversee the Monsanto SAP Implementation Program.

I also wanted to briefly review Digital's Advanced SAP Assistance Program. ASAP is offered only to Digital's premier customers who are willing to contract with Digital for a minimum of \$500K of SAP Technical Services within a twelve month period. This integrated support plan for SAP/R3 clients is intended to minimize your business risk by invoking all of Digital's experiences and strengths in R3 implementations.

Under ASAP, Digital will commit to three levels of risk-sharing with Monsanto in your WWOFF project. First, we will mutually develop



the project plan with Monsanto and the associated success criteria. Digital will fully guarantee the performance of its products. Secondly, Digital is willing to provide a surety bond if Monsanto has any concerns about our financial viability. Finally, as Monsanto's Executive Partner, you have the full commitment of Roger Rose, Midwest Regional Vice President to insure your success, plus the commitment of Russ Gullotti, President of the Americas Area to the above mentioned Executive Advisory Committee.

Also, Digital is transitioning its internal business processes to SAP running on the Alpha/OSF1 platform. Digital will provide Monsanto with unique access to Digital's own internal SAP/R3 project team. SAP/R3 team members from both Digital and Monsanto will participate in the following activities. The level, scope and frequency of these activities will be managed through your Digital Program Manager, Tom Flynn.

- Training Activities
- Periodic Project Reviews
- Peer-to-Peer Access
- Local Digital/SAP Users Group

Lastly, under ASAP, Digital will assign a team of named technical resources made up of senior engineers and consultants in key technology and support areas who will be available to Monsanto at no incremental cost. These key areas will include:

- Networking/Connectivity
- OSF/1
- Systems Engineering
- Hardware Engineering

Monsanto is clearly one of Digital's premier customers where we are willing to make the above commitments to ensure your success. We look forward to your decision and working closer with your WWOFF Team toward your successful SAP implementation.

Sincerely,

Bobby Thomas  
Monsanto Global Account Manager

cc: Ron Wright, Monsanto  
Carol Holmes, Monsanto  
Mike Marcum, Monsanto  
Mike Winkel, Monsanto  
Russ Gullotti, Digital  
Roger Rose, Digital  
Tom Flynn, Digital  
Lee Mari, Digital

*Discontinued*



DIGITAL EQUIPMENT CORPORATION

Russell A. Gullotti  
Vice President

Digital Drive  
Merrimack, New Hampshire  
03054-9501

June 6, 1994

Mr. Robert G. Potter  
President Monsanto Chemical Group  
800 North Lindbergh Blvd.  
St. Louis, Missouri 63167

Dear Bob:

Many thanks to you, Carol, Mike and Mike for spending so much quality time with us last week. I thoroughly enjoyed our visit with you and would hope that you and your staff members also felt that it was a good use of your time. The notes that Roger, Bobby and myself took at the meeting, look as follows;

You would like to have the people from Digital provide periodic updates as to how we see things progressing in your particular industry. Bobby Thomas will follow-up with Carol Holmes.

You and your folks also suggested that it might be a good idea for us to have similar events with more of your senior management staff, either through similar types of informal discussions or some other form of training. Again, Bobby Thomas with follow-up with Carol Holmes.

You thought it would be a good idea for us to follow-up with your new CFO/CIO Bob Hoffman. We will be certain to do this and try to get Roger Rose on Bob's schedule as soon as we possibly can. On my next visit to the Monsanto Company, I, too, will try to visit Bob Hoffman at the same time I visit Bob Shapiro and yourself (you're right, there are many Bob's at Monsanto!)

If I might, I'd like to address a few specifics regarding your WWOOF project. I'm sure that Digital would serve you well, if you choose us as one of your partners on the implementation of this project. The fact that we are using the SAP software to manage our own company and are in the process of implementing it in many other companies should serve us well in helping you and your team to succeed.

Digital Equipment Corporation

I am thoroughly convinced that the architecture of our Alpha platforms represents the security that you would need in choosing your hardware platform inasmuch as the Alpha architecture is already at 64 bit technology with an architectural life span that goes well past the year 2000. The last thing I think you would want to do would be to begin your SAP implementation on 32 bit architecture and then be forced to port everything over to 64 bits 2 or 3 years from now.

Digital is anxious to begin working with your chosen partners with WWOFF and most anxious to hear of your pilot decision during the month of June. It is truly our opinion that the company you select as your pilot will likely be the company you select as your long term partner in this effort.

On a final note Bob, I took one of our company aircraft to my visit in St. Louis, and your company graciously allowed us to use the Monsanto hangar and aviation facilities. Please pass on my thanks to the employees who man your aviation services. They're a great Sales Force for your company, i.e., courteous, efficient and prompt.

Thank you again for your time. I will look forward to our next visit. I hope you had a great weekend of golf!

Sincerely,



Russ Gullotti  
President, Americas Area

CC: Michael Winkel  
Sr. Vice President of Operations

Michael Marcum  
Director/Special Projects

Carol Holmes  
Director MIS

Roger Rose  
Bobby Thomas

*file  
Monsanto*

November, 1993

## BIOGRAPHICAL SKETCH

**ROBERT G. POTTER**  
Corporate Executive Vice President  
Monsanto Company  
President, The Chemical Group

Robert G. Potter is a Corporate Executive Vice President of Monsanto Company and President of The Chemical Group, a Monsanto operating unit. He is responsible for all of The Chemical Group's divisions which include detergents and phosphates, man-made fibers, plastics, resin products, rubber chemicals and instruments, specialty chemicals and other products.

Mr. Potter joined Monsanto in sales in 1965. Following a variety of marketing and administrative assignments, in 1977 he became General Manager, Detergents and Phosphates Division, Monsanto Industrial Chemicals Company (MIC), a former Monsanto operating unit; and, in 1979 was appointed General Manager, Commercial Division, Monsanto Chemical Intermediates Company (MCI), another former Monsanto operating unit.

Mr. Potter was elected a vice president of Monsanto in October, 1981 and was named Managing Director of MCI on January 1, 1982. He was appointed Group Vice President and Managing Director of MIC on January 1, 1983, and was appointed Managing Director of Monsanto Polymer Products Company, also a former Monsanto operating unit, on April 1, 1984.

When Monsanto Chemical Company (MCC) was formed on January 1, 1986, Mr. Potter was appointed Senior Vice President. On April 1, 1986, he became Corporate Group Vice President of Monsanto Company and President of Monsanto Chemical Company, a Monsanto operating unit. He became an Executive Vice President of Monsanto Company in June, 1990. MCC's name was changed to The Chemical Group of Monsanto in 1992.

Mr. Potter is a member of the board of Cray Research, Inc., the board of G. D. Searle & Company, the board and executive committee of the Chemical Manufacturers Association, the board of the National Association of Manufacturers, the executive committee of the U.S. Council of International Business, and the executive board of the St. Louis Area Council for the Boy Scouts of America. He serves as an advisory director on the board of Monsanto Company and is a member of Monsanto's executive management committee.

Born April 16, 1939, in Terre Haute, Ind., Mr. Potter graduated from Purdue University with a B.S. degree in 1961 and from Indiana University with an M.B.A. degree in 1962. Mr. Potter attended the Executive Program of the University of California, Berkeley in 1977. Prior to joining Monsanto, he served as an officer in the United States Navy from 1962 through 1965.

Mr. Potter lives in St. Louis with his wife, the former Nancy Findlay.

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 072595  
Date: 03-Jun-1994 04:10pm EDT  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

TO: Russ Gullotti @MKO

CC: Roger Rose @ACI

Subject: Monsanto Executive Follow Up

Russ,

Your follow up letter should go to the following people:

Robert G. Potter  
President  
Monsanto Chemical Group  
800 North Lindbergh Boulevard  
St. Louis, Missouri 63167

cc: Michael Winkel  
Senior Vice President Operations  
(Same Address)  
Michael Marcum  
(His title has changed - please check the business card he gave you)  
(Same Address)  
Carol Holmes  
MIS Director  
(Same Address)  
Roger Rose - ACI  
Bobby Thomas - STO

*Memo Dictated addresses are here*

Key Points to include:

Thank you for the use of Monsanto's hanger during the visit.

His offer for us to participate in senior management briefing/training.  
(I will work this with Carol Holmes)

His request for us to provide industry updates as we did with SAP.(I will also work this with Carol.)

His invitation for us to meet their new CFO/CIO Bob Hoffman. (I will schedule with Roger.)

Please work in our technology advantage with Alpha for their WWOFF project.

Please reference our SAP implementation and the availability of our internal resources to discuss our experience with Monsanto's management team. (Maybe this

is the first Management training session)

Please mention that we are anxious to begin work with Monsanto's chosen partners for WWOFF and are looking forward to the pilot decision on June 10th and the project partner decision by June 30th.

It would be good to mention CAPISCE somehow and our willingness to support Monsanto as the first North American customer.

I know that's a lot and please use your discretion in adding or deleting topics we discussed today.

I really appreciate your participation. It was one of the best customer meetings I have ever been a part of. Let's now make it produce some results for Digital and Monsanto.

Roger, would you please give Carol Holmes a call on Monday as we discussed in the car on the way to the airport. I would like for her to hear from you that we have a distinct advantage over HP and IBM with Alpha and SAP. Encourage her to ask the SAP V.P., John Burke, that question directly. Thanks for being there today. You and Russ make a great Executive Partner team!

Regards,

Bobby

DIGITAL EQUIPMENT CORPORATION

AMERICAS AREA

MERRIMACK, NEW HAMPSHIRE

MKO2-2/A14

FAX COVER SHEET

FROM: RUSS GULLOTTI  
LOC: MKO2  
EXT: 264-6209  
FAX: 264-0864

TO: *MR. Robert Porter*  
LOC/EXT: *Monsanto*  
FAX: *314-694-8425*



Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 068538  
Date: 14-Feb-1994 12:39pm EST  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

TO: Carol Holmes

( Carol Holmes@1=us@2=mci\*id\4136215@

CC: Russ Gullotti @MKO  
CC: Bob Nealon @BXC  
CC: BILL EBERT

( EBERT.BILL AT A1 at ANGLIN at ACI )

Subject: Alpha Delivery

Carol,

Just wanted to let you know that the Alpha system that we have been experiencing severe delivery problems with was shipped on Friday. It should arrive at your site today. Bill Ebert, our logistics manager, is following up on delivery and installation today.

I spoke to Russ Gullotti last week and he had just received your letter and is drafting a response to you that I expect to see this week.

Look forward to seeing you at the Executive Breakfast on Wednesday.

Regards,

Bobby

Following up

Let Nealon -

fil  
Monsanto

When do I  
get this  
draft memo?  
It's taking too  
long.

R

Shame?

DIGITAL EQUIPMENT CORPORATION

U.S. AREA

MERRIMACK, NEW HAMPSHIRE

MKO2-2/A14

FAX COVER SHEET

FROM: Russ Gullotti  
LOC: MKO2-2/C12  
EXT: 264-6209  
FAX: 264-0864

TO: Bob Beaton

LOC/EXTENSION: 279-7768

FAX PHONE: 279-7876

Printed by RUSS GULLOTTI @MKO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 068371  
Date: 09-Feb-1994 02:56pm EST  
From: RUSS GULLOTTI @MKO  
GULLOTTI  
Dept: PRESIDENT AMERICAS AREA  
Tel No: 264-6209

TO: Remote Addressee  
TO: Remote Addressee

( BOB NEALON @BXC )  
( bobby thomas @sco )

Subject: MONSANTO LETTER

Bob, please work with Bobby Thomas, the account manager for Monsanto, to try to resolve the situation and to draft a letter for me to send to Carol Holmes upon my return on Friday.

Russ

*Bobby's DTN*

*445-6590*

CC:  
Bob Deaton

Call Bobby

# Monsanto

Monsanto Chemical Company  
800 N. Lindbergh Boulevard  
St. Louis, Missouri 63167  
Phone: (314) 694-1000

5491 Vickie  
8745

January 28, 1994

Mr. Russ Gullotti  
Senior President of the Americas  
Digital Equipment Corporation  
Digital Drive  
P. O. Box 9501  
Merrimack, NH 03054-9501

Dear Mr. Gullotti,

I am writing you to express our dissatisfaction with the support we are receiving from your company. For the second time in two opportunities, we are experiencing serious delays in DEC Alpha equipment delivery. Compounding these delays are a combination of unrealistic delivery date promises, insufficient warning of delays, and little evidence that any effort is being made to improve the situation or the processes which cause these problems.

Although one incident like this is too many, it is the fact that this is an exact duplicate of our last experience which concerns me most.

Your local staff seemed uninformed and are either unwilling or unable to give us intelligent feedback about the status of the delivery. They have given us no sense of commitment to correct the problems that exist.

These delays cause us to lose project benefits and frustrate our people. We are being forced to seriously consider other platforms on which to provide our business solutions.

We will be advising our top management of the situation, in the hope that upcoming executive exchanges between our companies can serve as a catalyst to improve this performance.

Sincerely,



Carol D. Holmes  
Director, Information Systems  
The Chemical Group

cc: Mr. Michael W. Winkel  
Senior Vice President, Operations  
The Chemical Group  
Monsanto Company

Mr. Bobby L. Thomas -445-6590  
Ms. Carol J. Murphy  
Digital Equipment Corporation  
721 Emerson Road  
P. O. Box 27320  
St. Louis, MO 63141



DIGITAL EQUIPMENT CORPORATION

Russell A. Gullotti  
Vice President

Digital Drive  
Merrimack, New Hampshire  
03054-9501

February 4, 1994

Mr. Robert Shapiro  
President and CEO  
Monsanto Company  
800 North Lindbergh Boulevard  
St. Louis, Missouri 63167

Dear Bob:

When you and I met, I promised you some feedback on what has been happening to the employees we have had to ask to leave our company.

I had Mr. Russ Johnson, the responsible person for this program, go back into our data to get a high level snapshot of what's been happening. Here is some results that may be of interest to you...

We tracked some 500 employees who provided us with self disclosed employment data in 1993. Of those, 61 began their own business, 20 of whom were women. Several others left our industry and went into the teaching profession. All of the remaining employees were re-employed in similar jobs within our industry.

I don't know whether or not this supports the notion that you and I discussed, that the profile of laid off employees in the United States would be different than it would be in other countries, but that's the data as we have it. By the way, Russ Johnson and his folks would be glad to meet with representatives from your company to learn more about our mutual outplacement efforts.

I hope business is going well for you and I look forward to our next visit. Feel free to give me a call if you'd like to discuss any of this data any further.

Sincerely,

Russ Gullotti  
Americas Area President

cc: Karen Howard  
Russ Johnson



DIGITAL EQUIPMENT CORPORATION

Russell A. Gullotti  
Vice President

Merrimack, New Hampshire  
03050-4303

24 January 1994

Mr. Robert B. Shapiro  
President and COO  
Monsanto Company  
800 North Lindbergh Boulevard  
St. Louis, Missouri 63167

Dear Bob;

Thanks very much for spending time with me during my visit to St. Louis. I enjoyed the opportunity to chat with you and to learn more about Monsanto first hand.

As we discussed, I have asked our human resource folks to pull together some data on what has happened to the people who have been asked to leave our company during our extensive restructuring over these past two years. I'll be travelling for the next couple of weeks but I should be able to send you something upon my return.

During our time together we spoke about two topics that I would like to expand upon briefly; we talked about creating a "vision" for information flow and the use of data at Monsanto. I would be glad to have one of our Topmapping consultants visit with you to discuss some of the ways we have been able to help our customers get themselves started in understanding how information is used or not used within a company. In fact, I'm told that one of your plants has used this methodology quite successfully. Bobby Thomas can provide additional facts for you if you are interested.

We also talked briefly about supply chain re-engineering and Digital's own experiences in reducing \$1 billion from our cost structure as a result of our efforts. Certainly it wasn't easy and we had many stops and starts in the process. I will be happy to send Jim McCluney, our Vice President responsible for our global supply chain, to speak with you and your staff about our experiences if you think it would be helpful.

Digital Equipment Corporation

I believe we both agreed that we would meet or talk on a regular basis provided that the time spent is useful to both of us. With that in mind, I look forward to seeing you again.

Sincerely,

*Russ*

Russ Gullotti  
President, Americas Area

cc: Karen Howard  
Human Resources, USA

Jim McCluney  
Vice President, Global Supply Chain

Bobby Thomas  
Monsant Account Manager



# Monsanto

File

WE REMAIN COMMITTED TO SHAREOWNER VALUE



**1992 Annual Report**

*This version of  
Monsanto's 1992  
Annual Report  
includes the 1992  
Corporate Data Book.*

## MONSANTO 1992 OVERVIEW

**M**onsanto Company's net income in 1992 was affected by a number of significant nonrecurring items. As a result, the company had a net loss of \$88 million, or 71 cents per share, on net sales of \$7.8 billion. The largest of the charges against earnings was a one-time aftertax charge of \$658 million, or \$5.34 per share, to adopt Statement of Financial Accounting Standards No. 106. This rule recognizes the future costs of medical and other post-retirement benefits for retirees.

The company also took a one-time aftertax charge of \$425 million, or \$3.44 per share, to implement cost-cutting actions designed to make worldwide operations more focused, productive and cost-effective. Major elements include a realignment of selected research investments; reductions in employment; and a number of consolidations, closings and sales of nonstrategic businesses and facilities.

The most significant gain in 1992 came from the sale of Fisher Controls International Inc. The aftertax gain from that sale was \$554 million, or \$4.49 per share. Although Fisher Controls was part of Monsanto for 23 years, its valve and process controls businesses were no longer a strategic fit for the company. The sale of Fisher Controls allows Monsanto to focus on its four core businesses.

The company also realized an aftertax gain of \$118 million, or 96 cents per share, from the adoption of Statement of Financial Accounting Standards No. 109, which pertains to income-tax accounting.

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**Letter to Shareowners 2**

Chairman and Chief Executive Officer Richard J. Mahoney describes the steps the company will take to meet its main objective: to provide superior shareowner value.

**Review of Operations 6-21**

Monsanto's four operating units implement strategies that contribute to the corporate objective of increasing value for shareowners. In this section, each unit defines its key goals, reviews the status of those goals in 1992, and provides an outlook for meeting those objectives in the future.

**The Agricultural Group 6****The Chemical Group 10****The NutraSweet Company 14**  
**Searle 18****A Tribute to****Earle H. Harbison, Jr. 22**

Monsanto's former president and chief operating officer retires Sept. 1, 1993. This tribute to Earle H. Harbison, Jr. looks back on his almost 26-year career with Monsanto.

**Financial Section and Corporate Information 23-57**

This section provides Monsanto's financial reports and statements; information on officers, advisory directors and the board of directors; and shareowner information.

**Financial Section 23****Officers and Advisory Directors 55****Board of Directors 56****Shareowner Information 57**

## OPERATIONAL HIGHLIGHTS

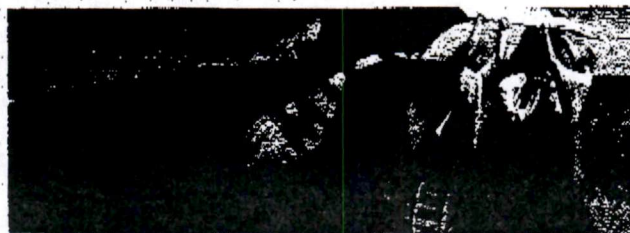
(Dollars in millions, except per share)	1992	1991	1990	% Change 1992 vs. 1991
Net Sales	\$7,763	\$7,936	\$8,068	(2)%
Income (Loss) from Continuing Operations	\$ (126)	\$ 238	\$ 486	(153)%
Net Income (Loss)	\$ (88)	\$ 296	\$ 546	(130)%
<b>Per Share:</b>				
Income (Loss) from Continuing Operations	\$(1.01)	\$ 1.87	\$ 3.77	(154)%
Net Income (Loss)	\$(0.71)	\$ 2.33	\$ 4.23	(130)%
Dividends	\$ 2.20	\$2.045	\$ 1.88	8%
Shareowners' Equity	\$24.95	\$29.72	\$32.51	(16)%
Depreciation and Amortization	\$ 765	\$ 714	\$ 704	7%
Cash Provided by Operations	\$ 912	\$1,180	\$1,104	(23)%
Research and Development Expenses	\$ 651	\$ 610	\$ 595	7%
Return on Shareowners' Equity	(2.6)%	7.6%	13.6%	(134)%
Percent of Total Debt to Total Capitalization	36%	38%	35%	(5)%
Shareowners (year-end)	60,074	60,152	62,230	—
Shares Outstanding (year-end, in millions)	120	123	126	(2)%
Employees (year-end)	33,797	39,281	41,081	(14)%

## THIS IS MONSANTO

Monsanto Company makes and markets high-value agricultural products, chemical products, pharmaceuticals and food ingredients. The company's best-known brands include *Roundup* herbicide, *Lasso* herbicide, *Wear-Dated* carpet, *Saflex* plastic interlayer, *Calan* calcium channel blocker, *Cytotec* ulcer preventive drug and *NutraSweet* brand sweetener.

### ABOUT THE COVER

Monsanto is paving the way to strategic goals that create superior shareowner value.



## LETTER TO SHAREOWNERS

**S**hareowners had a rough ride in 1992. In the preceding decade, Monsanto outperformed the market, with a total return to shareowners averaging some 20 percent per year. But 1992 closed with our stock down 15 percent from its January opening.

There was a lot of good news during 1992, but there was some bad news as well. The all-important earnings result was a disappointment. The two previous pages and the financial section of this report describe the net negative effect of several one-time charges and gains for the year. These nonrecurring items include new accounting charges for retiree benefits required of most U.S.-based companies, charges for cost-cutting actions, asset sales, and other unusual items. Even so, earnings from operations weren't what we had projected at the start of the year.

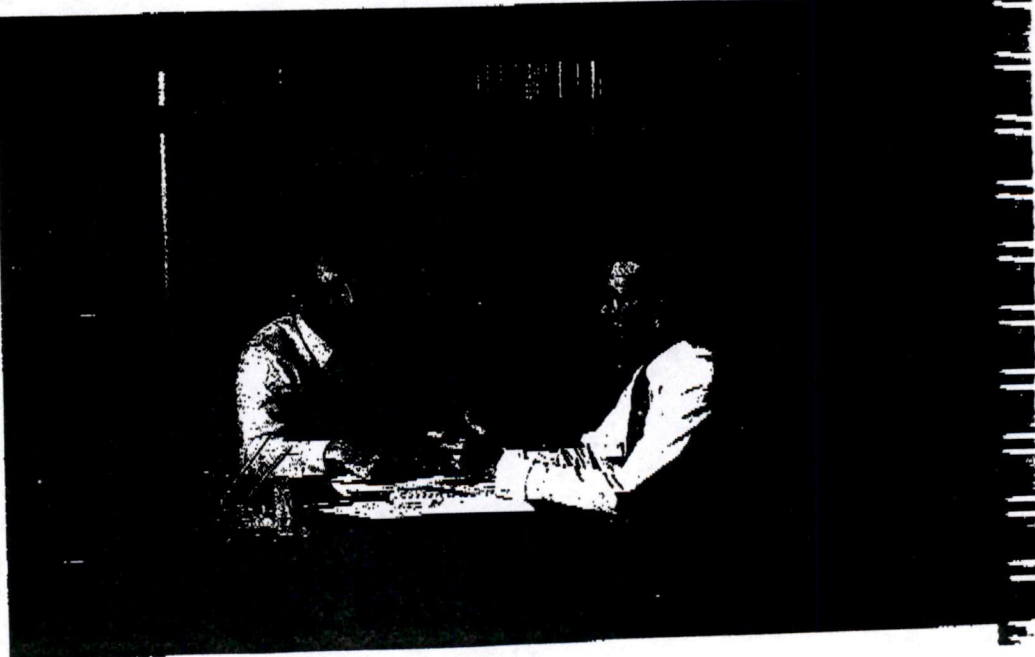
When we set out our plans for 1992, we had several objectives:

► **Keep sales and earnings growing for Roundup herbicide.** We got the sales increase, with worldwide volumes up 16 percent. What would have been a superb year for earnings from Roundup was only "pretty good" because of the cost of fixing a production outage. We simply shouldn't have let that outage happen, given our excellent manufacturing record.

► **Get new pharmaceutical product approvals to launch major sales growth.** Searle received three new drug approvals in the United States and a number of important approvals internationally — a remarkable record. But 1992 also brought U.S. approval for the first generic competition for the sustained-release form of Searle's leading product, Calan calcium channel blocker. We're optimistic about the prospects for Searle's new products, but the competition will hurt Calan, at least in the short term.

► **Complete the plan to manage the consequences of the U.S. patent expiration**

Richard J. Mahoney, ► chairman and chief executive officer (right), and Robert B. Shapiro, president and chief operating officer



for *NutraSweet* brand sweetener in 1992. We've retained most of our business for *NutraSweet* worldwide, as we had planned. To offset lower prices, we're driving down our cost of doing business, as well as our production costs. In addition, we're moving forward with research and development for Sweetener 2000, a high-intensity sweetener that promises a step change in cost and performance for the sweetener market. Our branded offerings were bolstered with new-product launches, especially *NutraSweet Spoonful*. This new product in tabletop serving jars is spoonable, like sugar. We expect good growth from products like *NutraSweet Spoonful* and from increasing sales of *NutraSweet* in cost-driven sugar-substitution markets worldwide. This business is solid now and has some interesting "wild cards" developing.

► **Capitalize on our superb product positions in The Chemical Group during the expected 1992 economic recovery.** We kept our market positions for our high-value chemical products in 1992, but the economy remained weak. Europe, usually an earnings engine for us, sputtered.

► **Dispose of nonstrategic assets and redeploy the proceeds.** Fisher Controls International Inc. was sold for \$1.3 billion, with a recorded aftertax gain of \$554 million. Other asset sales brought in \$177 million. We expect to use half the proceeds from these sales to retire high-price debt and to purchase the Ortho lawn-and-garden business from Chevron Chemical Co.

**We'll continue to apply unrelenting pressure to reduce our costs and to ensure product quality gains that customers can recognize as value.**

Ortho's line will be an excellent addition to our family of home lawn-and-garden products. Sales of our lawn-and-garden products have been increasing significantly in the past few years; the Ortho addition will make us a major player.

Share repurchases remain an important use for excess cash available after normal business requirements have been met. Our board of directors again authorized share repurchases in 1992.

► **Cut overhead and operating costs in a major way.** We expect pretax gains of \$200 million annually from cost-cutting actions we announced in November 1992. These savings will be evident beginning in 1994, once we get through the interim expenses associated with the cuts. Sometimes potential cost gains like these melt away before being realized. We intend to ensure that these savings happen.

► **Continue a reliable dividend policy for shareowners.** For the 20th consecutive year, the dividend was increased.

► **Move major research and development (R&D) programs forward to commercialization.** The recent approvals for Searle products were impressive in number and quality. Bovine somatotropin (BST), a product that offers improved dairy productivity, has been an expensive investment in biotechnology. Currently, it's cleared for sale in nine countries. In the European Community, the Committee for Veterinary Medicinal Products has found BST safe and effective, but permission for sale has not yet been granted. In the United States, approval for sale is still pending at the Food and Drug

Administration. Meanwhile, we've developed commercial and public programs, and we're containing costs prior to the launch of the product.

New crop and food products also based on biotechnology are moving well toward commercialization. These include an array of products with attractive consumer and environmental profiles.

The highly publicized launch of *Simplese* all natural fat substitute has been a "technical" success, with some 30 products containing *Simplese* now offered by food companies worldwide. But making money from *Simplese* remains elusive. We intend to resolve that issue in 1993. We have demanding standards for all of our R&D and new-product programs: We either meet them or move on.

#### CREATING VALUE FOR THE FUTURE

For 1993 and beyond, the company's objective hasn't changed: to provide superior shareowner value and achieve the principal financial target of a sustainable 20 percent return on shareowners' equity by mid-decade. We have the product mix that

can get us there, but to do so we must meet several of the objectives I described earlier:

**We intend to return Monsanto to the favored position — or better — that we had with shareowners in the late 1980s.**

► **Take advantage of an economic**

**recovery in the United States and Europe for The Chemical Group.** Our market shares are excellent, and our costs are moving lower. However, to meet and sustain corporate financial targets, we need to operate our chemical plants at capacity utilization rates several percentage points higher than our 1992 range. With our restructured chemical product lineup and a reasonable recovery, we can do it and demonstrate as well the impressive cost gains we've made.

► **Sustain our continued success with Roundup herbicide.** Our strategy to

#### OUR COMMITMENT TO SHAREOWNER VALUE



Monsanto is committed to consistently increasing value for shareowners by achieving a superior level of financial performance.

The principal financial target is to reach and sustain a 20 percent return on shareowners' equity, while generating excess cash that can be returned to shareowners in dividends and through share repurchases

after normal business needs are met.

We'll reach these goals by bringing superior value to our customers; by introducing new products and forming new alliances; by exiting businesses that cannot meet our targets; by hiring, training and motivating high-quality employees; and by acting responsibly and earning a

favored right-to-operate in society.

On pages 6-21 of this annual report, we describe the goals of each of our operating units. The achievement of these goals contributes to Monsanto's overall success in increasing shareowner value.

preserve this extraordinary franchise looks secure. Volumes continue to grow profitably worldwide because of our pricing and new end-use strategies. There will doubtless be some erosion of share with new generic entries over time, but we're in good shape to prosper in a growing market.

► **Move Searle through the current new-product launch costs and show sales success.** We'll have a better appraisal later in 1993, but early signs look promising for *Maxaquin*, a once-a-day quinolone anti-infective agent launched in the United States in 1992; for *Daypro* in the United States and *Arthrotec* in Europe, both for the treatment of the symptoms of arthritis; and for *Ambien*, a treatment for short-term insomnia. All of these products potentially offer important advances in performance and consumer acceptance, in keeping with the new realities of the pharmaceutical industry. For the long term, we intend to continue to develop innovative alliances that will ensure world-class strength in R&D and marketing. A number of initiatives are under review. We're going to restore shareowner enthusiasm that matches our own for this fine unit of the company.

► **Convert biotechnology R&D from an expense to a profit in the coming years.** We need no reminders that we've invested heavily in biotechnology. We've got to get it right or bring the costs way down. We're betting on success.

► **Continue to apply unrelenting pressure to reduce our costs and to ensure product quality gains that customers can recognize as value.** We made good progress in 1992. There's more to come.

We're taking dozens of other steps to reach our financial targets: revving up our cash-generating capabilities, continuing share repurchases, and redeploying our assets, among other important actions — all while still providing for vibrant growth.

We're recognized by the financial community as great "counterpunchers" for our impressive defenses of *Lasso* and *Roundup* herbicides, *NutraSweet* brand sweetener, *Saflex* plastic interlayer, *Wear-Dated* carpet, and other powerful franchises. I would have included *Calan* calcium channel blocker in that group until the 1992 entry of a generic competitor for the sustained-release form. But even with *Calan*, a free fall isn't a foregone conclusion in the marketplace.

Every great defense needs a sustained offense to produce a winner, and that's what we'll be demonstrating as we develop the franchises of the future. Our overriding objective is to return Monsanto to the favored position — or better — that we had with shareowners in the late 1980s. We remain committed to shareowner value. We intend to make it happen!



Richard J. Mahoney  
Chairman and Chief Executive Officer  
March 6, 1993

*Our thanks go to Earle H. Harbison, Jr., chairman of the executive committee of the board of directors and past president and chief operating officer, for his service to this company. A tribute to Earle, who retires on Sept. 1, 1993, is on page 22 of this report. The board elected Robert B. Shapiro to follow Earle as president and chief operating officer, and Nicholas L. Reding as vice chairman. We have assembled a value-oriented management team across Monsanto.*

## THE AGRICULTURAL GROUP

▼ The growth of conservation tillage — a farming practice that reduces or eliminates plowing — is generating new sales for *Roundup* herbicide as farmers substitute *Roundup* for tilling to control weeds.

The Agricultural Group adds value for Monsanto's shareowners by the strength of some of the world's leading weed control products: *Roundup* herbicide and other glyphosate-based herbicides, and the family of acetanilide herbicides. The unit is also creating a new generation of products based on research and development in both agricultural chemistry and biotechnology. In 1992, volumes for *Roundup* herbicide increased by 16 percent. Excluding a charge for cost-cutting actions and unexpected costs from damage to a plant that makes a key raw material for *Roundup*, operating income for the unit would have improved over income in the previous year.

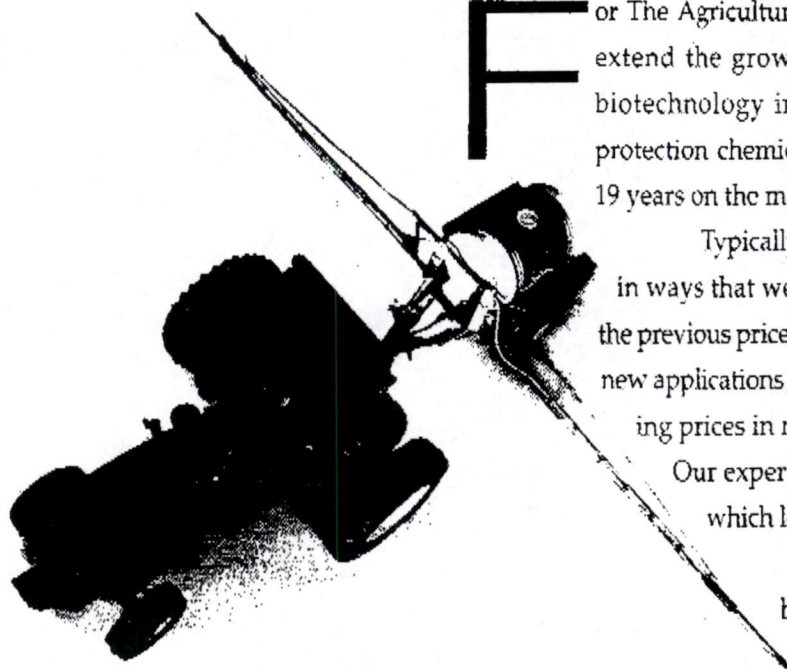
For The Agricultural Group, there are two key questions: How long can we extend the growth of *Roundup* herbicide, and how soon can we turn biotechnology into a viable business? *Roundup*, the top-selling crop-protection chemical in the world, continues to be a growth product after 19 years on the market because farmers continue to find new ways to use it.

Typically, customers respond to price reductions by using *Roundup* in ways that weren't economical at the previous prices. We've encouraged new applications by selectively lowering prices in markets worldwide.

*Roundup* herbicide continues to grow after 19 years on the market because of new uses.

Our experience has been that higher volumes result in lower costs, which lead to increases in revenues and operating income.

Also contributing to volume growth for *Roundup* herbicide is the expanding practice of conservation tillage,



### WHERE WE ARE AND WHERE WE WANT TO BE

**GOAL 1** Generate continuously higher worldwide volumes of *Roundup* herbicide and other glyphosate-based herbicides.

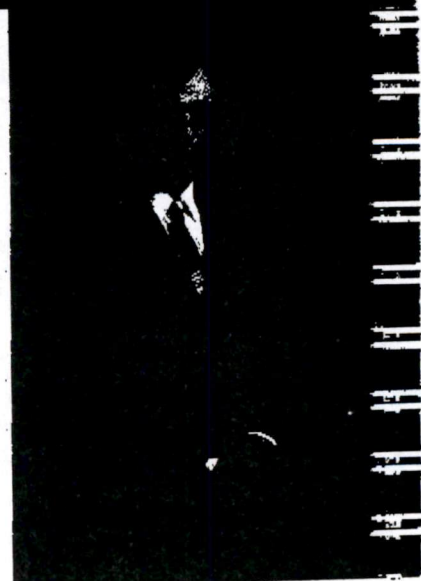
**STATUS** Volumes for *Roundup* increased 16 percent in 1992. However, income from *Roundup* was affected by the costs of damage to a plant that makes a key raw material

for *Roundup*.

**OUTLOOK** Volumes and operating income for *Roundup* are forecasted to continue to grow for several years because of increasing demand. This demand is caused by three factors: a competitive cost position, strategic reductions in selling price, and the rapid spread of conservation tillage practices in farming.

The expiration of European patents creates an opening for generic competition; U.S. patent protection for the active ingredient in *Roundup* remains in place into the year 2000.

Hendrik A. Verfaillie, ►  
vice president of Monsanto  
and president of  
The Agricultural Group





a farming method that reduces or eliminates plowing. "We've seen tremendous growth in the use of *Roundup* for no-till farming, and the current pricing makes great economic sense for conservation tillage," says Hendrik A. Verfaillie, vice president of Monsanto and president of The Agricultural Group.

Encapsulated formulations in the acetanilide family of herbicides are also being used in no-till farming. Based on the same chemistry as *Lasso* herbicide, *Micro-Tech* and *Bullet* encapsulated herbicides and *Partner* dry encapsulated herbicide provide the farmer longer weed control. They also offer improved performance over certain other grass herbicides in no-till applications.

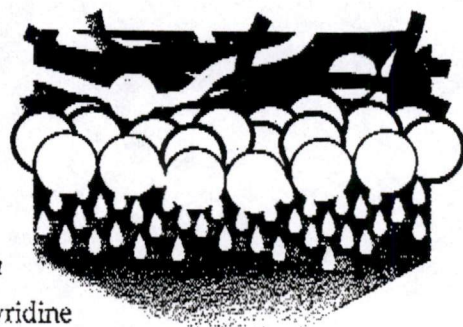
Sales for the pyridine family of herbicides, which includes *Dimension* turf herbicide, were outstanding in 1992. Registrations of products from the pyridine family continue worldwide. New broadleaf herbicides for European cereal crops and for corn in the United States are also moving through the approval process.

**The expanding practice of conservation tillage benefits both *Roundup* herbicide and the acetanilide family of herbicides.**

The availability of *Roundup* to customers wasn't affected, but the supply of raw materials used in the production of *Roundup* was interrupted. "The incident forced us to operate at lean inventory levels and fast response times — beyond what many people thought was possible," Verfaillie says. "We'll carry those lessons forward."

The second half of the 1990s should bring to market crops with a variety of beneficial traits developed through biotechnology. For example, crops made tolerant to *Roundup* herbicide offer a potential source of further growth. Currently, *Roundup* must be

*Continued on page 8*



▲ Encapsulated formulations in the acetanilide family of herbicides use microscopic shells of varying thickness, which release herbicide over time. This allows the farmer to apply the products earlier for longer control of weeds and improved performance in no-till applications.

Income from *Roundup* in 1992 was reduced by the costs of damage to a manufacturing facility that makes a key raw material for *Roundup*. The

**GOAL 2** Use encapsulated formulations to maintain the competitive position of our acetanilide family of herbicides.

**STATUS** Volumes and operating income grew in 1992 because of acreage increases, cost-cutting measures, and a strategy shift emphasizing sales of two encapsulated products, *Micro-Tech* and *Bullet*

**The Agricultural Group Sales**

(As a percent of total Monsanto sales)



▲ The Agricultural Group's revenues, which account for almost one-quarter of Monsanto's sales, are fueled by some of the leading herbicides in the world.

herbicides, and a dry encapsulated product, *Partner* herbicide.

**OUTLOOK** Volumes will be subject to continued competitive pressures, although they should benefit from encapsulated and dry encapsulated formulations, and from conservation tillage practices. In 1993, volumes for these products may be

affected by reduced U.S. corn acreage due to government programs.

**GOAL 3** Bring new agricultural chemical products from the laboratory to the marketplace.

**STATUS** Sales in the pyridine family of herbicides, including *Dimension* turf herbicide, were outstanding. A herbicide for

*Continued on page 8*

**THE AGRICULTURAL GROUP**

Continued from page 7

▼ Monsanto and University of Florida scientists announced a biotechnology breakthrough in 1992: the first addition of a gene to wheat. Wheat is a significant crop for Monsanto to work with because of the size of the potential market. More acres worldwide are planted in wheat than in any other grain crop.



used before a crop comes up, because the herbicide kills both weeds and valuable plants. Crops developed through biotechnology to tolerate *Roundup* will allow farmers to apply *Roundup* even after a crop has emerged without harming it. Soybeans and canola that are tolerant to *Roundup* herbicide

**Distribution channels for biotechnology products will vary by crop, depending on where the value of our technology can best be realized.**

have been field-tested for the past four years. These tests continued in 1992, along with those of other crops developed through biotechnology, such as insect-resistant cotton, potatoes and corn; tomatoes that have summertime flavor year-round; and potatoes that absorb less oil in cooking.

Even as our first products of biotechnology enter advanced stages of field testing, new breakthroughs are occurring in the labs. In 1992, Monsanto and University of Florida scientists announced the first addition of a gene to wheat, the initial step toward improving this important crop through biotechnology.

On the business side, we made significant advances in 1992 to bring these new technologies to market. Possible distribution channels include licensing agreements, direct seed sales to farmers, and arrangements with food processors. The choice will vary from crop to crop, depending on where the value of our technology can best be realized.

For example, the value of insect-resistant cotton would be realized by the farmer, who could greatly reduce the use of insecticides. Therefore, we would be properly rewarded by the seed company that sells it to the farmer. In 1992, we completed such a licensing agreement with Delta and Pine Land Co., a cotton seed firm with the dominant market share in the southeastern United States. We also entered into a business

**WHERE WE ARE AND WHERE WE WANT TO BE**

Continued from page 7

tree crops from this family was registered in Spain and South Africa. Registrations of pyridine products continue in the United States and several other countries.

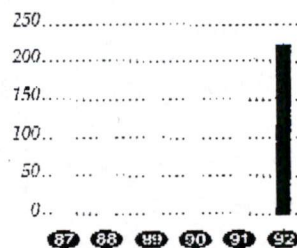
**OUTLOOK** Registrations of the pyridine herbicides should continue. Also moving toward commercialization are a broadleaf herbicide for European

cereal crops and a broadleaf herbicide for corn in the United States.

**GOAL 4** Introduce in this decade new products from biotechnology research and development.

**STATUS** U.S. field trials continued for cotton, potatoes and corn resistant to insects; for soybeans and canola tolerant to *Roundup* herbicide; for a potato that

**Glyphosate Volume Growth**  
(By percent; 1987 equals 100 percent)



▲ Volumes for *Roundup* and other glyphosate herbicides have increased steadily, in part because of new uses encouraged by selective price reductions.

absorbs less oil when it's cooked; and for a tomato that has summertime flavor year-round. The first addition of a gene to wheat was achieved. The first licensing agreement with a major seed producer was signed as a distribution channel for insect-resistant cotton. An agreement to develop, produce and market genetically modified tomatoes

partnership with NTGargiulo Inc., one of the largest tomato growers and shippers in Florida. The new agreement, signed in December 1992, will combine Monsanto's expertise in genetically modifying plants with NTGargiulo's capabilities in tomato breeding, production and marketing.

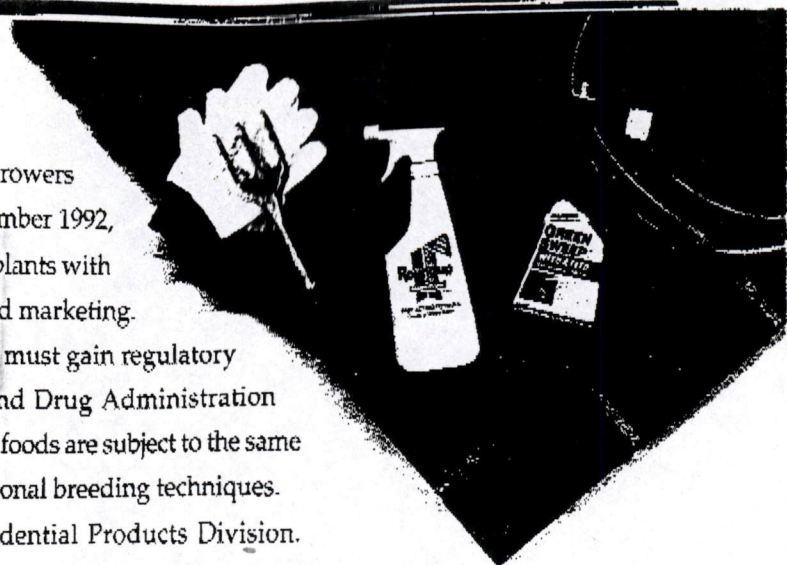
But before any new products can be marketed, we must gain regulatory approval for these technologies. In 1992, the U.S. Food and Drug Administration announced a new policy specifying that genetically improved foods are subject to the same regulatory procedures as foods developed through conventional breeding techniques.

New growth potential also comes from our Residential Products Division. Products in this division include *Roundup* herbicide and *Greensweep* lawn-care products.

**Regulatory approvals still must be gained before improved foods and crops can be brought to market.**

In 1992, the residential formulation of *Roundup* maintained its double-digit growth. To take greater advantage of an expanding home lawn-and-garden market, we signed a letter of intent in January 1993 to acquire Chevron Chemical Co.'s Ortho lawn-and-garden business. The combination of Monsanto's lawn-and-garden products with the Ortho line and potential new products would allow us to continue to expand in the residential market and to generate incremental sales growth.

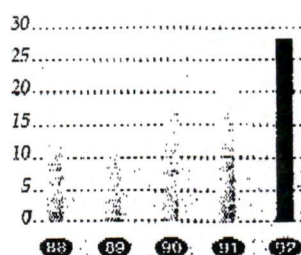
Our achievements in 1992 provide positive answers to our two key performance questions: First, *Roundup* herbicide is forecasted to remain a volume- and revenue-growth business into the middle of the decade. Second, we now have two major advantages that support biotechnology as a viable business in the second half of the decade: the demonstrated soundness of the technology and the availability of distribution channels that will allow us to benefit from the value we add. ●



▲ Monsanto's residential products — including *Roundup* herbicide and *Greensweep* lawn-care products — are well-positioned for increased sales in the growing home lawn-and-garden market.

### U.S. No-till Acreage

(Acres in millions)  
(Source: Conservation Tillage Information Center)



▲ The Agricultural Group is seizing the market opportunity created by a more than 100 percent increase in U.S. no-till acreage in the last five years.

was signed with a leading tomato grower and shipper in December 1992.

**OUTLOOK** Field trials will continue, distribution channels will be clarified, and product approvals will be sought from appropriate regulatory agencies. The first commercial biotechnology products could enter the market in the second half of the 1990s.

**GOAL 5** Position our residential products to continue worldwide growth.

**STATUS** The residential version of *Roundup* herbicide continued double-digit growth in 1992. In January 1993, we signed a letter of intent to acquire Chevron Chemical Co.'s Ortho lawn-and-garden business.

**OUTLOOK** We've identified significant growth potential in the home lawn-and-garden market. Strong consumer marketing of *Roundup*, *Greensweep* lawn-care products, the Ortho products and other potential new products will allow us to expand in the residential market and generate incremental sales growth. ●



▲ Food phosphates enhance the flavor, appearance and texture of processed poultry, meat and seafood. Food phosphate products have played a major role in the shift of Monsanto's phosphorus-based businesses from commodity markets to higher-value, performance-oriented markets.

## THE CHEMICAL GROUP

The Chemical Group manages a portfolio of chemical businesses that bring high value to our customers, allowing the group to contribute significantly to Monsanto's financial targets. It also selectively develops higher-growth, higher-return businesses that could offset the potential attrition of earnings from maturing operations. In 1992, operating income from the group's core businesses was suppressed by the continuing effect of the weak worldwide economy, especially in the automotive, construction and home furnishings markets. More than half of The Chemical Group's products are sold into these markets. Income was also affected by a charge for cost-cutting actions and asset write-downs.

Future performance of The Chemical Group depends on our ability to manage its five core businesses for steady growth of sales and operating income. The five largest businesses are plastics; rubber chemicals; nylon and acrylic fibers; Saflex plastic interlayer; and phosphorus and its derivatives. Together, they account for more than half of The Chemical Group's sales.

Assuming a reasonable, sustained economic recovery through mid-decade, each of these businesses is expected to grow steadily year to year. We anticipate that by 1996 their combined operating income will be significantly higher than their 1992 income.

**Given a reasonable, sustained economic recovery through mid-decade, each of our largest chemical businesses is expected to grow steadily year to year.**

Saflex plastic interlayer for laminated glass serves three major markets: windshields for new cars, replacement windshields, and architectural glazing.

The short-term outlook in Europe and Japan appears sluggish, but Saflex

## WHERE WE ARE AND WHERE WE WANT TO BE

**GOAL 1** Strengthen Monsanto's global leadership in key automotive and architectural markets for Saflex plastic interlayer through timely investments in facilities and technology.

**STATUS** Declining economies in several key markets resulted in below-forecast sales of Saflex. This resulted in lower capacity utilization and depressed

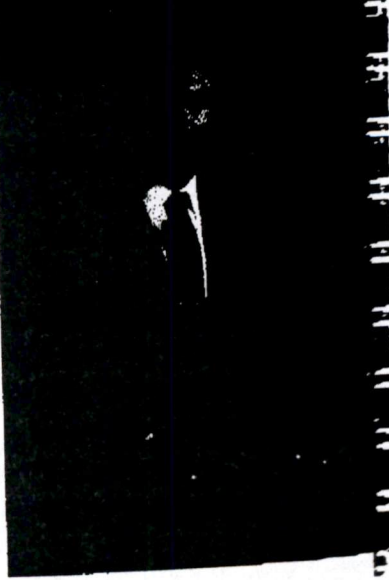
income. During 1992, we commissioned new facilities for the production of a superior windshield product for the automotive market.

**OUTLOOK** With low-cost, state-of-the-art capacity in North and South America, Europe and Japan, we're strongly positioned to benefit from a renewal of growth

in world markets, given a reasonable economic recovery.

**GOAL 2** Expand the performance plastics business by enhancing our geographic, market, and specialty product

Robert G. Potter, ► executive vice president of Monsanto and president of The Chemical Group



is well-positioned in major North American markets to benefit from the anticipated recovery. To generate additional growth in this business, we're investing in facilities to meet laminated glass demand worldwide — most recently in Western Europe, South

**To generate additional growth for Saflex plastic interlayer, we're investing in facilities to meet laminated glass demand worldwide.**

America and Japan. We're also moving deeper into strategic segments where we haven't been major participants. In addition,

we're continuing our efforts to expand the use of Saflex in architectural markets where the product's advantages in safety, security, sound control and energy efficiency are valued.

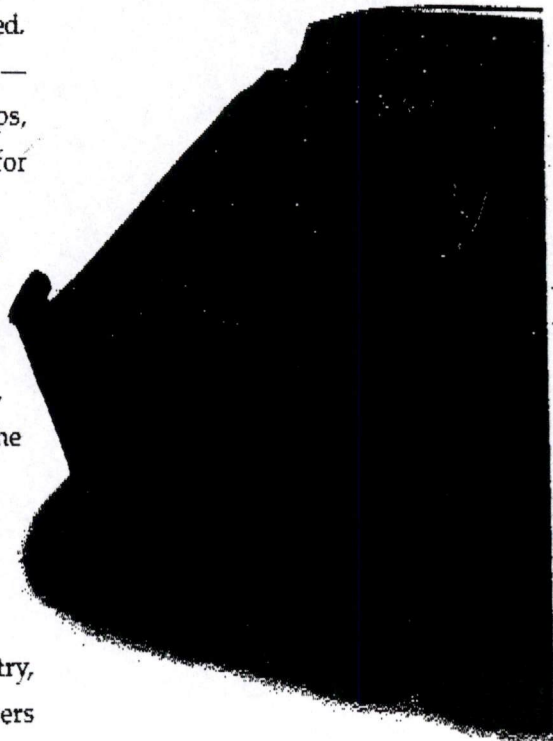
Our plastics business ranks in the industry's top tier worldwide. Our products — targeted at the higher-value end of the market — are used in hot tubs, camper tops, refrigerator interiors, hand tools and garden tools, trim and under-the-hood parts for automobiles, housings for business machines, and parts for medical delivery systems.

Typical users of our plastic products are companies in the computer, communications and automotive industries — global enterprises that expect consistent product performance as well as superior logistical and technical service. The fastest-growing market for Lustran ABS plastics today is the southern Asia/China region, which will account for more than one-third of world demand for ABS plastics by the end of this decade. To serve this region better, we entered a joint venture in 1992 to build and operate a plant for Lustran ABS in Thailand. When the plant becomes operational in 1995, we will be the only producer of ABS plastics to have manufacturing sites in all four major global markets.

Our nylon and acrylic carpet fibers business serves the U.S. carpet industry, particularly makers of quality residential replacement carpeting. Our carpet fibers

*Continued on page 12*

▼ The 1993 Dodge Intrepid by Chrysler Corp. contains Monsanto plastics in high-value applications on the console, interior door panel, steering column and instrument panel.



positions, while managing costs to improve near-term operating income.

**STATUS** Volumes increased in 1992, but margins decreased because of pressure on pricing. In 1992, we formed a joint venture in Thailand that by 1995 should make us the only producer of ABS plastics to have manufacturing plants in all four

**The Chemical Group Sales**

*(As a percent of total Monsanto sales)*



▲ The Chemical Group's solid core of business franchises accounts for almost one-half of Monsanto's sales.

major global markets. **OUTLOOK** Slow but steady sales growth is projected, with continuing pressure on pricing as long as global oversupply persists. **GOAL 3** Maintain our position in the U.S. carpet market by focusing on selling our nylon and acrylic fibers to the residential replacement and commer-

cial carpet segments.

**STATUS** Volumes increased in 1992, but margins narrowed because of price deterioration.

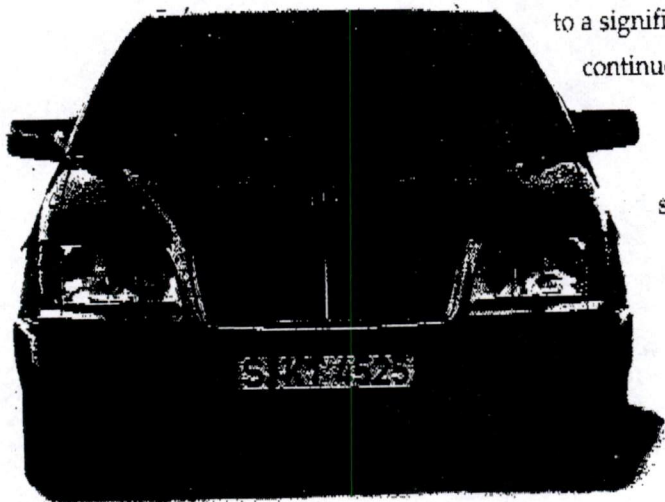
**OUTLOOK** Slow but steady volume growth is projected. Further cost reductions should help maintain profitability. Pricing will remain a key issue.

*Continued on page 12*

**THE CHEMICAL GROUP**

Continued from page 11

▼ The Mercedes 400SEL features *Saflex* plastic interlayer, the world's leading product for laminated windshields. The three major markets for this product are new windshields, replacement windshields, and architectural uses.



command a preferred market share because of their superior performance in the carpet manufacturing process. Our warranty for *Wear-Dated* carpet is our commitment to quality all the way through to the consumer, and it adds value to this business. In 1992, we completed a manufacturing project that resulted in added capacity and product improvements. We'll continue to generate growth over the next five years with more advances in quality and with new generations of differentiated products.

**Our nylon and acrylic carpet fibers command a preferred market share because of their superior performance for our carpet mill customers.**

Rubber chemicals and phosphorus and its derivatives are the most mature of our core businesses. We're finding ways to increase their sales and operating income within industries whose growth has leveled off.

In rubber chemicals, we've started a major program to determine the commercial viability of new production technology that not only is more efficient but also could lead to a significant reduction in process waste. In phosphorus and derivatives, we continued to benefit in 1992 from our decisions to reduce costs and to shift our market focus away from commodity home-laundry detergents and toward a variety of higher-value, higher-margin markets. In 1992, we shipped our last pound of phosphate for heavy-duty home-laundry detergents to U.S. manufacturers.

To supplement future earnings, The Chemical Group is investing in high-technology products with low fixed-capital requirements and high-growth potential. Among these products are *Electron* metallized materials, a line that we bolstered with the acquisition of Devex S.A., a Swiss company that specializes in

**WHERE WE ARE AND WHERE WE WANT TO BE**

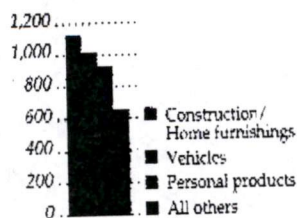
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**GOAL 4** Manage our world leadership position in rubber chemicals, while achieving the returns we experienced in previous years.

**STATUS** Sales declined in 1992 in an environment of global overcapacity, tire industry consolidation, and turmoil in the Commonwealth of Independent States.

**1992 Sales by Market**

(Dollars in millions)



▲ The Chemical Group makes high-value products sold primarily to the automotive, construction and home furnishings markets.

The government of the Soviet Union had been one of the largest buyers of our rubber chemicals products.

**OUTLOOK** Sales will grow slowly. A new production technology holds promise for significant improvements in manufacturing efficiency.

**GOAL 5** Operate the lowest-cost, highest-value phosphorus and

derivatives business in the United States.

**STATUS** Performance from operations improved in 1992, as we continued our move out of commodity home-laundry detergents into a variety of performance applications in food, dental and other high-value market segments.

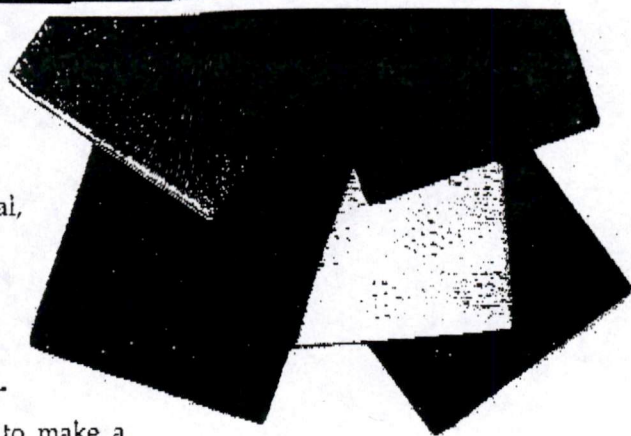
metallizing processes. We also acquired Diamonex Inc., a world leader in high-performance diamond and diamond-like coatings for industrial, optical and electronic uses.

"We recognize that we're going to have to ramp up our investment in our businesses," says Robert C. Potter, executive vice president of Monsanto and president of The Chemical Group. "We'll invest to meet customer needs with four intentions: to make a lower-cost product, to make a higher-quality product, to meet specific demands of strategic segments of a market, and to increase capacity as necessary to take advantage of any market growth opportunity."

In 1992, we also initiated a process that should help us continue to reduce our cost of doing business. The Chemical Group's restructurings in 1985 and 1991 focused on closing inefficient plants and on getting out of businesses that didn't support our strategic objectives. The current initiative is designed to find more efficient ways to deal with inventories, to handle customer orders, to organize production runs, to use capital and human resources, and to manage all other essential business processes.

The management of our core businesses for steady, dependable growth of sales and operating income has three parts. First, we'll launch initiatives to exploit the distinct opportunities that exist within each business. Second, we'll support those initiatives with increased capital investment. And third, we'll become more competitive by reducing our overall cost of doing business. ●

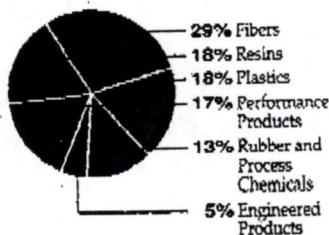
We're investing to make lower-cost and higher-quality products, to meet specific demands of market segments, and to increase capacity as needed to take advantage of market opportunities.



▲ *Wear-Dated* carpet, made with nylon and acrylic fibers from Monsanto, is one of the most respected names in top-quality, high-performance residential carpeting. Residential carpeting makes up 65 percent of the U.S. carpet market.

#### 1992 Sales by Division

(By percent)



▲ The Fibers Division contributes the largest sales percentage in The Chemical Group, followed by Resins, Plastics, Performance Products and Rubber and Process Chemicals.

**OUTLOOK** Sales growth should be moderate, despite continued intense competition. We expect to maintain our low-cost position because of improved manufacturing productivity.

**GOAL 6** Build a portfolio of businesses based on high-technology concepts that have low fixed-capital requirements and high-

growth potential.

**STATUS** *Electron* metallized materials recorded its first commercial sales in 1992. We acquired the Swiss company Devex S.A. to complement *Electron*. We also acquired Diamonex Inc., a two-year-old company that is a world leader in high-performance diamond and diamond-like coatings for industrial,

optical and electronic uses.

**OUTLOOK** Sales for *Electron*, Devex and Diamonex are expected to grow rapidly, with high margins and high returns. These and other high-performance products to follow will supplement future earnings of maturing products. ●

## THE NUTRASWEET COMPANY

The NutraSweet Company contributes to shareowner value by generating cash and income for Monsanto. The unit makes and markets innovative food ingredients that promote healthy lifestyles, such as *NutraSweet* brand sweetener and *Simplesse* all natural fat substitute. In 1992, sales and operating income were less than in the previous year. This decline was caused by reduced selling prices for *NutraSweet* due to competitive pressures leading up to the December 1992 expiration of the company's U.S. patent for aspartame. Operating income was also affected by a charge for cost-cutting actions and an asset write-down.

▼ Orangina Light, made by Orangina France, is one of the European beverages that contain *NutraSweet* brand sweetener. Europe is the fastest-growing world market for *NutraSweet*.

**T**he NutraSweet Company entered 1992 with two directives: one defensive, the other offensive. Defensively, we were concerned about the U.S. customer base for *NutraSweet* brand sweetener that fueled our rise from a start-up operation in 1981 to a company with \$879 million in sales in 1992. Those customers would have other supplier options after our U.S. patent for aspartame expired on Dec. 14, 1992. Offensively, we had to identify new sources of sales growth in a post-patent environment, recognizing that competitive pricing for our large-volume customers would restrict revenue growth for *NutraSweet*, our brand name for aspartame.

Our defensive concerns have diminished: The Coca-Cola Co. and PepsiCo Inc., our two largest customers, each requested and signed separate agreements stipulating

**Our two largest customers entered into separate agreements stipulating The NutraSweet Company as their preferred supplier of aspartame.**

The NutraSweet Company as their preferred supplier of aspartame. Other carbonated soft drink companies sought similar assurances of supply.

### WHERE WE ARE AND WHERE WE WANT TO BE

**GOAL 1** Retain and build our market position for *NutraSweet* brand sweetener with key carbonated soft drink customers, and sustain our competitive advantage in the carbonated soft drink industry.

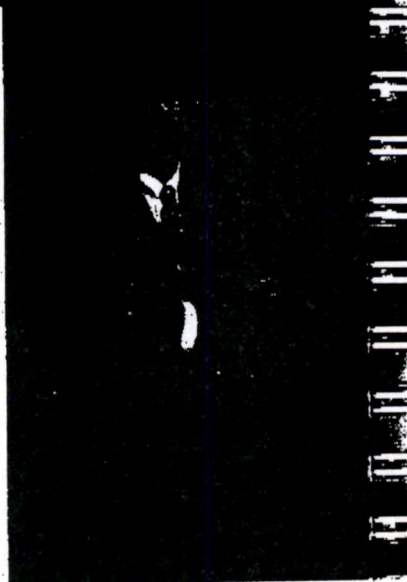
**STATUS** Relationships with The Coca-Cola Co. and PepsiCo Inc. were solidified in 1992. Both

entered into separate agreements stipulating The NutraSweet Company as their preferred supplier of aspartame. We remained the only company with the capacity to meet the requirements of customers who use large amounts of aspartame. We strengthened our position as the low-cost producer of aspartame and maintained

our solid leadership in consumer brand loyalty.

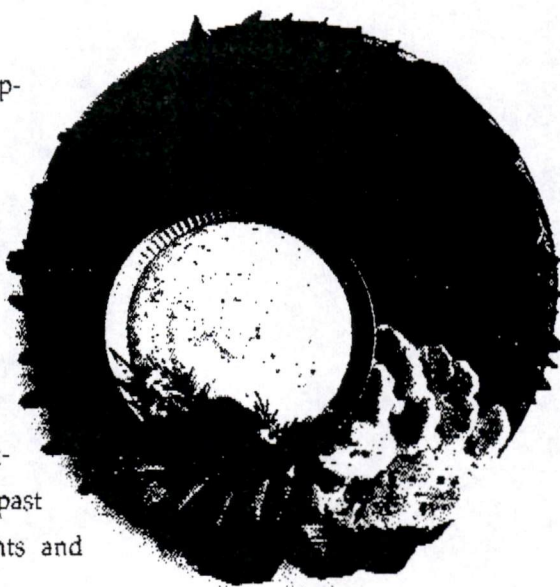
**OUTLOOK** Aspartame volumes will continue to grow through mid-decade, although at lower post-patent prices.

Robert E. Flynn, ▶  
chairman and chief  
executive officer of  
The NutraSweet Company





As of year-end 1992, no other supplier could produce aspartame in the quantities required by the top-tier users. "No one has yet built an aspartame plant anywhere in the world that can compete with us," says Robert E. Flynn, chairman and chief executive officer of The NutraSweet Company. "And we have reduced our cost of manufacturing by almost 70 percent over the past decade through process improvements and capital investments."



◀ Kraft Light n' Lively Light is the first sour cream to use *Simplese* all natural fat substitute, which helps reduce fat and calories in foods such as dips.

In the race to provide the huge volumes of aspartame required by the carbonated soft drink industry, our competitive advantages are taste, cost, scale, reliability, quality, safety, customer support, and consumer brand loyalty.

**Manufacturing costs for NutraSweet brand sweetener have been reduced by almost 70 percent during the past decade.**

We have several options for growth in the carbonated soft drink market. One is fountain conversion — replacing the current blend of aspartame and saccharin in fountain products with 100 percent aspartame. Another is sugar blending, which substitutes aspartame as a lower-cost option for some of the sugar in nondiet products. A third is higher-concentration formulations that use more aspartame.

We also anticipate sales growth from tabletop sweeteners and food ingredients in the United States and from our European operations.

*Continued on page 16*

**GOAL 2** Solidify category leadership for our family of tabletop sweeteners.

**STATUS** Our 1992 advertising campaign for *Equal* tabletop sweetener, featuring actress and singer Cher, increased sales and built consumer interest in the tabletop sweetener category. Our successful launch of *NutraSweet Spoonful* tabletop sweetener

**The NutraSweet Company Sales**  
(As a percent of total Monsanto sales)



▲ Sales for The NutraSweet Company in 1992 were affected by reduced selling prices for *NutraSweet* brand sweetener because of competitive pressures prior to the U.S. patent expiration for aspartame.

expanded the category by attracting consumers who didn't previously use a tabletop sweetener.

**OUTLOOK** By expanding the market for existing tabletop products and by introducing new ones, we expect to double our penetration of U.S. households by 1995.

**GOAL 3** Retain existing food customers for

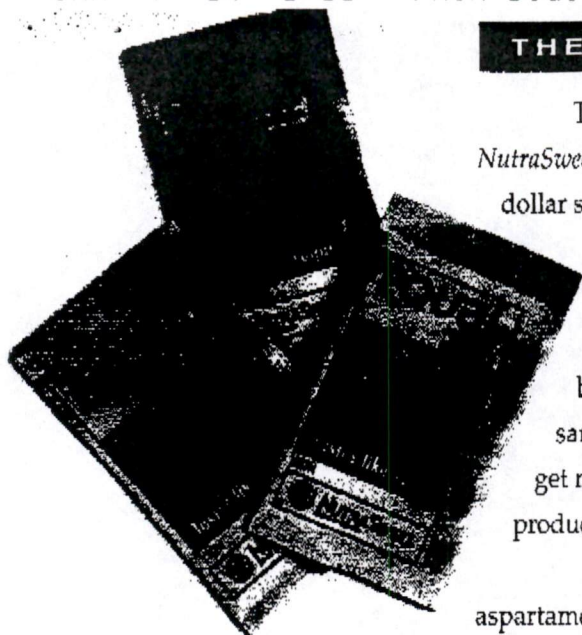
aspartame while developing new business through regulatory approval of new ways to use aspartame in food.

**STATUS** Sales of aspartame for food uses increased in 1992 compared with 1991 results. In 1992, aspartame was approved in the United States for use as a bulk

*Continued on page 16*

**THE NUTRASWEET COMPANY**

Continued from page 15



▲ The NutraSweet Company has established a market-leading position in the United States with *Equal* tabletop sweetener. Through aggressive marketing and new-product introductions, we intend to double U.S. consumer use of our tabletop sweeteners.

Tabletop products include our established *Equal* tabletop sweetener and our new *NutraSweet Spoonful* tabletop sweetener. *Equal* leads the tabletop sweetener category in dollar sales, including significant increases in 1992 due to an aggressive advertising campaign featuring actress and singer Cher.

*NutraSweet Spoonful* was introduced in 1992, following U.S. Food and Drug Administration approval to market aspartame in bulk form. The bulk formulation allows one teaspoon of *NutraSweet Spoonful* to contain the same sweetness as one teaspoon of sugar, with one-eighth the calories. The target market for this product is the 40 million to 60 million U.S. consumers who use products containing *NutraSweet* brand sweetener, but don't use a tabletop sweetener.

Our food ingredients business in 1992 consisted primarily of nonbeverage aspartame uses and of *Simplese* all natural fat substitute. Sales of aspartame as a food ingredient increased in 1992. *Simplese* is now featured in approximately 30 different product lines worldwide.

Twenty-two nations have approved *Simplese* for use as a food ingredient.

The product is now being used in reduced-fat cheese, frozen desserts, sour cream, baked goods, butter, margarine, mayonnaise, salad dressings, yogurt, puddings, soups and sauces. Current efforts are aimed at reducing the cost of *Simplese* to allow greater penetration of the food manufacturing industry, which is extremely cost-sensitive.

Our European marketing joint venture with Ajinomoto Co. Inc. increased its sales of aspartame significantly in 1992, despite a heavy import duty. In the second half of the decade, sales of *NutraSweet* brand sweetener are expected to outperform the total

**Sales of *NutraSweet* brand sweetener in Europe are expected to outperform the total European market for aspartame in the second half of the decade.**

**WHERE WE ARE AND WHERE WE WANT TO BE**

Continued from page 75

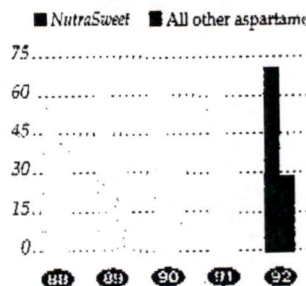
tabletop sweetener and in hot breakfast cereals, in malt beverages containing fruit juice, and in refrigerated, ready-to-serve puddings and fillings. It was also approved in Canada for baking applications.

**OUTLOOK** Prices will be lower as a result of post-patent competition. Competition for the business of food manufacturers

will also intensify. U.S. approvals are pending for the use of aspartame in baked goods, confections and noncarbonated beverages.

**GOAL 4** Reduce the cost of *Simplese* all natural fat substitute to the point where it will stimulate significant new sales to high-volume food manufacturers.

**European Aspartame Sales**  
(Percent based on volume)



▲ Sales of *NutraSweet* brand sweetener have been more than half of the total estimated aspartame sales in Europe in the last five years.

**STATUS** Kraft Light n' Lively Light sour cream led the new-product launches that featured *Simplese* as an ingredient in 1992. We continued to demonstrate in 1992 that *Simplese* works as a good-tasting fat replacement.

**OUTLOOK** The technical questions have been answered. The remaining question is economic: Can

European market for aspartame, which is expanding at 15 percent annually. Our aspartame plant in Gravelines, France, is on schedule for completion and start-up in mid-

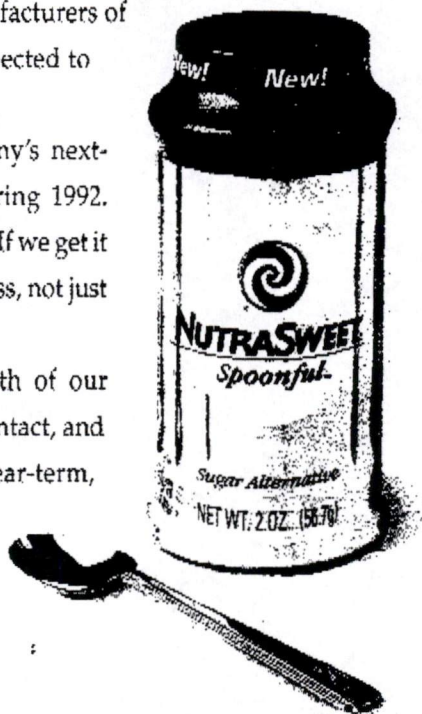
**Sweetener 2000, our next-generation high-potency sweetener, offers the long-term opportunity of competing in the world's overall sweetener market.**

1993. The plant is also a joint venture with Ajinomoto, a Japanese food ingredient company and long-time partner of The NutraSweet Company.

The first European sales of *Simplese* were recorded in 1992. We've demonstrated that *Simplese* works as a fat substitute in the most important European categories of cheese, butter and dairy spreads. On the strength of sales to manufacturers of these products, European sales of *Simplese* are expected to grow significantly over the next five years.

Development of The NutraSweet Company's next-generation high-potency sweetener continued during 1992. "Sweetener 2000 is really moving along," Flynn says. "If we get it approved, we'll go after the world's sweetener business, not just the diet sweetener business."

The pivotal year of 1992 ended with both of our directives accomplished. Our key customer base is intact, and sources of growth have been identified, from the near-term, new-product and new-market opportunities for *NutraSweet* brand sweetener and *Simplese* all natural fat substitute, to the long-term possibilities of Sweetener 2000. ●



◀ *NutraSweet Spoonful*, our newest entry in the tabletop sweetener market, is designed to attract the 40 million to 60 million U.S. consumers who like *NutraSweet* but don't use a tabletop sweetener.

we sell *Simplese* at a price that is profitable for us and for the food manufacturer, without requiring that finished goods be priced at more than the consumer is willing to pay? We'll seek to resolve that issue in 1993.

**GOAL 5** Stimulate growth of aspartame and *Simplese* in Europe.

**STATUS** Aspartame sales in Europe increased

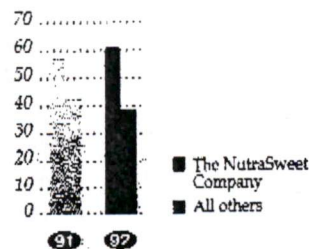
in 1992 over 1991 results, despite a significant import duty. Work continued on construction of an aspartame plant in France, a project with our long-time partner in Europe, Ajinomoto Co. Inc. The plant is on schedule for start-up in mid-1993. The first European sales of *Simplese* occurred in 1992.

**OUTLOOK** The aspar-

tame market in Europe will continue its strong growth, and our sales are expected to outpace the market's annual growth rate. Growth for *Simplese* will be determined by our ability to produce it at a cost that will allow us to price it favorably for European manufacturers of cheese, butter and dairy spreads. ●

**U.S. Retail Market Share of Tabletop Sweeteners**

(Percent of dollar share volume)  
(Source: Nielsen Household Panel Data)



▲ The NutraSweet Company is increasing its presence in the U.S. retail market for tabletop sweeteners.

## SEARLE

▼ Searle continues to expand its operations in the seven nations (clockwise from bottom left: the United States, Canada, the United Kingdom, Germany, Italy, Japan and France) that account for almost 80 percent of the world's pharmaceutical sales.

Searle contributes to Monsanto's value by bringing to market new pharmaceutical products that generate revenue and earnings growth. Results in 1992 were lowered primarily by new-product launches, charges associated with cost-cutting actions, and lower prices for drugs sold to managed health care groups and through Medicaid. We also had our first generic competition in the United States for the sustained-release form of *Calan* calcium channel blocker. While pricing pressures may become a long-term concern for the pharmaceutical industry, launch costs and the charge for cost-cutting steps represent near-term investments that will position Searle for improved growth and profitability.

The year 1992 was pivotal for Searle, as we took dramatic steps to shift our product mix into a higher percentage of drugs with patent protection or marketing exclusivity. Four new drugs received approvals in various countries: *Maxaquin*, a once-a-day quinolone anti-infective agent; *Daypro*, a once-a-day treatment for the symptoms of arthritis; *Ambien*, a treatment for short-term insomnia; and *Arthrotec*, a treatment for the symptoms of arthritis.

These products were timely additions. The sustained-release form of *Calan*, our calcium channel blocker and a leading U.S. brand, faced its first generic competition in 1992. We'll shift the resources that have supported *Calan* to the U.S. launches and growth of *Maxaquin*, *Daypro* and *Ambien*.

Resources are being shifted to support the U.S. launches and growth of three new drugs.

In light of these changes, we face one central question: How quickly can we convert the promise of new products into significant sales and earnings?

## WHERE WE ARE AND WHERE WE WANT TO BE

**GOAL 1** Increase the introduction of new pharmaceutical products.

**STATUS:** Major pharmaceuticals were approved or launched in key markets in 1992. *Maxaquin* quinolone anti-infective agent was launched in the United States and approved in 11 other markets. *Daypro*, a treatment for the symptoms of arthritis, and *Ambien*, a

treatment for short-term insomnia, were approved in the United States.

*Arthrotec*, a treatment for the symptoms of arthritis, was approved in Sweden, France and the United Kingdom in 1992, and in Canada in early 1993.

These last three products will be launched in 1993. In addition, global introduction of *Cytotec* ulcer

preventive drug proceeded on schedule, with plans for a 1993 launch in Japan.

**OUTLOOK** Sales of *Maxaquin*, *Daypro*, *Ambien* and *Arthrotec* will allow us to increase the percentage of our income from

Sheldon G. Gilgore, M.D., ▶ chairman and chief executive officer of G.D. Searle & Co.

We've always planned to introduce major new products with marketing exclusivity to continue our growth and improve our profitability. Sales of *Maxaquin*, *Daypro*, *Ambien* and *Arthrotec* will allow us to increase the percentage of our income from products with marketing exclusivity. Patents protect two of the four into the next century. One exception is *Daypro*, whose marketing exclusivity extends until 1997, but for which we're

seeking an extension. Patent applications are also pending for *Arthrotec*.

**Our challenge is to quickly convert the promise of new products into significant sales and earnings growth.**

Although the U.S. patent for *Maxaquin* runs through the year 2002,

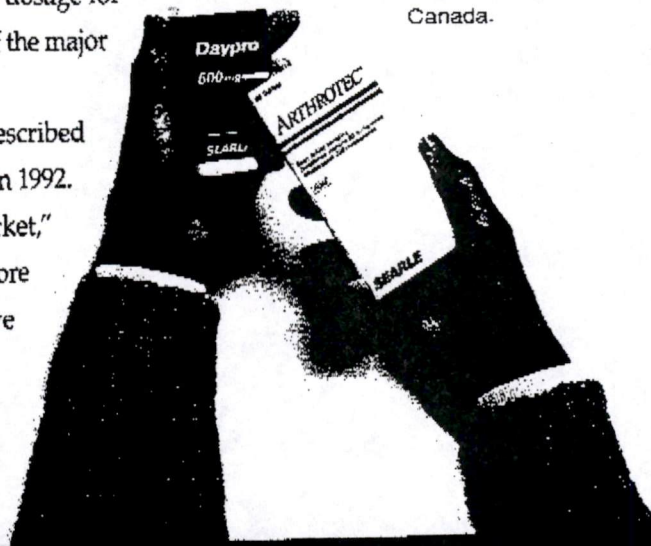
we've applied for an extension of our exclusivity into 2005. "This product has been successfully launched into the fastest-growing segment of the worldwide antibiotic market," says Sheldon G. Gilgore, M.D., chairman and chief executive officer of Searle. "In the United States alone, this market segment was well over \$600 million in sales in 1992, twice what it was five years ago. With our once-a-day dosage for all approved indications, we're on our way toward being one of the major players in this category."

*Daypro*, the first once-a-day treatment in the most prescribed class of arthritis therapies, was approved in the United States in 1992. "Daypro should be an important new product for the U.S. market," Gilgore says. "Research has demonstrated that patients are more likely to take the proper amount of their medication if they have to take it only once a day."

*Ambien*, a treatment for short-term insomnia that preserves deep sleep with minimal unwanted aftereffects,

*Continued on page 20*

▼ In 1993, Searle will launch two new treatments for the symptoms of arthritis: *Daypro* in the United States, and *Arthrotec* in the United Kingdom, Sweden and Canada.

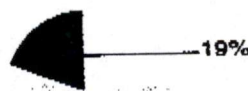


products with marketing exclusivity. Behind them, the product pipeline includes potential treatments for diseases such as AIDS, thrombosis, psoriasis, atrial arrhythmia, ulcerative colitis, and Alzheimer's and age-associated memory impairment.

**GOAL 2** Manage the life cycles of existing products as their patents expire.

**STATUS** The sustained-release form of *Calan* calcium channel blocker lost marketing exclusivity in the United States in 1989 and faced its first generic competition in 1992. We've prepared for this challenge by strengthening the brand image of *Calan* and by pursuing a new patented formulation. We'll manage support costs to reduce the

**Searle Sales**  
(As a percent of total Monsanto sales)

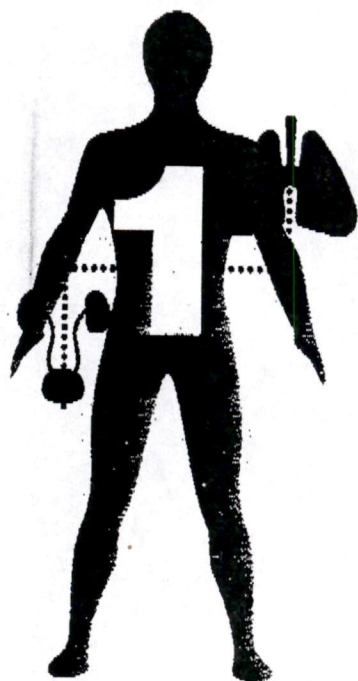


▲ Searle's sales are almost one-fifth of total Monsanto revenues, but this percentage is expected to increase over time.

effect of declining sales on operating income. *Canderel* tabletop sweetener, which has been without patent protection for several years, continued its healthy performance in Europe on the strength of its brand image.

**OUTLOOK** Market share erosion for *Calan* appears inevitable, but holding the

*Continued on page 20*



▲ *Maxaquin* quinolone anti-infective agent, a once-a-day treatment for urinary tract and lower respiratory tract infections, was launched in seven countries in 1992. It is part of the fastest-growing segment of the worldwide antibiotic market.

was approved in the United States and is awaiting approval in Canada. The sleep-aid market has shrunk in recent years because of physicians' and patients' safety concerns over benzodiazepine hypnotics. Because *Ambien* is from a different class of drugs, it offers a new alternative to a largely dissatisfied market.

*Arthrotec* arthritis treatment offers powerful pain relief with reduced risk of gastroduodenal ulcers through a combination of a leading anti-arthritis medication and our *Cytotec* ulcer preventive drug. *Arthrotec* was approved in Sweden, France and the United Kingdom in 1992, and in Canada in early 1993. Approval is pending in several other major European countries.

These four new high-potential drugs should reinvigorate our existing product line. The launch costs will affect earnings near-term, but the long-term payback should be substantial. Behind these drugs, the pipeline features new treatments for diseases such as AIDS, thrombosis, psoriasis, atrial arrhythmia, ulcerative

**Launch costs for new drugs will affect immediate earnings, but the long-term payback should be substantial.**

colitis, and Alzheimer's and age-associated memory impairment. They still must demonstrate their safety, efficacy and economic value; some of them will never be commercialized. From their ranks, however, we expect the next generation of profitable Searle products.

In addition, we continue to benefit from the contributions of two other solid performers. *Cytotec* ulcer preventive drug accounted for \$124 million in sales in 1992. Launch plans for *Cytotec* in 1993 are being prepared for Japan, as we work toward completing its global introduction. *Canderel*, our tabletop sweetener made with *NutraSweet* brand sweetener and sold primarily in Europe, delivered \$157 million in 1992 sales. It also

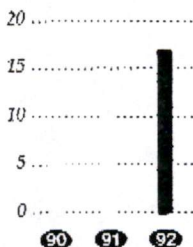
## WHERE WE ARE AND WHERE WE WANT TO BE

Continued from page 19

line on costs should maintain this drug as a significant earnings contributor throughout the decade. No other major Searle products face generic competition before 1997. *Canderel*, which prior to 1986 was sold only in pharmacies in Europe, will continue its expansion into food stores.

### Patented Product Sales

(By percent)



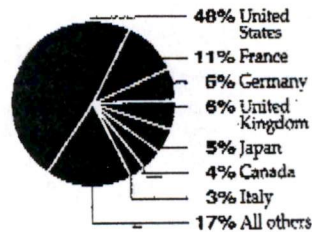
▲ Searle is growing the percentage of its sales that comes from products with patent protection.

**GOAL 3** Expand our presence in markets outside the United States.

**STATUS** In 1992, we acquired the remaining shares of our U.S. and Italian joint venture with Alfa Schiapparelli Wassermann. We also acquired majority interest in Sanitas, a medical products distribution company in the Czech Republic, and

### Searle Sales by Country

(By percent)



▲ More than 80 percent of Searle's sales in 1992 were in the seven countries that make up the largest share of the worldwide pharmaceutical market.

forms the foundation for an over-the-counter business that we'd like to expand. With an eye toward the over-the-counter market, we entered the Canadian diet food-supplement market in 1992 through the acquisition of *Nutri-Bar* and *Nutri-Diet* meal replacements.

**We continue to expand our presence in Western Europe and Japan, and to seek strategic alliances and other collaborations in emerging markets.**

and patients that, in many cases, will sustain it as the calcium channel blocker of choice. We're also developing an enhanced formulation based on a unique delivery system that promises significant benefits and the potential for future growth. Currently, we're decreasing administrative and marketing investments behind the brand to reduce the effect of declining sales on operating income.

We're expanding the presence of our products in key global markets as well. In 1992, we acquired the remaining shares of our U.S. and Italian joint venture with Alfa Schiapparelli Wassermann. We also acquired a majority interest in Sanitas, a medical products distribution company in the Czech Republic, and we established a joint venture in Taiwan.

In the years ahead, the challenge of turning our new-product launches into profitable brands worldwide will require the best efforts of everyone at Searle. It will bolster these efforts by continuing to seek innovative alliances to complement our marketing and research and development. "We don't underestimate the magnitude of our task," Gilgore says. "But we're convinced that in 1992, we took actions that will help us achieve our goals." ●

Even as we benefit from the sales of our new products, we expect *Calan* calcium channel blocker to remain an earnings contributor. The name *Calan* conjures a powerful image for physicians

▼ *Ambien*, a treatment for short-term insomnia, received approval in the United States in 1992. *Ambien* is the first product in a new class of compounds that offer physicians more options for their patients.



established a joint venture in Taiwan.

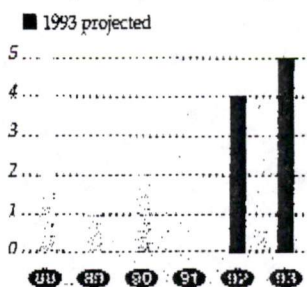
**OUTLOOK** We'll continue to expand our presence in the United States, the United Kingdom, France, Germany, Italy, Japan and Canada, which make up almost 80 percent of the global pharmaceutical market. In addition, we're seeking strategic partners and other collaborations in

the emerging markets of Central and Eastern Europe and in the Commonwealth of Independent States.

**GOAL 4** Evaluate opportunities to re-enter the consumer health care business.

**STATUS** The strong performance of *Canderel* tabletop sweetener provides the foundation on which to build an over-

#### New Product Launches In Key Countries



▲ Searle continues to launch new products in important world markets, averaging more than two a year for the last five years.

the-counter consumer health care business. We entered the Canadian diet food-supplement market in 1992 through the acquisition of *Nutri-Bar* and *Nutri-Diet* meal replacement products.

**OUTLOOK** We'll continue to look for over-the-counter product opportunities with multinational applications. ●

Please Return  
So T-File

OK Has expectation  
been set that Jim EP  
for Monsanto?

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 065664  
Date: 07-Dec-1993 11:25am EST  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

t ACI

1-10

TO: Russ Gullotti @MKO  
CC: Roger Rose @ACI  
Subject: Monsanto Executive Meeting

~~Cindy - hold for T file~~  
Customer file  
Monsanto

File

Russ,

Thank you for your willingness to meet with my account on January 10th. The meeting is scheduled with Mr. Bob Shapiro, President and Chief Operating Officer of Monsanto at 11:00 A.M. in St. Louis. We have one hour on his calendar.

This will be our first meeting with Mr. Shapiro and came as a result of an Executive Partner campaign that Roger Rose, my Account Executive Partner, and I implemented this year. In the past, we have not had access to upper management at Monsanto and have been limited to MIS Management. Roger and I approached the CIO of Monsanto and asked for his support to develop upper management relationships between the two companies. He agreed to help and we targeted the top three executives that we felt would add the most value to the relationship. They were Mr. Shapiro, Mr. Bob Potter, President of Monsanto's Chemical Group and Mr. Hendrik Verfallie, President of Monsanto's Agricultural Group. Roger will continue to serve as the Account Partner as well as the Executive Partner for the Agricultural Group. John Klein will serve as the Executive Partner for the Chemical Group and I am hopeful you will agree to serve as the Executive Partner to Mr. Shapiro.

Attached is a letter that Roger and I drafted to the three executives. All three agreed and are willing to meet with us on an annual basis. There is no hidden agenda. The goal is to improve the relationship and discuss issues and strategies that may compliment both companies. Through these relationships I would hope to better educate these executives on our company and our industry. I would also hope that through these relationships, we could encourage these executives to participate in executive forums that we host. We currently have very low participation from Monsanto in these events.

I have also attached my latest Account Monthly Report to give you a feel for the account and the type of projects we are working. Monsanto is a Global Account. Net Operating Revenue with them in FY93 was \$26M.

I look forward to seeing you in January.

(Andrea, if you have some background or a bio on Russ, would you please send it to me to share with Mr. Shapiro. I will ask him for the same.)

Done

over for QS



September 23, 1993

Mr. Robert B. Shapiro  
President and COO  
Monsanto Company  
800 North Lindbergh Blvd.  
St. Louis, Missouri 63167

Dear Mr. Shapiro:

I would like to make you aware of a new key executive program that Digital is implementing with our key customers like Monsanto. It is called our Executive Partner Program. With the support of top executives like yourself and the highest level executives from Digital, the goal of the program is to gain a better understanding of the strategic directions of our key customers and convey to you the strategic direction of our company and the computer industry in general.

Monsanto has made a significant investment in Digital projects and services. Our goal is to help you optimize those investments to maximize Monsanto's return and to keep you informed about future technology that may help Monsanto remain competitive in your global markets.

In a meeting with Jim Nisbet last week, he indicated that you may be interested in such an executive relationship with Digital. If you are interested and would like to participate in an annual or semi-annual meeting of this type, we will nominate a member of Digital's Senior Management Team as Monsanto's Partner and provide a resume for your review. Our goal would be to match you with the Digital executive with the best possible background to help address Monsanto issues.

We sincerely hope that you will consider participating in the program and look forward to your response.

Sincerely,

Roger C. Rose  
Vice President  
U.S. Consumer, Process & Transportation

cc: Jim Nisbet, Monsanto  
Bobby Thomas, Digital

- standards = stereo  
- desktop = CIS  
- utility

I N T E R O F F I C E   M E M O R A N D U M

Date: 06-Dec-1993 12:01pm EST  
From: Bobby Thomas @STO  
THOMAS.BOBBY AT A1 at ANGLIN a  
Dept: Monsanto Global Account Mgr.  
Tel No: (314)991-6590

t ACI

TO: See Below

Subject: Monsanto December Monthly Report

ACCOUNT MANAGER MONTHLY REPORT

Month: December

Account Name: Monsanto

1.) Executive Summary

Monsanto continues to struggle in a very soft Chemical market in 1993 but has shown improvements in the Fibers Division of Chemical and the Agricultural Group. Earnings for 1993 are expected to be lower than their projected targets. Monsanto is taking tough, disciplined actions to achieve it's financial goals, Chairman and CEO Richard Mahoney said in announcing third-quarter earnings of \$95 Million, a 76% improvement from the \$54 Million earned in the same quarter last year. Net Sales for the quarter ended were \$1.85 billion, compared with \$1.88 billion in the third quarter last year. Monsanto has recently began a significant restructuring of the Chemical company, it's largest operating unit. Downsizing, expense reduction and consolidation are the primary concerns of Monsanto management. All capital appropriations are frozen until the end of 1993. Budgets are being prepared and approved for fiscal 1994, which begins in January. We expect minimum appropriations for computer projects and that expense reduction and consolidation will continue to be the norm throughout 1994. The Account Team is focusing on protecting our installed base and the few growth areas within the account where we can provide new products and services, primarily around Client/Server, EDMS, Consulting Services, the Desktop and specialized MCS Services.

2.) Forecast:	Product Rev	Indirect Rev	Total Rev	MCS Rev	DCS Rev	Total Rev	
Actuals Thru Nov.	2,632K	?	2,632K	2,528K	?	5,160K	(62%)
December	1,000K	200K	1,200K	600K	170K	1,970K	(118%)
Q2 YTD	3,632K	200K	3,832K	3,128K	475K	7,435K	(74%)
January	470K	100K	570K	1,160K	300K	2,030K	
February	500K	75K	575K	660K	75K	1,310K	
March	575K	125K	700K	660K	100K	1,460K	
Q3 Total	1,545K	300K	1,845K	2,480K	475K	4,800K	(96%)
April	850K	175K	1,025K	660K	125K	1,810K	
May	850K	175K	1,025K	660K	125K	1,810K	
June	1,700K	550K	2,250K	660K	400K	3,310K	
Q4 Total	3,400K	900K	4,300K	1,980K	650K	6,930K	(138%)
FY94 Forecast:	8,577K	1,400K	9,977K	7,588K	1,600K	19,165K	(96%)

### 3.) Upside Plan

Our upside plan with Monsanto will continue to focus on breaking into service areas of the account where we have never participated. That has been the goal of this Account Team for the past two years. Unfortunately that goal was established in a time when Monsanto was downsizing operations. We have been successful in a few key areas to protect and grow our revenue base. In FY93, we were successful in winning a corporate-wide MCS Contract. That contract is currently in place and for the next three years will serve as a vehicle to place both Digital and non-Digital products under maintenance contract.

Other major initiatives that should provide upside are; addition to Monsanto's approved vendor list for PC's, partnership with SAP and Deloitte and Touche, new plant level client-server strategy, new EDMS strategy, new client-server mail strategy, Alpha migration new consulting services, and a new EDI initiative to make DECdirect ordering easier for the Account.

### 4.) Trends: (product, application, competitive, market)

As mentioned above, downsizing and expense reduction are the trend and that will continue. But at the same time, Monsanto is trying to re-engineer the Chemical Company. Major initiatives include Order Fulfillment, Supply Chain Re-engineering, Document Management, Mail Systems consolidation and Networking.

*discuss reengineering*

"Open" is the key word as Monsanto tries to move toward more UNIX based applications and TCPIP as their preferred Network protocol. They are practically standardizing on cc:Mail as their recommended mail product although we still maintain over 6,000 All-In-One users.

### 5.) Market Intelligence: (Business conditions effecting the Account/Industry)

The Agricultural Group of Monsanto (22% of the Company) is having a banner year. Their mainstay product, RoundUp, remains the market leader with sales up 25%. The 1993 acquisition of Ortho will dilute their success somewhat in 1993. G.D. Searle Pharmaceutical Company (19% of the Company) is still struggling after major losses in 1993 due to new product launches, but is beginning to turn around. After three quarters of losses, Searle has finally returned to positive earnings in Q3. Nutrasweet (11% of the Company) is suffering from reduced revenues as a result of the U.S. patent expiration of their primary product. A 30% reduction in revenue is expected to be offset by new products. Third quarter earnings are well ahead of the same period last year. The Chemical Company (48% of the Company) also from the same period last year, but is still in the worst position and must restructure to remain profitable. They announced a major restructuring effective October 1st and are still putting the pieces back together. Chemical is expected to remain focused on cost reduction throughout 1994.

6.) Major Product & Services Selling Activities (Pipeline)

(A) Worldwide Order Fulfillment (WEOF).

Our strategy is to partner with Deloitte & Touche and SAP. We have a pilot proposal on the table to Monsanto's WEOF Committee. They are also evaluating proposals from Andersen Consulting and Gemini. The D&T/SAP/Digital proposal is stalled and the general feeling from the above "technical" committee is that Monsanto should not buy a package but should develop their own custom package. That is the recommendation of both Gemini and Andersen.

We have reviewed numerous reasons why the custom approach is not the best for Monsanto. Those reasons are:

- Time to Implement
- Risk
- Cost
- Resources
- Track Record
- Core Competency

*Cost to Maintain!*

Our action items are to make sure this message is delivered to upper management at Monsanto through the relationships established there with D&T.

Meeting scheduled with Bob Potter, President of Chemical Group on December 13th to present SAP alternative.

Application decision - Q2                      Responsible - Bobby Thomas @STO  
Pilot Implementation - Q3                      Brian Smith @STO

(B) Agricultural Group Order Fulfillment.

The Ag Group began implementation of the Ross Cardinal logistics package last year. After months of frustration, they have dumped the package and are starting over. They are evaluating new packages at this time. The leading candidate seems to be the TI package, but no decision has been made. We discussed the possibility of SAP as a fit for Ag. Although Ag's requirements are completely different from Chemical's, we all felt comfortable that SAP could still be a solution. We discussed using the same approach with Ag that we have used with Chemical; partnering with D&T and SAP. There are many reasons why the same approach would not be well received by Monsanto Ag, but the primary one is that E&Y is already heavily involved with this project and in our opinion would be too strong to unseat at this point. The decision was made to approach E&Y to discuss partnering in a similar fashion as with D&T and SAP. Discussions are ongoing.

Application decision - Q2                      Responsible - Brian Smith @STO  
Implementation - Q2                              Carol Murphy @STO

(C) Downsizing/Rehosting CMIS Applications.

This opportunity began with a visit by our V.P. of Worldwide Mfg. and Logistics, Ed McDonough and two of his staff members, Dan Jennings and Jim McCluney to Monsanto in June to discuss Supply Chain Re-engineering. In that meeting, it became clear that Monsanto's interest were centered around our experiences with downsizing and consolidation of our manufacturing MIS operations to reduce cost. Based on that interest, we hosted a follow up visit for several Monsanto MIS executives to Boxboro, Mass on August 27th to meet with Jim McCluney to discuss and view how we achieved the 30% cost savings discussed in our original meeting in St. Louis. Focus was placed on downsizing, systems consolidation, application replacement/evaluation and the tools used by Digital to achieve our goals in the consolidation of our manufacturing systems. While this is a "benchmarking" exercise between Monsanto and Digital, we are presenting new systems and consulting services available to Monsanto from Digital to assist in these efforts.

Responsible - Brian Smith @STO  
Carol Murphy @STO

Decision - Q2/Q3

(D) FileNet/EDMS

Monsanto has made a Corporate level decision on FileNet as their EDMS application of choice. We pursued this business aggressively with EA Systems, but did not win. Monsanto has named this project ED/Access and intends to use the FileNet application as the building block for all EDMS applications within the company. FileNet is a UNIX based application that is currently only available on IBM but has been ported to HP/UX and is currently in test on HP at a Monsanto site. Monsanto has requested that we work with FileNet to port the application to Alpha. There are (13) Digital based sites that want to see this application on a Digital platform for easier integration into their Digital environment. It has been estimated that each site will spend between \$250K and \$500K on the implementation of FileNet. If available on our platform, we will be in the best position to provide those integration services into the Digital based plants.

FileNet has agreed to work with Digital on the port and has asked for 100K in expense relief. Mike Carabetta (FPPS) and Roger Rose (CPT) have agreed to fund 50K each for this port. A project Manager has been named and negotiations are underway. Completion date for the port is expected this month.

Responsible - Bobby Thomas @STO  
Mike Prusha @ACI

Port Decision - Q2.  
Application availability - Q3.

(E) All-In-One/Mail.

Monsanto currently has over 6,000 A1 users across the U.S. with a cluster in St. Louis of just over 2,000 users. Monsanto has made a tremendous investment in this product and we are struggling with a consistent strategy to protect this user base and provide a viable growth path for these systems. We are receiving little strategy direction from our internal Office Products group as to the future of All-In-One. We clearly must develop a solid client/server approach to replace the current terminal/host systems or continue to lose those users to PC's and cc:Mail. We are most vulnerable at the headquarters location where A1 is primarily a mail system. The A1 users at the plant locations use many mail-enable applications that are integrated into the plant operations. Those systems are relatively safe, but we still need to be proactive in developing a long term strategy to eventually replace the terminal/host based All-In-One product and begin to move those uses to client/server when they reach capacity on current systems.

The current action plan is to develop a migration plan for the 2,000 headquarters mail users. We will work with the Office Products Group/Sales Support to develop a cost saving proposal to move these users to current technology. Once that plan is developed, we will roll out to the plant locations

Proposal Development Q2. Responsible - Karen Burton @MBO  
Delivery to Monsanto Q3. Carol Murphy @STO

(F) Desktop Services Contract.

We have successfully sold Desktop Services to two Corporate locations this year and are positioned to participate in a corporate-wide RFP for Desktop Services. We expect this to be a very competitive contract but are preparing to respond accordingly. We expect the RFP in early Q3.

RFP Issue - Q3. Responsible - Mark Golden @STO  
Decision - Q3. Bobby Thomas @STO

(G) Personal Computer Business.

Received approval in November for Digital to be added to Approved Vendor List. Initial orders began in November.

Responsible - All Account Managers

(H) Optical Storage/Data Archiving

New opportunity to assist Monsanto in move to Optical Storage. They have massive amounts of information stored on mag tape that needs to be moved to newer technology for easier access. A resource is needed from the Peripheral and Storage Business Unit to help develop a strategy and proposal for Monsanto.

Identify resource and develop strategy - Q2      Responsible - Carol  
Murphy  
Present proposal - Q2

Laurie  
Koetting

(I) @Aglance (Plant Client-Server)

We have been very successful in the implementation of @Aglance at Monsanto's Indian Orchard Plant. With the use of the @Aglance product and ACA Services, we have implemented a classic Client/Server environment for a process control network incorporating several different type systems and databases into a common, PC Based, user interface. This project has delivered substantial savings to Monsanto and continues to add value to Indian Orchard.

An IEM Study was completed in November that confirmed a return on capital for this project of 330%. This study will be used extensively throughout the Account to demonstrate the value of this type project and get Monsanto to embrace Digital Consulting Services.

Responsible - Clark Quigley @SPO  
Dennis Tompkins @SPO  
Mike Prusha @ACI

Target Plant Presentations - Q3

(J) Alpha Migration

The Alpha product is getting too little promotion within Monsanto. We have implemented a limited number of new Alpha systems that are performing well but have not developed an overall strategy to assist Monsanto in migrating their very large VAX/VMS installed base to Alpha. The limitation discussed was the availability of applications on Alpha and the inability to cluster at this time.

Our plan is to work with our Distributor partners, Avnet and Pioneer, to develop migration plans. I will look to each sales rep to develop a migration plan for his/her installed base. We will also target the HP installed base for migration to Alpha/OSF1.

Migration Plans - Q1/Q2

Responsible - All Account Managers



(K) Executive Relationships

This initiative is critical to our success with all of the above projects and with our long term success with Monsanto. We experienced success in FY93 with the Executive Partner Program in building a beginning relationship with Monsanto's V.P. of CMIS. We must use that relationship to gain access to upper management at Monsanto. Without upper management exposure within Monsanto, we will never gain access to the large strategic consulting engagements that are currently being delivered by Gemini, E&Y and D&T. These three consulting firms have access to upper management at Monsanto and use those relationships to leverage huge contracts.

We have adopted two approaches here. The first is to partner with D&T or E&Y on major projects to gain exposure to upper management and to prove our project delivery capabilities, even if initially in a subcontracting role. Projects (1) and (2) are good examples of where we should be able to accomplish this.

The second approach is to build on the Executive Partner Program and ask our Executive Partner, Roger Rose, to introduce higher level Digital executives into the Account that can help us begin to gain credibility as a major player in the consulting/project area. Roger and I have discussed this topic with Jim Nisbet, V.P. of CMIS at Monsanto. Jim has committed to support the effort and has co-authored letters with us to The COO of Monsanto Corporate, the President of the Chemical Company and the President of the Agricultural Company.

Meetings are set with John Klein with President of Chemical, Roger Rose with V.P. designate of Agricultural. Still waiting confirmation of Bob Palmer or Russ Gulotti as partner for COO, Bob Shapiro of Monsanto.

D&T Partnership - Ongoing  
E&Y Partnership - Ongoing  
EPP Expansion - Q1/Q2

Responsible - Bobby Thomas @STO  
Mike Prusha @ACI  
Roger Rose @ACI

(L) European Initiative.

An aggressive initiative was begun with Monsanto Europe in November. Together with resources from our European Chemical Expertise Center, we presented our new plant Client Server strategy to Plant and MIS Monsanto management. The message was well received and generated initial interest. We offered the 2x2x2 Consulting Engagement Model to begin an initial analysis of the possibilities of such a project in Monsanto's Belgium and U.K. plants. Will move forward in January with support of European resources.

Responsible - Bobby Thomas @STO  
Roger Arien @BRO  
Fred Swinehart @SWO

7.) Major Wins & Losses

Acknowledgment of Preferred Vendor List for PC's acceptance with 100 Units approved for purchase by December at one location.

Finalization of Corporate MCS Contract.

Deloitte & Touche/SAP second to Andersen/Process 2000. Both would be implemented on our platform, but SAP solution would include major implementation role for Digital. Andersen would be hardware only.

8.) Resource Requirements

Required resources engaged.

9.) Major Issues

Account is internally focused on expense reduction. Has no money to spend in the short term.

FileNet Port/EDMS Strategy.

Lack of clear Office/Mail strategy for All-In-One Migration.

NetView Decision vs. DECMCC Product.

Pathworks Inconsistencies / 5.0 Upgrade.

European Resource Coordination.

Global Account Issues:

Expenses

MCS Support

Business Management Support

Distribution:

TO: Judith Cornelius @ACI  
TO: Tina Hochstetter @ACI  
TO: Steve Johnson @ACI  
TO: Peck Kehler @ALF  
TO: Steve Lemmon @SCA

Use the RDL option to see remainder of distribution lists.

~~610~~ 1-10

February, 1993

**BIOGRAPHICAL SKETCH**

**ROBERT B. SHAPIRO**  
President and Chief Operating Officer

Robert Shapiro was named President and Chief Operating Officer of Monsanto Company as of January 1, 1993. He is a member of the Board of Directors and Monsanto's Executive Management Committee and Management Council.

Mr. Shapiro joined Searle, now a subsidiary of Monsanto, in 1979 as Vice President and General Counsel. In 1982, he was named President of the newly formed NutraSweet Group of Searle. When Searle was acquired by Monsanto in 1985, he was appointed Chairman and Chief Executive Officer of The NutraSweet Company, now a subsidiary of Monsanto. In June, 1990, he was named Executive Vice President, Monsanto Company, and President, The Agricultural Group, an operating unit of Monsanto.

Before joining Searle, Mr. Shapiro was Vice President and General Counsel for General Instrument Corporation. Previously, he served as an attorney with the New York law firm of Poletti, Freidin, Prashker, Feldman and Gartner, and a professor of law at Northeastern University in Boston and the University of Wisconsin in Madison. Mr. Shapiro served in government as Special Assistant to the General Counsel and later to the Undersecretary of the U.S. Department of Transportation. He also has been a consultant to state and local governments on law enforcement, service delivery systems and transportation policy.

Mr. Shapiro was appointed to the Advisory Committee on Industrial Innovation, White House Domestic Policy Review (1978-79); to the Civil Aeronautics Board Advisory Committee on Procedure (1975); and to the Massachusetts Governor's Task Force on Transportation (1970-71). He has served as a member of the Council on Antitrust Policy of the U.S. Chamber of Commerce (1980-83); the subcommittee on Health Care Policy of the Committee for Economic Development (CED); and vice chairman of the Committee on Corporate Counsel of the American Bar Association (1981-83). He is currently a member of the national board of trustees of the Boys and Girls Club of America and is on the board of trustees of the Jewish Hospital College of Nursing and Allied Health. He serves on the board of directors of The NutraSweet Company, G. D. Searle & Co., Liposome Technology, Inc., The Institute for Contemporary Studies, the Juvenile Diabetes Foundation International, the Jewish Hospital of St. Louis, The Arts & Education Council of Greater St. Louis, and Second Harvest. Mr. Shapiro also serves on the President's Advisory Council of Clemson University and is a member of Tufts University Board of Overseers to the School of Nutrition.

Mr. Shapiro has received the John R. Miller Award as the Outstanding Corporate Marketing Executive of 1984, and the Special Citation for Outstanding Achievement from Sales and Marketing Management magazine.

Mr. Shapiro is a 1959 graduate of Harvard College and a 1962 graduate of Columbia University School of Law. He is married to Kemery Bloom. He has two children and resides in St. Louis.

oOo

Bill Mahoney  
↑

① Is Shapiro CEO/President of all Monsanto thus,

Jan Keshult  
CEO

Bob Porter  
CEO Chemical

Seale

Mr. Verfaelle CEO  
agribusiness group

Unintended

work for Shapiro?

- ② what other operating entities are there in Monsanto?
- ③ Is Roger EPP for all Monsanto?
- ④ why does Shapiro believe he is meeting me?
  - who does he know about his IS problems?
  - Has he seen Donovan?
  - Does he believe in computing for productivity?

⑤ what are Monsanto Success stories?

FY92 Dec = 60%  
\$100M (Kiescom Inc)  
50 total spent  
0.25M

Failures?  
what % of their IS do we have?  
Biggest competitor.  
what does our staff do?

HP planning

⑥ Does CTO work for Shapiro?  
- Dec Supporter?

⑦ Hidden surprises?  
- Does he know you?

- layoffs - voluntary

1 year as President / COO  
interested in technology

• Dec = more than tech

= consulting

Mentor = WW order fulfillment  
each group a different way  
mentor supply chain  
don't let things their  
own way.

industry focus.

Customer

Fel  
Monzanto

FY94  
acct plan



digital™



MONSANTO COMPANY

GLOBAL ACCOUNT PLAN - FY94

Version: \_\_\_ Draft

Proposal/Revision No \_\_\_ 2 \_\_\_ Revision Date 6/9/93

\_\_\_ Approved (by) \_\_\_\_\_ Review Date \_\_\_\_\_

Copy Assigned to	Copy No.
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EXECUTIVE BRIEFING

Account Name: MONSANTO COMPANY
Customer Sales(\$M): \$7,763M
Headquarters Address: 800 North Lindbergh Boulevard
St. Louis, Missouri 63167

Enter FY values for Products, Services, and Totals:

Table with 6 columns: Account NOR or CERTS, FY89, FY90, FY91, FY92, \*FY93. Rows include Products (\$M), Services (\$M), and Total (\$M).

\*First Year for Global NOR.
\*FY93 includes year-long numbers for Fisher Controls, which was sold by Monsanto during the fiscal year and is not included in the FY94 Plan.
Direct WW Account Margin FY93: \$5.8M (15.9%)

WW Budget (\$M) total DP: Estimated New DP Appropriation Budget = \$65M
Digital WW % share: FY92 = 60% FY93 = Not Available

Account Manager: Bobby Thomas DTN: 445-6590
AM's Manager: Roger Rose DTN: 474-5101
Area Business Unit Manager: Roger Rose DTN: 474-5101
Business Unit VP: John Klein DTN: 223-2900
Executive Partner: Roger Rose DTN: 474-5101

Who is the President/CEO?

Richard Mahoney - CEO
Robert Shapiro - President

Who is the key information decision maker in the account?

Each Operating Unit is autonomous in system decision making process.
Corporate-wide decisions will be made at the Corporate MIS organization headed by James Nisbet, V.P. of CMIS.
Each Operating Unit will also have an MIS organization that will make decisions for their respective Operating Unit.
Each Plant also has the capability to make procurement decisions to a certain level (100K). Larger plant procurements are approved by the V.P. of the Division of which that plant is a member.

Today, what is the account product interest?

Hardware and Systems Technology is Monsanto's primary interest from Digital. We are pursuing a strategy that will reposition Digital as a total services vendor to Monsanto.

Can the product interest be expanded? If so, to what product family?

Yes, we are working aggressively to reposition Digital as a viable source for all types of Services, including Systems Integration, Desktop, Network, Multi-Vendor Services, Office Systems and Document Management.

Is there any opportunity for outsourcing or SI services?

Yes, multiple opportunities exist for both.

What are the key issues from your customer's perspective?

Monsanto is going through drastic change this year. They are restructuring their company much like Digital and are looking at new and creative ways to reduce operating cost and improve their competitiveness in the global marketplace. Closer relationships with key vendors to reduce cost is a stated goal of Monsanto. Through those relationships they will be consolidating as many organizations and systems as possible to reduce overhead expenses. We have an opportunity to play a major role in those efforts.

What is the strategy to turn the issues into opportunity?

Several key Account strategies have been developed by the Account Team and are being applied across all of Monsanto that stress our core competencies as we move toward our new business structure. Our mission statement and key account strategies are as follows:

Through FY93, our revenues from Monsanto have been primarily hardware driven. While we want to continue to promote our hardware offerings and protect our installed base, we want to begin to make investments in solution selling to position Digital as a true information systems partner with Monsanto by implementing the following Mission Statement and Key Account Strategies.

**Mission Statement:**

The Digital Monsanto Account Team will strive to position Digital as the "Best in Class" information services partner to Monsanto, delivering quality value-added customer services required for information services projects, systems or application solutions.

**Key Account Strategies:**

Services  
Systems Integration  
Office  
Desktop  
Distributor/CSO  
Electronic Document Management

Is the relationship positive or negative? Please explain.

Positive. Monsanto has a very positive perception of Digital as a Technology Vendor. We have excellent relationships with all plant sites where we own 60% of the manufacturing systems. Monsanto has been a Digital customer for some time and they have long standing relationships with Sales and Service delivery organizations all across the U.S. The relationship is not as close at the Headquarters location where the larger projects will be determined. That issue is being addressed through focused Account Coverage, Corporate Events and the use of the Executive Partners aimed at key Monsanto executives in St. Louis.

What is the customer's perspective of their Digital partnership? Why?

Monsanto feels they have a good relationship with Digital and most plant sites would call it a partnership. Monsanto Corporate would put the relationship into a preferred vendor category. We have worked many plant projects as partners sharing grant monies, equipment and resources, but we have yet to work with Monsanto on a company wide project that would show a real partnership. I have discussed this with Monsanto and we are looking for such a project to bring the two companies closer together. This will be required to move our companies closer to a real partnership.

ACCOUNT REVIEW DECISION SUMMARY

Review Board Attendees

Chairman: <>

Secretary: <>

Attendees:

-- <>  
-- <>  
-- <>

Minutes

(It is recommended to use this page as your conclusion slide for the account review. Include an updated version of this page in your final account plan with the approved numbers.)

Account Team Proposal

-- <>  
-- <>  
-- <>

Review Board Decisions

-- <>  
-- <>  
-- <>

**ACCOUNT TEAM STRUCTURE**

**CORE ACCOUNT TEAM**

<u>Name</u>	<u>Country</u>	<u>Account Group</u>	<u>AG Manager</u>	<u>Location</u>
Bobby Thomas	U.S.	Monsanto	Bobby Thomas	St. Louis, MO
Brian Smith	U.S.	Monsanto	Bobby Thomas	St. Louis, MO
Carol Murphy	U.S.	Monsanto	Bobby Thomas	St. Louis, MO
Karen Burton	U.S.	Southern District	Steve Lemmon	Mobile, AL

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**LOCAL ACCOUNT MANAGERS/SALES REPRESENTATIVES**

**EUROPE**

<u>Name</u>	<u>Country</u>	<u>District</u>	<u>District Manager</u>	<u>Location</u>
Benoit Valentin	Brussels	Manufacturing	Christine Castelein	Brussels
Roger Arien	Brussels	Manufacturing	Christine Castelein	Brussels
Mila Burt	U.K.	Manufacturing	Stewart Parsons	London
Frederic Pruvost	France	Manufacturing	Patrick Hiskock	Paris
Jean-Pierre Degombert	France	Manufacturing	Francis Haurat	Paris
Heinz Groote	Germany	Manufacturing	Unknown	Unknown
Unknown	Holland	Unknown	Unknown	Unknown
Unknown	Italy	Unknown	Unknown	Unknown

**USA**

<u>Name</u>	<u>Country</u>	<u>District</u>	<u>District Manager</u>	<u>Location</u>
Bob Barton	U.S.	Central	Tina Hochstetter	Davenport, IA
Kim McCafferty	U.S.	Southern	Steve Lemmon	New Orleans, LA
Harold Satterfield	U.S.	Southern	Steve Lemmon	Huntsville, AL
Mike Grawe	U.S.	Central	Tina Hochstetter	Cincinnati, OH
Clark Quigley	U.S.	Northeast	Scott Rimmer	Springfield, MA
Marilyn Ruggirello	U.S.	Central	Tina Hochstetter	Chicago, IL
Janice Stone	U.S.	Central	Tina Hochstetter	Chicago, IL
Jim McGee	U.S.	Southern	Steve Lemmon	Augusta, GA
Tom Gudritz	U.S.	Central	Tina Hochstetter	Chicago, IL
Dennis Werner	U.S.	Central	Tina Hochstetter	Akron, OH

**GIA**

<u>Name</u>	<u>Territory</u>	<u>District</u>	<u>District Manager</u>	<u>Location</u>
Carole Pelletier	Canada	CPT (Team Leader)	Unknown	Unknown
Jim Scouras	Manitoba Winnipeg	Unknown	Unknown	Unknown
Joanne Wong	Montreal	Unknown	Unknown	Unknown
Doug Berry	Asia	Unknown	Unknown	Singapore
Unknown	Japan	Unknown	Unknown	Unknown
Unknown	Latin Am	Unknown	Unknown	Unknown
Ellen Gonzalez	Puerto Rico	Unknown	Lenny Martinez	Unknown

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**EXECUTIVE RELATIONSHIPS (INDUSTRY, AREA, SPONSOR, etc.)**

<u>Name</u>	<u>Country</u>	<u>Group</u>	<u>Position</u>	<u>Location</u>
John Klein	W.W.	W.W./ CPT	V.P. CPT	Maynard, MA
Roger Rose	U.S.	U.S./ CPT	U.S. Area Exec	Chicago, IL
Ed McDonough	W.W.	Mfg. and Logistics	V.P. WW Mfg	Boxboro, MA
Jim McCluney	W.W.	Mfg. and Logistics	Mgr. Supply Chain	Boxboro, MA
Toni Lee Rudnicki	U.S.	Chem. Market Seg	Ind Seg. Mgr	Marlboro, MA

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**OTHER RELATIONSHIPS**

<u>Name</u>	<u>Country</u>	<u>Group</u>	<u>Position</u>	<u>Location</u>
Ron Wolf	U.S.	Process PRC	PRC Manager	Atlanta
Mike Prusha	U.S.	CPT Business Unit	Chem. Segment Mgr.	Chicago
Dennis Tompkins	U.S.	Chem Business Seg	Account Partner	Marlboro
Mac McCreary	U.S.	EDMS Consulting	Group Manager	Houston
Dennis Dickerson	U.S.	EDMS Consulting	Consultant	Dallas
Mike Mihalick	U.S.	Process Mfg	Consultant	Atlanta
Tom Wilson	U.S.	EDMS Consulting	Consultant	Houston
Fred Swinehart	U.S.	Process PRC	Consultant	Atlanta



ACCOUNT TEAM STRUCTURE

EIS/SALES SUPPORT

<u>Europe Name</u>	<u>Country</u>	<u>District</u>	<u>Manager</u>	<u>Location</u>
Philippe Rees	Belgium	Unknown	Unknown	Brussels
Unknown	U.K.	Unknown	Unknown	Unknown
Unknown	Germany	Unknown	Unknown	Unknown
Unknown	Holland	Unknown	Unknown	Unknown
Unknown	Italy	Unknown	Unknown	Unknown

<u>USA Name</u>	<u>Territory</u>	<u>District</u>	<u>Manager</u>	<u>Location</u>
Bruce Bramon	Central	Central	Al Burns	St. Louis, MO
Laurie Koetting	Central	Central	Maria Meyers	St. Louis, MO
David Silvers	Southern	Southern	Bill Lee	Mobile, AL
Karla Richardson	Central	Central	Maria Meyers	St. Louis, MO
Scott Johnson	Central	Central	Unknown	Davenport, IA
John McCarthy	Northeast	Northeast	Unknown	Springfield, MA
Mike Benson	Central	Central	Unknown	Cincinnati, OH

<u>GIA Name</u>	<u>Country</u>	<u>District</u>	<u>Manager</u>	<u>Location</u>
Unknown	Canada	Unknown	Unknown	Unknown
Doug Berry	Asia	Unknown	Unknown	Singapore
Unknown	Japan	Unknown	Unknown	Unknown
Unknown	Latin Am	Unknown	Unknown	Unknown

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MULTI-VENDOR SERVICES

<u>EUROPE Name</u>	<u>Country</u>	<u>District</u>	<u>Manager</u>	<u>Location</u>
>	>	>	>	>

<u>USA Name</u>	<u>Territory</u>	<u>District</u>	<u>Manager</u>	<u>Location</u>
Bruce Bramon	Central	Central	Al Burns	St.Louis, MO
Mark Golden	Central	Central	Bruce Bramon	St.Louis, MO
Ken Humbertson	Central	Central	Donna McClun	St. Louis, MO

<u>GIA Name</u>	<u>Country</u>	<u>Account Group</u>	<u>Manager</u>	<u>Location</u>
>	>	>	>	>

ACCOUNT PLAN SUMMARY

1. Account Overview and Corporate Strategy

1.A. Last year's Action Plan and Status to-Date

MIMS Messaging Integration Project

Pilot decision to HP. More opportunity available.

@Agance Research/Engineering Project

Ongoing projects.

Chemical HPS Services Contract

Won Major Division RFP Q4 '93.  
HP/IBM Opportunities FY94.

Competitive HPS Winbacks Searle/Chemical

In progress.

Desktop Services Unsolicited Proposal

Awarded initial business at a few sites.  
Waiting formal RFP for Corporate.

Network Services RFP Initiation/Response

Waiting RFP. Q4/Q1 Timeframe.

Agricultural CIM Implementation Project

In progress.

AES Manufacturing/Financial Platform

Lost to HP with QAD Software.

All-In-1 System Upgrade

Ongoing.

Agricultural Cluster Upgrade

Q4 award expected.

Digital PC Evaluation/Approval

Expect to be added to approved list Q1/FY94.

ISI/CIM21 Port to Alpha

Completed and implemented at first plant site.

FileNet Port to Alpha/EDMS Plant Integration

In negotiations with FileNet. Have NT Program Office driving port negotiations and ISV agreement.

World Wide Order Fullfillment

Partnering with Deloitte & Touche/SAP. Preliminary stages.

Nylon Supply Chain Evaluation

Executive Partnering/Benchmarking Digital.

Downsizing/Reengineering MIS

Executive Partnering/Benchmarking Digital.

Systems Integration Partnering

Working education/partnering agreements with Ernst and Young as well as Deloitte & Touche. E&Y is interested in establishing an Expertise Center in St. Louis on our platform and we have made significant progress working with D&T's SAP Center of Expertise.

Global Multivendor Services Project

RFP expected in Q1 to address Monsanto-Wide Services contract for multiple manufacturers equipment.

### 1.B. Critical Changes in the Company

Monsanto experienced a substantial loss in fiscal FY92 ending December. That loss has resulted in a freeze on computer projects and acquisitions for most of our fiscal FY93. As a result of the loss and the continuing decline in revenue, Monsanto is in the process of restructuring the company. The first step was the sale of Fisher Controls in October, 1992. That sale proved to be the most profitable move Monsanto made in 1992. Its' other divisions struggled with G.D. Searle posting the largest loss in FY92 of any of their Operating Units. Revenue's declined in all four of the Operating Groups for FY92 and the overall loss for Monsanto was about (\$88M) for 1992. As a result, Monsanto announced a downsizing campaign including an early retirement program and mandatory layoff's at the headquarters as they restructure.

A new President was named for Monsanto on January 1, 1993. He is Robert Shapiro and he came from the Agricultural Group. Mr. Shapiro is an advocate of automation and immediately began to address many of Monsanto's internal problems such as communication between it's Operating Units.

Another key action in 1993 was the retirement announcement of Leonard Cohen as V.P. of Corporate MIS and the announcement of his replacement, James Nisbet. Jim is expected to be much more proactive and aggressive in this key role and we have established a good executive relationship with him.

### 1.C. Impact on Digital

The impact of Monsanto's financial position has been devastating to our business in FY93. Practically all projects are on hold and upgrades are being kept to a minimum.

In addition to Monsanto's financial problems, their largest Operating Unit and our largest installed base customer, the Chemical Group, has been involved in a major reengineering study for over a year. This study has taken a tremendous amount of resources out of the field for Monsanto and made them focus internally on changing their company. With assistance from Gemini Consulting, they have studied their as-is situation in seventeen different initiatives and are ready to begin to make some of the recommended changes. Unfortunately funding isn't available to make the changes, therefore, most of them are on hold as well until Monsanto returns to profitability. World-wide order fulfillment and the Nylon Supply Chain are possible projects for Digital involvement.

With both headquarters and plant projects on hold most of this year, we anticipate a substantial pent-up demand for upgrades and new systems as soon as funding is available. Downsizing, cost cutting, and profit improvement projects will get the most visibility in the near future.

**1.D. Business Outlook**

FY93 has been a disappointing year for business with Monsanto. After completing a successful FY92 and making all goals, FY93 was budgeted at about the same level. It was understood and expected that we would experience a reduction in product revenue simply by price performance improvements in technology, but we implemented an aggressive services plan and hoped to make up the product shortfall by increasing our services revenue through consulting and Systems Integration. Due to Monsanto's financial condition, the additional project business did not materialize and the product revenues were worse than expected.

Through our efforts in FY93, we are better positioned to increase services revenues in FY94. Due to the delay of many projects, we anticipate a good year in systems and if we can move forward with moderate success in Systems Integration, we will begin to move the account in the right direction.

We currently enjoy a ratio of (New)Product to (New)Services of about 80/20. Our goal is to move that ratio to 60/40 during the next two years.

**1.E. Strategy Summary**

The Monsanto Account Team developed our Mission Statement and Key Account Strategies for implementation across the Account beginning in FY93. Our goal was to develop a consistent Digital message to be delivered to all Monsanto Company sites about our business relationship with Monsanto and our business focus in FY93 and beyond. One of our primary objectives is to convince Monsanto that we are not just a quality technology vendor but a systems solution partner as well, capable of providing all services related to the delivery of any solution. Through FY93, our revenues from Monsanto have been primarily hardware driven. While we want to continue to promote our hardware offerings and protect our installed base, we want to begin to make investments in solution selling to position Digital as a true information systems partner with Monsanto. We have developed account strategies in the following key areas. These areas will be our focus from FY93 forward.

One of the primary reasons to develop key strategies within the Account is to have a strong and consistent message delivered to the customer at all levels. In addition to the delivery of the message to all sites, we will target key executives within each company at all levels to deliver this consistent message of what Digital has to offer Monsanto. There is a focused effort in St. Louis, Chicago and Europe to develop these higher level relationships and educate Monsanto's executives on Digital's breadth of offerings.

1.F. Action Plan

Services Strategy

The Monsanto Account Team will aggressively pursue new opportunities in all Service lines of business. Major selling focuses will be directed toward Desktop Services and Electronic Document Management. Additional focus will be on Digital Consulting Services, Application Product Services, MultiVendor Services, Operational Support Services and Customized Training. These services will be promoted independently within the Account Group as well as being an integral part of our Systems Integration Strategy.

The installed base of service contracts came under strong competitive pressure with the release of an HPS Services RFP by Monsanto Chemical in FY93. The competition was Novadyne and Bell Atlantic quoting discounts of as high as 70% off Digital list price. We were successful in winning this business for the next three years in Chemical and are moving forward with an aggressive plan to move this contract offering to all Monsanto Groups to lock in this services revenue for the next three years.

Systems Integration Strategy

The Monsanto Account Team will identify, qualify, and pursue opportunities in all levels of Systems Integration throughout Monsanto's world wide organization. Focus will be placed on both manufacturing and business applications, application integration, relational database design, messaging, office, EDMS and global information access.

The Team will establish contact with key Monsanto committees to influence direction and possible solutions. Executive relationships will be developed with key decision makers. The Process Manufacturing Practice as well as other identified industry and application Practices, will be involved with identifying, qualifying, and presenting solutions where appropriate. We will leverage our strengths of experience to achieve competitive advantage.

Where appropriate, we will team with one of the Big Five Accounting firms to deliver a total solution to Monsanto. Relationships have already been established with Ernst and Young and Deloitte and Touche.

Office Systems Strategy

To become **Monsanto's Sole Source Office Vendor** and protect Monsanto's investment in ALL-IN-1 IOS training and applications through a proactive Office Strategy that highlights our mutual advantages:

**ALL-IN-1 IOS** is the premiere office applications systems and provides Monsanto with very competitive cost of ownership, industrial strength performance and high benefit rapid applications delivery. Mobilizer is the client of choice for travelling ALL-IN-1 IOS users.

**TeamLinks** is the premiere integrated client/server office desktop. TeamLinks should be positioned as a more functional PC LAN alternative to ccMail and LOTUS Notes for Monsanto PC Users with MS-Windows.

Where ccMail is installed and replacement with TeamLinks is not an option (due to 286 platforms, cost), leverage our strengths while protecting Monsanto's investment through the implementation of Mailbus Postmaster for LANS/WANS which will give the ccMail users our directory services, virus protection, message tracking and document conversion. Provide added value through our Desktop Services, Help Desk, PC Servers, PATHWORKS with Unattended PC Backup.

Provide Monsanto with more cost effective utilization of desktop investment through our Client/Server tools such as @Aglance, ACA Services, DECquery, Desktop ACMS, Group Conferencing, VTX Clients, DECmessageQ.

Aggressively pursue replacement of current HP-DESK, PROFS, and other niche mail systems with ALL-IN-1 IOS, TeamLinks, or Outsourcing Services where appropriate.

**Work in partnership with Monsanto to develop World Class Office Systems implementation** with ALL-IN-1 IOS and TeamLinks Applications development for key document routing and approval business problems.

#### Distributor / CSO Strategy

At Monsanto's Corporate level, we have established a select number of Authorized Digital Distributors and Complimentary Solution Organization vendors that will serve as our "preferred" vendor list. While we will not limit the use of "any" reseller of Digital products into Monsanto, as an Account Team we will focus on this limited number of resellers and solutions providers to strengthen our overall product and services offering and to supplement our overall sales effort into the Account. This approach will also allow us to focus the efforts of these Distributors into their respective areas of strength and allow us the opportunity to recommend the most reputable and proven CSO's to Monsanto based on our past experience with these solutions providers.

**Monsanto-Wide Distributors:**

**Avnet Computer:**

Avnet Strengths - US Wide Organization.  
Entire range of Digital Systems expertise  
with special focus on PC Integration.  
Corporate Account Focus.  
Extensive Digital Inventory (\$40M to \$60M) to  
assist in quick delivery situations.  
Excellent Pre-Sales Support resources with  
heavy concentration on networks and desktop  
integration.  
Many Third Party application relationships  
for Total Solution approach.

**Pioneer Standard/Technologies:**

Pioneer Strengths - US Wide Organization.  
Excellent Workstation focus and expertise.  
Corporate Account Focus.  
Installed Base focus including strong Cost of  
Ownership and Cost Justification tools and  
Automated Executive Proposal program.  
Excellent Pre-Sales Support resources. Two to  
one ratio to their sales force.  
Demo Evaluation Program. (Will loan our  
products.)  
Many Third Party application relationships  
for Total Solution approach.

**Anixter:**

Anixter Strengths - US Wide Organization.  
Network/Wiring Products Expertise.  
Corporate Account Focus.

Other regional distributors are active in many remote locations. We will continue to use them based on their past performance and added value to the local Account Plan.

Desktop Strategy

The Monsanto Account Team will pursue the identification, qualification and closure of all areas of Desktop Services, which include; PC, VMS and RISC Workstation hardware purchase, PC and Workstation software purchase, PC and Workstation software integration and staging, PC and Workstation distribution and maintenance, as well as end-user support mechanisms including on-site Help Desks. On site Help Desks will encompass end-user support, application support, custom training, software loading and distribution, as well as a call management system. An aggressive unsolicited proposal was included in the recent Chemical Services RFP and is being promoted throughout all Monsanto Groups.



Electronic Document Management Strategy

Monsanto formed a Corporate Committee to review Document Management applications independent of hardware vendor. We presented, with substantial support for our IPE Practice, our EA Systems approach. EA was not selected. The committee has recommended FileNet with UNIX as the preferred O/S. Monsanto immediately asked Digital and FileNet to begin negotiations to port the product to Alpha. Those negotiations are underway headed by our NT Program Office and Roger Orr, Channels DM in California. Once the business agreement is in place with FileNet, we will estimate the time required to make the port and then prepare to present the packaged solution to Monsanto. There are (13) sites that are expected to implement the FileNet solution on the Alpha platform beginning in January, 1994, if we are successful in making the port happen with FileNet.

## 2. Strategic Information

### 2.A. Key Opportunities Summary

#### 1. Customer Business Challenge:

Establishing Global Electronic Mail/Messaging Network

#### Digital Opportunity Name:

Monsanto Integrated Messaging Project (MIMS)  
All-In-One Legacy Mail System

#### 2. Customer Business Challenge:

Worldwide Order Fulfillment Implementation across  
Chemical Company to replace old and diverse order  
processing/financial mainframe systems.

#### Digital Opportunity Name:

Worldwide Order Fulfillment Project. Deloitte & Touche/  
SAP/Digital partnership.

#### 3. Customer Business Challenge:

Electronic Document Management Plant requirements to  
meet ISO/9000 and OSHA requirements. Critical move from  
manual engineering drawing capabilities to plantwide  
document access. Other EDM applications planned.

#### Digital Opportunity Name:

EDMS. Digital/Filenet partnership to deliver NT based  
solution on Alpha platform by January, 1994.

#### 4. Customer Business Challenge:

Engineering Research for Client Server Access to Plant  
Systems. User level access to multiple plant information  
data bases attached to the LAN.

#### Digital Opportunity Name:

@Aglance Research Project  
@Aglance Server Project(s)  
ISI/CIM21 Port to Alpha

#### 5. Customer Business Challenge:

Nylon Manufacturing Supply Chain Re-engineering

Digital Opportunity Name:

Chemical Supply Chain Evaluation/Analysis  
Digital Benchmarking

6. Customer Business Challenge:

Agricultural Research System Performance Improvement

Digital Opportunity Name:

RCC Cluster Performance Evaluation/Requirements Study.  
Cluster Upgrade Proposal.

7. Customer Business Challenge:

Agricultural Company implementation of company-wide  
CIM and Logistics System.

Digital Opportunity Name:

Digital/Ross-Promix Project.

8. Customer Business Challenge:

Consolidation of multiple departmental applications/systems  
into larger departmental system.

Digital Opportunity Name:

Corporate MIS Downsizing Project.

9. Customer Business Challenge:

Consolidation/simplification of multiple hardware/software  
services contracts and service delivery.

Digital Opportunity Name:

HPS Services RFP.  
Unsolicited SPS Proposal.  
Unsolicited Desktop Services Proposal.  
Network Services RFP.  
HP/IBM MCS Proposals.

10. Customer Business Challenge:

Meeting Imaging/Document Management FDA Requirements  
for drug testing of new drugs.

Digital Opportunity Name:

Searle Imaging Project

Strategic Information

2.B. Executive Contacts and Major Events Plan

Date	Event Description	Customer Challenge	Location	Account Team Member Responsible
6/2/93	MIMS Status Meeting	Review RFP Award Status	Monsanto St. Louis	Bobby Thomas/Brian Smith
6/3/93	World Wide Order Fulfillment Team Meeting	Review Delotte&Touche/SAP/Digital Solution	Monsanto St. Louis	Bobby Thomas
6/8/93	MIMS Debriefing	Debriefing MIMS Pilot decision.	Monsanto St. Louis	Bobby Thomas/Brian Smith
6/8/93	WVOF Update	Debriefing on 6/3/93 Presentation.	Monsanto	Bobby Thomas
6/9/93	FileNet Update	Status delevered to Monsanto EDMS Committee	Monsanto St. Louis	Bobby Thomas
6/11/93	@Ag glance Status Meeting	Deliver update on transition of product and delivery services.	Monsanto Springfield,MA	Bobby Thomas/Dennis Tompkin Peck Kehler/Clark Quigley
6/22/93	Supply Chain Benchmark Chemical	Deliver Presentation on Digital Supply Chain	Monsanto St. Louis	Ed McDonough/Dave Jennings Jim McCluney/Bobby Thomas
6/22/93	Supply Chain Benchmark Agricultural	Deliver Presentation on Digital Supply Chain	Monsanto St. Louis	Ed McDonough/Dave Jennings Jim McCluney/Bobby Thomas
7/23/93	Executive MIMS Debriefing	Discuss decision criteria with Executive Partner	Monsanto St. Louis	Roger Rose Bobby Thomas Brian Smith
8/17/93	Final Research Project Results	Present final results of 18 month research project at Indian Orchard Plant	Monsanto Springfield,MA	Clark Quigley Dennis Tompkins Chuck Kukla Dave Ascher
8/27/93	Supply Chain/ Downsizing Benchmark Visit	Digital Headquarters visit by CMIS Staff	Digital Boxboro,MA	Jim McCluney Brian Smith Carol Murphy

Strategic Information

2.C. Key Dependencies  
(Input to Management, Marketing and Engineering)

1. Resources

Critical Sales and Sales Support Resources currently assigned to the account working the above mentioned critical projects.

Brian Smith and Carol Murphy - Sales, St. Louis  
Laurie Koetting - Sales Support, St. Louis  
Karla Richardson - Sales Support, St. Louis

Karen Burton - Sales, Mobile, AL  
David Silvers - Sales Support, Mobile, AL

Clark Quigley - Sales, Springfield, MA

Bob Barton - Sales, Davenport, IA  
Kim McCafferty - Sales, New Orleans, LA

Marilyn Ruggirello - Sales, Chicago, IL  
Janice Stone - Sales, Chicago, IL

Bill Ebert - Corporate Level LSSN Focus  
St. Louis

Mark Golden - MCS Sales Corporate Level Focus  
Services Competitive Win-Backs  
and new Services Sales  
St. Louis

Ken Humbertson - Corporate Level BASE Focus  
St. Louis

2. Industry Solution sets

Chemical Business Segment Account Partner - Dennis Tompkins

Messaging Practice Support - MIMS Project

Process Manufacturing PRC Industry Consultant

EDMS Consulting Support

Program Management/Project Management Support

3. Products

All-In-One / Legacy and Future Client Server Products

X.400 / X.500 Messaging Products

@Agance

Alpha With Open/VMS - OSF1 - NT

RdB

Oracle

4. Applications

ISI/CIM21

Biles/AIM

FileNet

SAP

Ross/ProMix-Cardinal

VG/LIMS

Beckman LIMS

Fisher/ProVox

Gensym

5. Services

Systems Integration Consulting

Industry Consulting Sales Support

Competitive HPS/SPS/Desktop/Multi-Vendor Proposal Support

Network Services Sales Support

Third Party consulting contract support

6. Global Issues

Ability to contract sales and sales support resource globally with some assurance the resource will deliver the required coverage to the account and begin to maintain some degree of consistency with Account Management.

Better reporting of European and GIA business activity.

Global pricing where possible. Buy in U.S. and ship to Europe.

More flexibility in travel outside of the U.S. to work with Digital Account Team members and customers to deliver consistent Digital message.

### 3. Five Years Business Plan

#### 3.A. Five Year Revenue Plan (see page 26 for definitions)

FY91 and FY92 Numbers are U.S. Only / FY93, FY94 and FY95 Numbers are Global

M\$	FY91	FY92		FY93		FY94*		FY95*	
	Actual	Actual	92/91%	Actual	93/92%	Plan	94/93%	Plan	95/94%
Certs Products	20.0	19.8	99%	15.1	76%	15.1	100%	16.6	110%
Certs Services	2.0	2.4	120%	2.7	113%	2.7	100%	3.5	130%
<b>CERTS TOTAL</b>	22.1	22.2	100%	17.8	80%	17.8	100%	20.1	113%
<b>End User Products</b>	>	>	>	>		>			
NOR Direct Internal	>	>	>	>	>	>			
NOR Indirect Via Resellers	>	>	>	>	>	>			
Total End User Pdts	>	>	>	>	>	>			
<b>Partner</b>	>	>	>	>	>	>			
NOR for Resale	>	>	>	>	>	>			
NOR Leveraged	>	>	>	>	>	>			
Total Partner	>	>	>	>	>	>			
<b>PRODUCTS TOTAL</b>	>	>	>	15.1	76%	15.1	100%	16.6	110%



<b>End User Services</b>	>	>	>						
NOR from New Businesses	>	2.4	120%	2.7	113%	2.7	100%	3.5	130%
NOR Ongoing	>	7.1	?	7.7	108%	4.6	60%	5.1	110%
Total End User Serv	>	9.5	?	10.4	109%	7.3	70%	8.6	118%
<b>Partner Services</b>									
NOR for Resale	>	>	>	>>		>	>	>	>
NOR Leveraged	>	>	>	>		>>		>	>
Total Partner	>	>	>	>		>>		>	>
<b>SERVICES TOTAL</b>	>	9.5	?	10.4	109%	7.3	70%	8.6	118%
Total End User	>	>	>	>		>	>	>	>
Total Partner	>	>	>	>		>	>	>	>
Total NOR Products	>	17.8	?	16.3	92%	15.1	100%	16.6	110%
Total NOR Services	>	9.5	?	10.4	109%	7.3	70%	8.6	118%
P&S NOR Total	>			>		>	>	>	>
Leveraged Total	>	>		>		>	>	>	>
<b>TOTAL Impacted Business</b>	>	27.3	?	26.7	98%	22.4	84%	25.2	113%

\*FY91 through FY93 numbers include Fisher Controls. Approximately \$4.5M of Product Certs and 500K of Services for Fisher are included in the totals for FY93. FY94 and FY95 are Monsanto only.

**DEFINITIONS FOR 3.A.**

Certs Products  
Certs Services

Total hardware and software certs.  
All Service excluding contract renewals.

End User Products - NOR Direct Internal  
End User Products - NOR Indirect Via Resellers

NOR for products sold to account for internal usage.  
NOR for products sold into the account by a reseller.

Partner - NOR for Resale  
Partner - NOR Leveraged

NOR sold to a partner who will resell the products.  
NOR for business sold to other accounts that was leveraged or assisted by this account.

End User Services - NOR from New Business  
End User Services - NOR Ongoing

New NOR for the year.  
NOR for services sold to the account that is a continuation of existing contracts. Include contract renewals.

Partner Services - NOR for Resale  
Partner Services - NOR Leveraged

NOR sold a partner who will resell the service.  
NOR which is realized by other accounts that was leveraged by or assisted by this account.

Total End User  
Total Partner

Sum of all product and service end user business.  
Sum of all product and service sold to partners. Do **not** include leveraged business.

Total NOR Products

Sum of all end user and partner products. Do not include leveraged business.

Total NOR Services

Sum of all end user and partner services excluding leveraged business.

P&S NOR Total

Sum of all Product and Services for end user and partner. Exclude leveraged business.

Leveraged Total

Total partner leveraged business.

Total Impacted Business

Sum of P&S NOR TOTAL + Leveraged Total.

3.B. Five Year Resource Plan

Effort-Year	FY91	FY92		Budget	FY93	93/92%	FY94		FY95	
	Actual	Actual	92/91%		Actuals		Plan	94/93%	Plan	95/94%
<b>Resources</b>	>	>	>	>	>					
Direct Sales	>	12.1	?	10.6	9.6	91%	6.2	65%	6.2	100%
Direct Services	>	5.6	?	5.6	5.0	89%	4.0	80%	3.5	88%
Account Management	4.0	2.0	50%	2.0	2.0	100%	1.0	50%	1.0	100%
<b>Total Selling Effort</b>	?	19.7	?	18.2	16.6	91%	11.2	67%	10.7	96%
Other Resources	2.0	1.5	75%	1.5	1.0	67%	1.0	100%	1.0	100%
<b>Total Resources</b>	?	21.20	?	19.7	17.6	89%	12.2	69%	11.7	96%
<b>Indicators</b>										
Selling Yield	>	>	>	>	>>		>>		>>	
NOR/Head	>	>	>	>	>>		>>		>>	
Impacted NOR/Head	>	>	>	>	>>		>>		>>	

Selling Yield = Total Certs (from Table 3A) / total selling Effort

NOR/Head = NOR Total (from table 3A) / total resources

Impacted Bus./Head = total Impacted business (from Table 3A) / Total Resources

OTHER DEFINITIONS:

Direct Sales = # of people who carry a direct booking budget (nearest 1/10 of person)

Direct Services = # of services people who are directly booking service revenue in account that are not included on Direct Sales. (Include pre-sales support in this line)

Account Management = # of people who you consider to be part of the account management team and do not directly book business or carry some sort of "shadow" bookings credit.

### 3.C. Profit and Loss Statement(s)

From: Q1 FY93 Through Q4 FY93 - (\$K)  
 MONSANTO AU6266803  
 EUR GIA USA

Page: 1

	PRODUCT	SERVICES	TOTAL	%GROSS
Certs	15015	2713	17728	48.9%
Gross Revenue	23612	12607	36219	100.0%
Discounts & Allowances	7224	2211	9435	26.0%
Net Operating Revenue	16388	10396	26784	74.0%
Business Unit Price In	10610		10610	29.3%
Service Delivery Costs		6409	6409	17.7%
Local Account Delivery	21	0	21	0.1%
Value Added Revenue	5757	3987	9744	26.9%
Account Costs				
Direct Selling			2151	5.9%
Sales Specialist			1083	3.0%
Loan & Demo Expense			24	0.1%
Direct Account O/H			719	2.0%
Direct Margin			5766	15.9%
Support Costs				
Service Support & Admin			307	0.8%
Marketing Services			583	1.6%
Business Unit			1513	4.2%
Corporate			160	0.4%
NET ABU Profit			3203	8.8%
% of NOR				12.0%
% of Value Added Revenue				32.9%

3.D. Charts and Tables - FY94

Product & Services Mix - FY94

	Products			Services	
	%	K\$ Revenue		%	K\$ Revenue
VAX	15%	2,400	Learning Services	%	>
Alpha	28%	4,060	Consulting	15%	1,125
Mips	5%	850	Application Product	5%	375
Intel	2%	365	Building Integration	20%	1,150
Other	10%	1,550	Facilities Mgt	%	
Software	15%	2,175	Multivendor Product		
Components	10%	1,450	Services	60%	4,600
Add-Ons	15%	2,300			
<b>TOTAL</b>	<b>100%</b>	<b>15,150</b>	<b>TOTAL</b>	<b>100%</b>	<b>7,250</b>

Selling Model Mix - FY94

	Value Solutions/SI	Configured Systems	Commodities	NOR TOTAL
Direct Sales				
% of Direct	40%	50%	10%	xxxxxxxxxxxx
% of Total	20%	40%	20%	xxxxxxxxxxxx
Indirect via Resellers				
% of Indirect	30%	40%	30%	xxxxxxxxxxxx
% of Total	5%	10%	5%	xxxxxxxxxxxx
<b>TOTAL % of Total</b>	<b>25%</b>	<b>50%</b>	<b>25%</b>	

note: Sum of Direct Sales NOR Total + Indirect Via Resellers NOR Total should equal the P&S NOR Total on 3.A. Enter only three numbers in the NOR TOTAL Column.

Business Unit Mix - FY94

Primary Business Unit: CPM  
PRODUCTS

	FY94	
	Percentage	K\$ Revenue
Automotive	%	>
Aerospace	%	>
Electronics	%	>
Defense	%	>
<b>Discrete Manufacturing &amp; Defense Total</b>	<b>%</b>	<b>&gt;</b>
Chemical	86%	19,320
Utilities	%	
Consumer Packaged Goods	7%	1,540
Environment	%	
Forest, Mining, Metals & Glass	%	
Oil & Gas	%	
Retail/Wholesale	%	
Travel/Transportation	%	
<b>Process and Consumer Total</b>	<b>%</b>	<b>20,860</b>
Telecom	%	
Cable TV	%	
Media	%	
Entertainment	%	
Education	%	
<b>Communications, Consumer &amp; Entertainment Total</b>	<b>%</b>	
Banking	%	
Insurance <other than Health>	%	
Public Administration	%	
Software & Data Services	%	
<b>Financial &amp; Professional Services Total</b>	<b>%</b>	
Healthcare	%	
Pharmaceuticals	7%	1,540
Health Insurance	%	
Public and Private Hospitals	%	
Social Security	%	
<b>Health Total</b>	<b>%</b>	

Customer Business Units Subtotal		
PersonalComputersBusiness	%	
Storage Components	%	
Components Business	%	
Multivendor Services	%	
<b>TOTAL BUSINESS (GRAND TOTAL)</b>	<b>%</b>	<b>22,400</b>

**ACCOUNT PLAN DETAIL**

**4. Business Opportunities**

**4.A. Business Opportunities by Selling Model**

(This is a summary of all your opportunities by Selling Model. Include installed base Business and smaller opportunities under Remaining Business.)

- A. Opportunities for Value Solutions
  - A.1. Monsanto Integrated Messaging System
  - A.2. World Wide Order Fullfillment
  
  - A.3. EDMS FileNet Port to Alpha
  - A.4. @AGlance Research/Engineering Project
  - A.5. Nylon Supply Chain Benchmarking
  - A.6. Agricultural CIM Project
  - A.7. ISI/CIM21 Port to Alpha
  
- B. Opportunities for Configured Systems/Distribution
  - B.1. Agricultural Research Cluster Evaluation
  - B.2. CMIS Downsizing Evaluation
  - B.3. All-In-One Systems Evaluation
  
- C. Opportunities for Commodity/Merchandising
  - C.1. Account Wide Distribution Plan
  - C.2. Approval Monsanto Approved PC List
  
- D. Remaining business
  - D.1. Chemical Services RFP Rollout
    - HPS
    - SPS
    - Desktop

**E. Grand Total Opportunities Sizing**

Grand TOTALS	Thru FY93	FY94	% Services	Lifetime
Net Operating Revenues (K\$)	15,300	6,300	1,575	48,000
Resources (Effort)	8.0	3.4		
Digital Investment (K\$)	470K	120K		

(This table is the Grand Total from the following opportunity pages.)



Note: Grand totals of potential revenue and resources for all combined opportunities may exceed your budget as indicated in section 3A and 3B. This Grand total corresponds to all the business you could expect to win:

- if you would not lose any to the competition,
- if the client did not have limited spending intentions or capacity with Digital,
- if your account team was staffed as the resources Grand Total total,
- and if you did not adjust your budget to your best estimate of what you can reasonably shoot for and win with on behalf of Digital.

This does not represent your budget. However, Grand Totals above can be used for discussions of potential business if given additional resources.)

ACCOUNT PLAN DETAIL

4.B. Opportunity Details

CUSTOMER BUSINESS CHALLENGE

A.1 Opportunity Name: Monsanto Integrated Messaging System

Description: Worldwide X.400/X.500 Messaging Backbone Network

Monsanto is planning to replace their existing SoftSwitch Messaging System with a X.400/X.500 Messaging Backbone. A very detailed RFI was issued in FY92 followed by an equally detailed RFP in FY93. The \$300K expense outlined below was internal cost to respond to the RFP. Digital and HP were the finalist chosen. Monsanto visited with both vendors to take a closer look at our X.400 capabilities. HP demonstrated more capability in showing their products and therefore gave the impression that they were further along in product development. We could not demonstrate our products but did demonstrate our commitment to X.400 and convinced Monsanto we would be one of the long term vendors for this type of network. HP was awarded the pilot phase to further demonstrate their capabilities. We have been told if HP cannot deliver what they claim, we will be given another chance to show our products. HP does not have any commitement from Monsanto past the pilot stage.

Opportunity Type:

VALUE SOLUTION       CONFIGURED SYSTEM       COMMODITY

We will continue to monitor the project and keep Monsanto informed on our product development.

--DEPENDENCIES

Continued X.400 development and successful customer implementations.

X.400 / X.500 Product and Network Management Demonstration.

--SIZING

	Thru FY93	FY94	% Services	Lifetime
Net Operating Revenues (K\$)	\$0	?	80%	\$10M
Resources (Effort)	.5 Sales/.5 SS	.2 Sales/.2 SS		
Digital Investment (K\$)	\$300K	Sales/SS		

A.2 Opportunity Name: World Wide Order Fullfillment

Description: Chemical Group Replacement of all current Order Processing Systems.

The Chemcial Group is planning to replace all of their older Order Processing and Financial Systems. They contracted with Gemini Consulting over a year ago as part of their overall re-engineering project to review WWOFF. They have completed the as-is study and are now reviewing applications. We have partnered with Deloitte and Touche and SAP to present the strengths of their R/3 application on our platform with D&T Project Management.

Opportunity Type:

VALUE SOLUTION       CONFIGURED SYSTEM       COMMODITY

Dependencies:

Gemini's recommendation was to use their fourth generation development tools and create a custom application for Monsanto. Management pushed back on this recommendation as being too expensive and not timely enough to help with Monsanto's turnaround.

Funding is a major issue. Initial funding request was for \$45M and was denied. WWOFF Committee is looking for a partner to invest and help them move forward. D&T and SAP have stated a willingness to invest and we are working with them toward a recommendation.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$0	\$1M	\$500K	\$10M(Digital)
Resources (Effort)	0	.3 Sales		\$40M Total
Digital Investment (K\$)	0	\$20K (LOP)		

A.3 Opportunity Name: EDMS FileNet Port to Alpha

Description: Port of UNIX based application to Alpha Platform for integration into Digital based manufacturing plants. Application is a Corporate directive.

In FY93, Monsanto formed a Company-wide EDMS Committee with representation from all Groups. They evaluated many applications including our EA Systems recommendation. The FileNet application was selected and is being pushed by this committee as the Corporate standard. It is Unix based and currently only runs on the IBM RS6000 and under HP/UX. There are (13) Monsanto plants that are primarily Digital based and have pushed back on this recommendation as not meeting their requirements. As a result, the committee and Chemical MIS has asked Digital to work with FileNet to port the application to our Alpha/NT platform. We have engaged our Channels group in California and out NT Program Office to begin negotiations with FileNet to become an ISV for Digital and to estimate the difficulty of the port. Those negotiations have begun and we expect to see results in June. The thirteen sites referenced above will be ready to begin implementations in January, 1994 but need preliminary budgeting information this summer.

This opportunity offers significant consulting dollars for plant integration of the system. FileNet does not offer those services.

Opportunity Type:

VALUE SOLUTION       CONFIGURED SYSTEM       COMMODITY

Dependencies:

- Timely negotiations with FileNet as ISV.
- Budget estimates for Monsanto summer of '93.
- Actual port completed by January.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$0	\$1M	50%	\$4.5M
Resources (Effort)	0	.2Sales/.5 SS		
Digital Investment (K\$)	0	\$? Port		

A.4 Opportunity Name: @Aglance Research/Engineering Project

Description: Joint Research Engineering Project with Monsanto Springfield, Mass Chemical Plant. Several other consulting projects have emerged as a result of the initial research project. Work in progress.

In FY92 Digital entered into a joint research project with Monsanto's Springfield, MA Chemical Plant. The initial project was designed to analyze how Engineering personnel interfaced with the manufacturing process and the results of automation on that interface. Digital's @Aglance product was showcased as a tool to assist in automating the Engineering interface. As a result of this initial research, several new projects emerged. The Springfield Plant is now involved in many Client Server projects that allow operators from all disciplines to access information from any data base on the plant network from a simple PC.

The ISI/CIM21 Data Historian Port to Alpha was also a result of this partnership between Monsanto Springfield and Digital.

Opportunity Type:

VALUE SOLUTION                       CONFIGURED SYSTEM                       COMMODITY

Dependencies:

Future development of @Aglance Product.

Future availability of @Aglance consulting.

(Engineering Group with responsibility for Product Development and Consulting has been disbanded and the product has been spun off to a new Third party software company - Intuitive Technologies.)

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$300K	\$800K	60%	\$2M - \$4M
Resources (Effort)	.3 Sales	.3 Sales		
Digital Investment (K\$)	\$150K	.3 Sales/.2SS		

A.5 Opportunity Name: Nylon Supply Chain Benchmarking

Description: Monsanto is benchmarking Supply Chain with Digital as part of Chemical Re-engineering Process.

As part of the Chemical Groups re-engineering efforts they are reviewing the supply chain of several key products. We have been asked to share our internal re-engineering supply chain success with Monsanto as a benchmark. I have scheduled our V.P. of Worldwide Manufacturing and Logistics, Ed McDonough, to meet with the V.P. of Monsanto responsible for the Nylon Supply Chain. The discussion will center around what Digital has done to improve our manufacturing processes and get product to market more timely and efficiently. Ed will be accompanied by Jim McCluney our Manager of Supply Chain.

If there are points of interest that Monsanto wants to explore, this will hopefully lead to a more detailed evaluation of their supply chain by Digital.

Opportunity Type:

VALUE SOLUTION       CONFIGURED SYSTEM       COMMODITY

Dependencies:

Initial Supply Chain review with Digital/Monsanto management in St. Louis.

Successful Benchmark.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$0	?	80%	?
Resources (Effort)	0	?		
Digital Investment (K\$)	0	?		

A.6 Opportunity Name: Agricultural CIM Project

Description: Implementation of Group-Wide CIM Project with Ross/ProMix and Ernst and Young on Digital Platform.

Monsanto Agricultural Group is one year into the implementation of a four year CIM Project. The first step is to successfully implement the Ross/ProMix application. Digital prepared the specifications for this project but lost the Project Management of implementation to Ernst and Young. E&Y are expected to be able to deliver less than half of the functionality required for the full CIM Project. Opportunities for additional application, consulting and integration work will be available if we can stay close to the project and offer competitive solutions. The Ross/ProMix package is being installed in two sister plants simultaneously; Luling, LA and Muscatine, IA.

Opportunity Type:

VALUE SOLUTION                       CONFIGURED SYSTEM                       COMMODITY

Dependencies:

Successful Ross/ProMix Implementation.

Migration of RdB to Alpha.

Migration of VAX/VMS to Alpha.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$1,000K	\$500K	20%	\$10M
Resources (Effort)	.3 Sales	.3Sales/.2 SS		
Digital Investment (K\$)	Sales/SS	Sales/SS		

A.7 Opportunity Name: ISI/CIM21 Port to Alpha

Description: Port of CIM21 Data Historian from HP/UX to Digital Alpha/OSF1.

In conjunction with Monsanto and ISI, we have successfully ported the ISI/CIM21 Data Historian package from HP to Digital. The first installation of this package on Alpha is being installed at Monsanto's Springfield, MA plant and is being interfaced to their network through the use of the @Agance product.

Many other Monsanto plants have expressed interest in this product on the Alpha platform.

The Springfield plant has agreed to a customer day to host other plants that are interested in the product.

Opportunity Type:

VALUE SOLUTION       CONFIGURED SYSTEM       COMMODITY

Dependencies:

Successful implementation at Springfield.

Resolving licencing issues with ISI.

Resolving LOP issues with ISI.

Promoting the product within Monsanto and scheduling the customer day.

Sizing:

	Thru FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$0	\$500K	20%	\$2.0M
Resources (Effort)	.2Sales/.2SS	.2 Sales		
Digital Investment (K\$)	\$10K LOP	Sales		



B.1 Opportunity Name: Agricultural Research Cluster Evaluation

Description: Performance evaluation of Research Center's primary research cluster. Evaluation study is in progress to determine extent of upgrade required.

Research Cluster is overloaded and Monsanto is looking at the most practical and efficient way to upgrade the cluster. We are currently involved with a performance evaluation study to help justify the upgrade and are developing a Q4 proposal.

Opportunity Type:

VALUE SOLUTION

CONFIGURED SYSTEM

COMMODITY

Dependencies:

Successful Performance Evaluation Study.

Funding approval.

Q4 Programs.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$2M	\$1.5M	10%	\$5M
Resources (Effort)	.3Sales/.2SS	.2 Sales		
Digital Investment (K\$)	\$10K Study	.2 Sales		

B.2 Opportunity Name: CMIS Downsizing Evaluation

Description: Consolidation of regional and departmental systems and applications into a larger cluster located at headquarters.

Very early stages of downsizing project with Corporate MIS. We are gathering reference sites that have successfully downsized departmental VAXes to a larger central system.

Opportunity Type:

VALUE SOLUTION                       CONFIGURED SYSTEM                       COMMODITY

Dependencies:

Successful reference sites.

Financial evaluation of cost savings.

Application evaluation and system performance evaluation.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$0	\$0	?	?
Resources (Effort)	0	.2Sales/.2SS		
Digital Investment (K\$)	0	Sales/SS		

B.3 Opportunity Name: All-in-One Systems Evaluation

Description: Evaluation of current A1 base of applications and systems and recommendation to Monsanto on how to move forward with a Legacy/Client-Server Mail Systems on our platform.

We currently have over 6,000 All-In-One users across Monsanto. Most are terminal based and many systems have mail-enabled applications that are integrated into the product. Our primary competition for electronic mail within Monsanto is cc:Mail. Since it is PC based, it is easier to justify and purchase than a CPU/Terminal application. The largest complaint we hear about A1 is it is too expensive to upgrade and therefore get's too much exposure when upgrades are requested. Actual per-user cost are lower but can't be added in small quantities. TeamLinks has been evaluated by Monsanto and was not well received. We have a mail strategy developed and will continue to implement in FY94.

Opportunity Type:

VALUE SOLUTION                       CONFIGURED SYSTEM                       COMMODITY

Dependencies:

Successful price performance of All-In-One vs. cc:Mail.

Continued support of All-In-One.

Continued Office Partner Program through Sales Support.

Sizing:

	Thur FY93	FY94	% Services	Lifetime
Net Operating Revenue (K\$)	\$12M	\$1,000K	10%	\$15M
Resources (Effort)	2.0Sales/2.0SS	.3Sales/.5SS		
Digital Investment (K\$)	Sales/SS	Sales/SS		

5. Budget Information

5.A. Certs by Geography - FY93 and FY94 (\$K) (refer to Definitions for Section 3.A. on page 26)

(Certs by Geography were not available. NOR by Geography is provided in the next section of the Account Plan and is the primary measurement for the Global Account beginning in FY94.)

Country/Geography	Products					Services					Total				
	FY93			FY94		FY93			FY94		FY93			FY94	
	Q2 YTD	Fct/		Bud	Plan	Q2 YTD	Fct/		Bud	Plan	Q2 YTD	Fct/		Bud	Plan
	Bud	Actual	Fct	Bud	Plan	Bud	Actual	Fct	Bud	Plan	Bud	Actual	Fct	Bud	Plan
Country Name															
-															
-															
-															
EUROPE															
City / State															
-															
-															
-															
U.S.A.															
Country Name															
-															
-															
-															
GIA															
WORLDWIDE															

5. Budget Information

5.B. Selling Resources by Geography - FY93 and FY94 (refer to definitions for Section 3.A. on page 26)

Effort-Year	Sales				Services/Sales Support				Total				Selling Yield		
	FY93		FY94		FY93		FY94		FY93		FY94		FY93	FY94	
	Bud	Act.	Act/Bud	Plan	Bud	Actual	Act/Bud%	Plan	Bud	Actual	Act/Bud%	Plan	94/93%	K\$	K\$
Belgium	1.0	1.0	.3	30%	.2	.2		.2	1.2	1.2		.5	40%	587	1,600
Germany	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	1,020	2,500
Italy	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	1,940	2,500
U.K.	.3	.3	.3	100%	.2	.2		.2	.5	.5		.5	100%	3,582	2,400
Holland	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	560	2,000
EUROPE	1.6	1.6	.9	56%	.7	.7		.7	2.3	2.3		1.6	70%	1,538	2,200
St. Louis,MO	3.0	2.0	2.0	67%	2.0	1.5		1.5	5.0	3.5		3.5	70%	N/A	1,160
Chicago,IL	2.0	2.0	1.0	50%	.8	.5		.4	2.8	2.5		1.4	50%	N/A	1,429
Mobile,AL	1.0	1.0	.5	50%	.6	.3		.3	1.6	1.3		.8	50%	N/A	1,250
Atlanta,GA	.5	.5	.5	100%	.2	.2		.2	.7	.7		.7	100%	N/A	1,429
Springfield,MA	.5	.5	.5	100%	.2	.2		.2	.7	.7		.7	100%	N/A	1,429
New Orleans,LA	.3	.3	.3	100%	.1	.1		.1	.4	.4		.4	100%	N/A	1,500
Davenport,IO	.3	.3	.3	100%	.1	.1		.1	.4	.4		.4	100%	N/A	1,500
Cincinnati,OH	.2	.2	.2	100%	.1	.1		.1	.3	.3		.3	100%	N/A	1,333
Huntsville,AL	.2	.2	.2	100%	.1	.1		.1	.3	.3		.3	100%	N/A	1,333
U.S.A	8.0	7.0	5.5	69%	4.2	3.1		3.0	12.2	10.1		8.5	70%		1,374
Canada	.2	.2	.2	100%	.1	.1		.1	.3	.3		.3	100%	1,590	2,667
Japan	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	1,535	2,500
Taiwan	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	1,300	1,500
Singapore	.1	.1	.1	100%	.1	.1		.1	.2	.2		.2	100%	1,300	1,500
GIA	.5	.5	.5	100%	.4	.4		.4	.9	.9		.9	100%	1,431	2,042
WORLD	10.1	9.1	6.9	68%	5.3	4.2		4.1	15.4	13.3		11.0	71%		1,872

5. Budget Information

5.C. Investment Resources - FY93 & FY94 (refer to Definitions for Section 3.A. on page 26)

Effort-Year	Sales		Services		Other		Total			Selling Yield		Other Critical Expense	
	FY93	FY94	FY93	FY94	FY93	FY94	FY93	FY94	94/93%	K\$ FY93	K\$ FY94	Description	K\$ Value
Country													
Name													
-													
-													
-													
Account Mgt													
<b>Europe</b>													
City/State													
-													
-													
-													
Account Mgt												a	
<b>U.S.A.</b>													
Country													
Name													
-													
-													
-													
Account Mgt													
<b>GLA</b>													
<b>WORLD</b>													

5. Budget Information

5.D. Net Operating Revenue - FY93 (\$K) (refer to Definitions for Section 3.A. on page 26)

Country Geography	PRODUCTS				SERVICES				GRAND			
	End User		Partner		TOTAL	End User		Partner		TOTAL	TOTAL	
	Direct Internal	Indirect via reseller	For Resale	Lever- aged Total	Product FY93	New Busines	Ongoing Contracts	Total	For Resale	Lever- aged Total	Services FY93	Impactd FY93
U.K.	1,293	1,293			1,293	1,293	1,293				499	1,791
Belgium	251	251			251	251	251				454	705
Germany	184	184			184	184	184				20	204
Italy	156	156			156	156	156				232	388
Holland	66	66			66	66	66				46	112
EUROPE	1,950	1,950			1,950	1,950	1,950				1,251	3,200
St. Louis	Location breakdown											
Chicago	not available											
Mobile												
Atlanta												
Springfield												
New Orleans												
Davenport												
Cincinnati												
Huntsville												
USA	9,831	1,298	11,125		11,125	11,125	11,125				8,045	19,173

Canada	230	230		230	230	230		247	477
Japan	175	175		175	175	175		132	307
Taiwan	182	182		182	182	182		77	260
Singapore	114	114		114	114	114		39	153
-									
GIA	701	701		701	701	701		495	1,197
WORLD	12,482	1,298	13,776	13,776	13,776	13,776		9,791	23,570



5. Budget Information

5.E. Net Operating Revenue - FY94 (refer to Definitions for Section 3.A. on page 26)

Country Geography	PRODUCTS					SERVICES					GRAND TOTAL		
	End User		Partner		TOTAL	End User		Partner		TOTAL			
	Direct Internal	Indirect via reseller	Total	For Resale	Lever- aged Total	Product FY94	New Busines	Ongoing Contracts	Total	For Resale		Lever- aged Total	Services FY94
U.K.	900		900		900	900	900		900		900	300	1,200
Belgium	400		400		400	400	400		400		400	400	800
Germany	450		450		450	450	450		450		450	50	500
Italy	250		250		250	250	250		250		250	250	500
Holland	350		350		350	350	350		350		350	50	400
Other	400		400		400	400	400		400		400	85	485
EUROPE	2,750		2,750		2,750	2,750	2,750		2,750		2,750	1,135	3,885
St. Louis	2,000	1,000	3,000		3,000	3,000	3,000		3,000		3,000	2,500	5,500
Chicago	1,000	500	1,500		1,500	1,500	1,500		1,500		1,500	1,000	2,500
Mobile	600	200	800		800	800	800		800		800	1,000	1,800
Atlanta	600	200	800		800	800	800		800		800	500	1,300
Springfield	600	200	800		800	800	800		800		800	500	1,300
New Orleans	500		500		500	500	500		500		500	500	1,000
Davenport	500		500		500	500	500		500		500	500	1,000
Cincinnati	300		300		300	300	300		300		300	300	600
Huntsville	300		300		300	300	300		300		300	300	600
Other	665	300	965		965	965	965		965		965	150	1,115
USA	7,065	2,400	9,465		9,465	9,465	9,465		9,465		9,465	7,250	16,715

Canada	500	500	500	500	500	500	500	500	300	800
Japan	250	250	250	250	250	250	250	250	150	400
Taiwan	250	250	250	250	250	250	250	250	50	300
Singapore	250	250	250	250	250	250	250	250	50	300
GIA	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	550	1,800
WORLD										22,400

5. Budget Information

5.F. Discount and Allowances - FY94

		Account/Partner	
		Products %	Services %
Discounts	MNDA End-User MNDA Partner	18.5>% >%	30>% >%
Allowances (Average)	End-User Partner	5% >%	30% >%
Other	End User Partner	>% >%	>% >%
Compounded Total	End User	23.5%	60%
Worldwide pricing		Yes/No	No

## 6. Account Information

### 6.A. Account/Partner Profile

1. Type:

Global

2. Agreements:

DBA # 3906000

End-User

Effective Date - February 12, 1993 through February 11, 1994

Participating Countries:

Belgium	Italy	Taiwan
Brazil	Japan	United Kingdom
Canada	Netherlands	United States
China	Norway	
France	Puerto Rico	
Germany	Singapore	
Hong Kong	Switzerland	

Corporate Wide Customer Agreement.

Multi-site Customer Service Agreement for Chemcial Group negotiated and awarded May 28, 1993. Three year contract with annual audits for additional and deletions. Terms available to all Monsanto sites.

3. Key account team contacts:

See Attached Account Organization Chart for Sales Contacts.

Logistics Services Support Network  
Bill Ebert, Customer Support Consultant  
DTN: 445-7220

Multivendor Customer Services  
Mark Golden, MCS Account Manager  
DTN: 445-7295

MCS Base Account Manager

Ken Humbertson, Services Base Manager  
DTN: 445-6579

Account Sales Support Coordinator

Laurie Koetting, Technical Sales Support  
DTN: 445-6436

Karla Richardson, Network Sales Support  
DTN: 445-6389

4. Buy-in Locations

All headquarter locations and each plant site are buying locations for Monsanto in each of the countries listed above.

5. Installed Base

(Summary table, geography vs equipment types, software)

## 6. Account Information

### 6.B. Partner Application/Services Description and Competitive Advantages (this section for partners only)

1. Product/Application Service Name  
(List the names of products and/or services offered by the partner)
  
2. Key Markets  
(List the key markets which are serviced by the partner.)
  
3. Local Language Availability  
(List the languages that are supported by the partner's products or services)
  
4. Competitive Advantages  
(What are the key selling features and benefits or competitive advantages of the product/services offered by the partner)

6. Account Information

6.C. Partner Country Plan—Market Development Summary

( The purpose of this table is to show the solution offered in each geography, application area (ie. MRP), relation status (CMP, CSH, etc.), conversion status (ie. VMS only), new installations (ie. 25 in FY94), sales effort or technical support available in the country)

Solution Name	Account Group	Applic. Area	Rela. Status	Port/ Conv.	# New Install	Sales Year	Supp. Year
Country	--	--	--	--	>	>	>
Country	--	--	--	--	>	>	>
Country	--	--	--	--	>	>	>
Country	--	--	--	--	>	>	>
Country	--	--	--	--	>	>	>
Country	--	--	--	--	>	>	>
-----							
Europe	--	--	--	--	>	>	>
-----							
-----							
Territory	--	--	--	--	>	>	>
Territory	--	--	--	--	>	>	>
Territory	--	--	--	--	>	>	>
Territory	--	--	--	--	>	>	>
Territory	--	--	--	--	>	>	>
-----							
USA	--	--	--	--	>	>	>
-----							

Country		--	--	--	--	>	>	>	
Country		--	--	--	--	>	>	>	
Country		--	--	--	--	>	>	>	
Country		--	--	--	--	>	>	>	
Country		--	--	--	--	>	>	>	
GIA		--	--	--	--	>	>	>	
World		--	--	--	--	>	>	>	



## 7. Attachments (OPTIONAL)

### 7.A. The Company

#### MONSANTO CORPORATE OVERVIEW:

Monsanto Company is the third largest U.S. chemical company doing about a fifth of DuPont volume and about two-fifths of Dow Chemical. Monsanto operates sixty plants and thirteen laboratories in the U.S. and has manufacturing interest in twenty other countries doing thirty-six percent of its business outside of the U.S. Monsanto makes and markets high-value agricultural products; chemical products, including plastics and manufactured fibers; pharmaceuticals; food products, including a low-calorie sweetener and an all natural fat substitute; process control equipment; and other performance materials. In doing so, we're committed to serving the interests of all those worldwide who hold a stake in our company by:

- o Aiming for a consistently superior return on equity for our shareowners;
- o Meeting the needs of our customers with the highest standards of value, quality and service;
- o Providing our employees with safe and rewarding work in an environment where each has an equal opportunity to succeed; and
- o Striving for a lasting and rewarding partnership with our neighbors.

#### HEADQUARTERS:

800 N. Lindbergh Boulevard, St. Louis, Missouri 63167, USA (314)694-1000

#### FOUNDED:

1901 in St. Louis by John F. Queeny

#### CHAIRMAN AND CHIEF EXECUTIVE OFFICER:

Richard J. Mahoney

#### PRESIDENT AND CHIEF OPERATING OFFICER:

Robert B. Shapiro

#### KEY MONSANTO STATISTICS: (As of December 31, 1992)

Total Assets:	\$9,085 billion
Sales for 1991:	\$7,763 billion
Net Income for 1991:	\$ (88) million*

1991 Earnings per Common  
Shares: \$ (1.01)

Shareowners: 60,074

New York Stock Exchange Symbol: MTC

Stock Exchange Listings: Amsterdam, Brussels, Chicago (options),  
Frankfurt, Geneva, London, New York, Paris, Tokyo, Zurich

Total Employees: 33,797

Employees by World Area:

United States.....	21,515
Europe-Africa.....	7,041
Asia-Pacific.....	2,735
Canada.....	761
Latin America.....	1,745

1992 Net Sales By Operating Unit:

- Agricultural products	\$1,676
- Chemicals	\$3,705
- NutraSweet	\$ 879
- Pharmaceuticals	\$1,507

1992 Net Sales By Geographic Area (Dollars in millions)

- United States	\$4,964
- Europe-Africa	\$1,652
- Asia-Pacific	\$ 566
- Canada	\$ 290
- Latin America	\$ 291

MONSANTO 1992 OVERVIEW:

Monsanto Company's net income in 1992 was affected by a number of significant nonrecurring items. As a result the company had a net loss of \$88 million, or 71 cents per share, on net sales of \$7.8 billion. The largest of the charges against earnings was a one time aftertax charge of \$658 million, or \$5.34 per share, to adopt Statement of Financial Accounting Standards No. 106. This rule recognizes the future cost of medical and other post-retirement benefits for retirees.

The company also took a one-time aftertax charge of \$425 million, or \$3.44 per share, to implement cost cutting actions designed to make worldwide operations more focused, productive and cost-effective. Major elements include a realignment of selected research investments; reductions in employment; and a number of consolidations, closings and sales of nonstrategic businesses and facilities.

The most significant gain in 1992 came from the sale of Fisher Controls International Inc. The aftertax gain from that sale was \$554 million, or \$4.49 per share. Although Fisher Controls was part of Monsanto for 23 years, it's valve and process controls business were no longer a strategic fit for the company. The sale of Fisher Controls allows Monsanto to focus on it's four core businesses.

The company also realized an aftertax gain of \$118 million, or 96 cents per share, from the adoption of Statement of Financial Accounting Standards No. 109, which pertains to income-tax accounting.

OPERATING UNITS

Monsanto Company is organized into four major operating units: The Chemical Group, The Agricultural Group, The Pharmaceutical Group (Searle), and The NutraSweet Company.

Attached is a 1992 Review of Operations of each Operating Unit and a business outlook for 1993.

7.B. OPERATING UNIT 1992 REVIEW OF OPERATIONS

(ATTACHMENTS)


**THE AGRICULTURAL GROUP**

<i>Hendrik A. Verfaillie</i>	Corporate Vice President and President, The Agricultural Group
<i>Bernard P. Auxenfans</i>	Group Vice President and General Manager, International Division
<i>Arnold W. Donald</i>	Group Vice President and General Manager, North America Division
<i>Pierre Hochuli</i>	Group Vice President and General Manager, New Products Division
<i>David L. Morley</i>	Group Vice President and General Manager, Global Strategy and Operations Division
<i>Walter P. Hobgood, Jr.</i>	Vice President, Animal Sciences Division
<i>Janice V. Novak</i>	Vice President, Residential Products Division
<i>Milton P. Wilkins, Jr.</i>	Vice President, Plant Sciences Division

Major End-Use Markets	End-Use Products & Applications	Major Products	Major Competitors	Major Plants	Major Raw Materials
100% Agriculture (Includes industrial vegetation management and residential applications)	Multi-purpose, non-selective agricultural, industrial and residential applications	Roundup herbicide and other glyphosate-based herbicides	American Cyanamid DowElanco DuPont Hoechst ICI	Alvin, TX Antwerp, Belgium Fayetteville, NC Luling, LA Sao Jose dos Campos, Brazil	Disodiumimino-diacetate Phosphorus Trichloride
	Corn, soybean and milo (sorghum) crops	Lasso herbicide and other acetanilide-based herbicides	Ciba-Geigy DowElanco ICI	Muscatine, IA	Chloroacetyl Chloride Diethylaniline
	Wheat crops	Avadex BW herbicide Far-Go herbicide	American Cyanamid Hoechst	Antwerp, Belgium Muscatine, IA	Ammonium Thiocyanate Diisopropylamine Trichloropropane

**REVIEW OF OPERATIONS**

The Agricultural Group had a strong operating performance in 1992 excluding the adverse impact on operating income from the unusual items discussed below.

The Agricultural Group 1992 net sales revenue was 2 percent below the prior year. However, excluding the 1991 sales of the subsequently divested animal feed ingredients business, 1992 net sales for The Agricultural Group would have been 6 percent higher than the prior year.

Operating income in 1992 decreased 39 percent compared with 1991. The decline in 1992 operating income resulted from unusual items occurring in both 1992 and 1991. The unusual items included in 1992 operating income were the \$42 million loss associated with damage to a manufacturing site of a raw material for Roundup herbicide, \$30 million charge for the write-down of certain bovine somatotropin (BST) inventories because of expiration of the shelf life, and \$63 million in restructuring charges and other items, principally related to employment reductions. In 1991 operating income benefited from a \$30 million gain from restructuring and \$30 million in income from the subsequently divested animal feed ingredients business.

Worldwide sales volume of glyphosate herbicide increased 16 percent, benefiting from the pricing and new end-use strategies, farmers' conversion to conservation tillage and good weather conditions, on balance, in many key markets, especially North America. The reductions in selling prices, principally in the United States on certain glyphosate products, continued to benefit glyphosate sales volume by making the herbicide cost-effective for weed control for a broader range of crop and industrial uses. The operating income effect of the increased glyphosate herbicide sales volume exceeded the effect of lower selling prices. Profitability on the acetanilide family of herbicides increased significantly because of the combination of increased sales volumes and improved cost management. Expenditures for BST, while less than those in the prior year, continued to affect financial results adversely. Total manufacturing capacity utilization for The Agricultural Group was 64 percent and 61 percent in 1992 and 1991, respectively.

In 1991, The Agricultural Group's net sales and operating income increased 2 percent and 22 percent, respectively, as compared with that of 1990. A pretax restructuring gain of \$30 million resulted from the 1990 restructuring program and was included in 1991 operating income. Lower raw material and other manufacturing costs, along with cost savings resulting from the restructuring actions, also helped to improve operating income.

Worldwide sales volume of glyphosate herbicide increased 17 percent in 1991, benefiting from improved weather conditions in the United States and certain other key country markets. Reductions in selling prices, principally in the United States on certain glyphosate products, continued to benefit glyphosate sales volume.

Profitability on the acetanilide family of herbicides increased significantly because of the combination of improved cost management, a new product form and a selling price increase, partially offset by a decrease in sales volume. Market share for these herbicides declined slightly during 1991.

Net sales and profitability of Avadex herbicide decreased in 1991 due primarily to the poor farm economy in Canada.

In 1990, The Agricultural Group net sales and operating income decreased 2 percent and 24 percent, respectively, as compared with that of 1989. Droughts in Europe and California, extremely wet weather in the southern United States, and a freeze in Florida that damaged the citrus crop combined to limit the growth in 1990 sales volume of glyphosate herbicides to a modest increase. Operating income in 1990 declined, because the sales volume growth in glyphosate herbicide did not compensate for the ongoing selling price reductions for this product. In addition, operating income was hurt by the effect of low use of expanded plant capacity and higher raw material costs.

Net sales for Lasso herbicide decreased 5 percent in 1990. Selling prices increased for Lasso herbicide, but sales volume declined 13 percent. Sales volume of Lasso declined because of a shift in the timing of customer purchases and a slight drop in market share. Net sales of Avadex herbicide decreased 17 percent in 1990 because of adverse weather in North America, a poor farm economy in Canada and poor economic conditions in the former Soviet Union.

## FINANCIAL DATA

	1992	1991	1990	1989	1988
Net Sales	\$1,676	\$1,711	\$1,676	\$1,717	\$1,546
Operating Income	245	400	327	432	424
Research and Development	149	140	151	162	153
Total Assets	1,678	1,592	1,668	1,489	1,261
Capital Expenditures	136	93	134	148	123
Depreciation and Amortization	112	104	124	106	110

## OUTLOOK

Patents protecting glyphosate herbicide in various countries expired in 1991, while compound *per se* patent protection for the active ingredient in *Roundup* herbicide continues in the United States until the year 2000. Management expects that manufacturing process patents that are important to Monsanto's cost position will maintain our competitive position after the expiration of the other patents.

The Agricultural Group has a significant number of new products in the research and development pipeline and some that are currently in the initial stages of commercialization. The focus continues to be on a number of chemical and biotechnology-related products.

BST will have significant value to the dairy industry through the reduction of milk production costs, but BST continues to meet opposition from certain groups. BST has been approved in nine countries, but not yet in the United States. Management believes BST will be approved in the United States. However, if U.S. approval is not received, a material charge to earnings could result. Monsanto continues to maintain the technical capabilities needed to secure regulatory approval and is prepared to expand commercial capabilities to launch the product.

Monsanto has signed a letter of intent to purchase the assets, including working capital, of the Ortho Consumer Products Division of Chevron Chemical Co. This business, with annual sales of approximately \$250 million, will complement the residential products business of The Agricultural Group.

## PRODUCT PIPELINE DATA

Product/ Product Category	Primary Uses/Benefits	Estimated Date of Commercialization
Gametocide	A pollen suppressant to aid in the hybridizing of wheat crops	Mid-90s
Herbicide	Herbicide for both pre- and post-broadleaf weed control in corn; also, has promise for the control of nutsedge in turf and sugarcane	Mid-90s
Herbicide	Herbicide for residual control of grasses and some broadleaves in cotton, peanuts, no-till soybeans, alfalfa, and tree, nut and vine crops	Mid-90s
Herbicide	Herbicide for use in wheat against broadleaf weeds; primary fit is in Europe	Mid-90s
Plant Sciences	Insect resistance (lepidoptera and coleoptera)	Mid-90s
Plant Sciences	Virus resistance — to plant viral diseases	Mid-to-late 90s
Plant Sciences	Glyphosate tolerant soybeans, canola and cotton	Mid-to-late 90s
Bovine Somatotropin (BST)	A naturally occurring protein produced through biotechnology that will have significant value through the reduction of milk production costs	Awaiting FDA approval

**128 THE CHEMICAL GROUP**

Robert G. Potter Corporate Executive Vice President and President, The Chemical Group

**REVIEW OF OPERATIONS**

The Chemical Group produces a wide range of chemicals, plastics, fibers and other products listed in the table below. The unit's principal strengths are nylon carpet fiber, high-performance plastics, *Saflex* plastic interlayer, phosphorus and derivatives, and rubber chemicals.

In 1992, The Chemical Group was impacted by the worsening economic conditions in Western Europe, Japan and the Commonwealth of Independent States (CIS) and by the slow economic recovery in the United States.

The Chemical Group's net sales from continuing products for 1992 were 2 percent higher compared with 1991, as a result of a 4 percent increase in sales volume, partially offset by lower selling prices principally in fibers and plastics. The sales volume increase in 1992 was primarily in fibers as U.S. housing starts rebounded from 1991 levels. However, various product sales volumes to Europe, Japan and the CIS declined as a result of weak demand.

In 1992, The Chemical Group had operating income of \$94 million versus an operating loss of \$154 million in the prior year. However, there were a number of unusual items affecting the profitability in both years. Specifically, 1992 operating income was

adversely affected by \$77 million in restructuring expenses associated with implementing further cost-cutting actions, \$41 million in costs associated with the settlement of certain litigation related to the Brio Superfund site, \$30 million in expenses related to a facility asset impairment, and \$26 million of incremental SFAS No. 106 costs. In 1991, The Chemical Group had a \$478 million expense associated with the 1991 restructuring program.

Lower raw material costs were not sufficient to offset the 2 percent decline in average selling prices. Capacity utilization, an important factor for The Chemical Group profitability, was 78 percent in 1992, versus 75 percent in 1991.

The Chemical Group's net sales for 1991 were 7 percent below 1990. This was primarily a result of discontinued product lines and lower sales volumes of continuing businesses, a reflection of the lack of a U.S. economic recovery, the lowest North American automotive production level since 1983, and the slowdown in the European economy. A pretax restructuring charge of \$478 million resulted in the 1991 operating loss for The Chemical Group. Excluding this charge, operating income would have improved 9 percent compared with 1990. Operating income benefited from lower raw material costs and cost containment programs but was hurt by lower manufacturing capacity utilization.

**NET SALES BY DIVISION**

	1992		1991		1990	
	Amount	Percent	Amount	Percent	Amount	Percent
Fibers	\$1,065	29%	\$ 974	26%	\$ 971	24%
Performance Products	619	17	648	17	668	17
Plastics	661	18	710	19	850	21
Resins	686	18	683	18	660	16
Rubber and Process Chemicals	471	13	482	13	530	13
Engineered Products	203	5	145	4	137	3
Discontinued Products			98	3	219	6
<b>Total</b>	<b>\$3,705</b>	<b>100%</b>	<b>\$3,740</b>	<b>100%</b>	<b>\$4,035</b>	<b>100%</b>

**NET SALES BY MAJOR MARKET**

	1992		1991		1990	
	Amount	Percent	Amount	Percent	Amount	Percent
Construction & Home Furnishings	\$1,114	30%	\$1,228	33%	\$1,353	34%
Vehicles	1,010	27	1,055	28	1,156	29
Personal Products	925	25	842	23	926	23
Capital Equipment	272	7	194	5	138	3
Chemicals	170	5	185	5	191	5
Food	68	2	71	2	90	2
Agriculture	8	—	10	—	14	—
Other	138	4	155	4	167	4
<b>Total</b>	<b>\$3,705</b>	<b>100%</b>	<b>\$3,740</b>	<b>100%</b>	<b>\$4,035</b>	<b>100%</b>

**CAPACITY UTILIZATION**

	1Q92	2Q92	3Q92	4Q92	1992	1Q91	2Q91	3Q91	4Q91	1991
Capacity Utilization Percentage	79%	81%	77%	76%	78%	77%	76%	75%	73%	75%

## FINANCIAL DATA

	1992	1991	1990	1989	1988
Net Sales	\$3,705	\$3,740	\$4,035	\$4,065	\$3,989
Operating Income (Loss)	94	(154)	297	497	486
Research and Development	109	105	115	104	108
Total Assets	3,234	3,162	3,163	2,993	2,883
Capital Expenditures	290	300	340	300	329
Depreciation and Amortization	301	272	260	247	235

## OUTLOOK

The Chemical Group outlook for 1993 is for improvement, but the degree is difficult to predict, primarily because of the unknown timing of the economic recovery in Western Europe and Japan, coupled with the uncertain pace of the U.S. economic recovery.

Maintaining market share for strategic products with good cost positions and continuing cost reduction efforts will be the focus of The Chemical Group. Active management of environmental compliance activities is also a major focus.

## PRODUCT PIPELINE DATA

Product	Product Category	Primary Uses/Benefits	Stage of Development
Nylon Fiber	BCF/Staple carpet fiber	New improved textured appearance retention for trackless carpeting	Market introduction for early 90s
Acrilan Fiber	Craft yarn fiber	Water reversible bicomponent fiber to regenerate article shape following laundering	Market introduction for early 90s
Electron Metallized Materials	Metallized textiles	Electrical conductivity to fabrics for absorption/reflection of electromagnetic radiation	Market development under way
Skydrol V	Fire-resistant aircraft hydraulic fluid	Improved performance	Customer qualification and performance tests
Centrex	Weatherable thermoplastic	Appearance and property retention for outdoor applications	Market development and growth
Triax 2000	High heat/high impact thermoplastic alloy	Combines toughness, heat resistance and weight reduction for small appliances, tools and automotive applications	Market development and growth
Diamonex Diamond Materials	Polycrystalline diamond substrates and superhard coatings	Advanced performance materials for electronic, optical and wear applications	Market development and growth

## U.S. RAW MATERIALS AND ENERGY COST INDEXES

(1985 Average = 100)	1Q92	2Q92	3Q92	4Q92	1Q91	2Q91	3Q91	4Q91
<b>Raw Materials</b>	93	94	98	93	117	102	96	100
<b>Energy</b>								
Natural gas	49	54	60	81	54	47	45	64
Coal	87	85	86	83	91	88	88	89
Composite	54	59	66	82	62	56	54	68

**130 THE CHEMICAL GROUP ■ FIBERS**

*Robert G. Potter* Corporate Executive Vice President and President, The Chemical Group  
*John C. Hunter III* Vice President and General Manager, The Chemical Group

**1992 NET SALES \$1.065**

<i>Major End-Use Markets</i>	<i>End-Use Products &amp; Applications</i>	<i>Major Products</i>	<i>Major Competitors</i>	<i>Major Plants</i>	<i>Major Raw Materials</i>
55% <i>Construction &amp; Home Furnishings</i>	Broadloom carpet	<i>Acrilan</i> acrylic fiber Nylon BCF Nylon carpet staple	Allied-Signal BASF DuPont	Decatur, AL Greenwood, SC Pensacola, FL	Acrylonitrile Ammonia Cyclohexane Propylene
32% <i>Personal Products</i>	Sweaters; half-hose; active wear	<i>Acrilan</i> acrylic fiber	American Cyanamid	Decatur, AL	Acrylonitrile
13% <i>Vehicles</i>	Tires; molding resins for auto grilles, bumpers and gears	Nylon filament Nylon polymer	Allied-Signal DuPont	Pensacola, FL	Ammonia Cyclohexane Propylene

Percentages are based on revenue contribution.

**PRODUCT GROUP REVIEW**

Fibers net sales in 1992 were 9 percent above those of 1991 despite the slowdown in the North American housing market and lower selling prices. Growth was seen in all major product areas. Profitability was affected by reductions in selling prices, especially in carpet fiber.

Despite a sluggish economy, demand for carpet fiber in the United States increased from a weak 1991 position. However, fiber producers' margins were squeezed by intense price competition. In this difficult market environment, Monsanto sustained market share and is well positioned for the economic rebound. Monsanto is the largest producer in the world of nylon staple for carpet.

*Acrilan* acrylic fiber maintained its leading market position in the United States as Monsanto continued to emphasize its high-quality specialty products with a strong *Wear-Dated* program. In 1991, Monsanto purchased from DuPont *Wintuk* and *Sayelle* certification marks for acrylic craft yarn and the associated research and technology to manufacture this fiber. As a result, Monsanto made strong gains in 1992 sales of fiber for acrylic-yarn products for hand-knitted sweaters and afghans.

Worldwide sales in 1992 of nylon intermediates and polymer continued to be strong.



## THE CHEMICAL GROUP ■ PERFORMANCE PRODUCTS

Robert G. Potter Corporate Executive Vice President and President, The Chemical Group  
David B. Price, Jr. Vice President and General Manager, The Chemical Group

## 1992 NET SALES \$619

Major End-Use Markets	End-Use Products & Applications	Major Products	Major Competitors	Major Plants	Major Raw Materials
42% Personal Products	Laundry and dish detergents; water conditioners	Detergent builders and surfactants; industrial phosphates; dental phosphates	Albright & Wilson FMC Rhône-Poulenc Vista Chemical	Alvin, TX Augusta, GA Newport, U.K. Ruabon, U.K. St. Louis, MO Sao Jose dos Campos, Brazil Soda Springs, ID Trenton, MI	Benzene Caustic Soda Paraffin Phosphorus Soda Ash
21% Chemicals	Metal treating, cleaning and etching; plant food fertilizers; oil additives; herbicides	Industrial phosphates; phosphoric acid; phosphorus pentasulfide; phosphorus trichloride	Albright & Wilson FMC Rhône-Poulenc	Augusta, GA Luling, LA St. Louis, MO Sauget, IL Trenton, MI	Ammonia Chlorine Phosphorus Soda Ash Sulfur
20% Capital Equipment	Heat transfer fluids	Diphenyl oxide; polyphenyls	Dow Nippon Steel	Alvin, TX Anniston, AL Newport, U.K.	Benzene Phenol
	Scale inhibitors; oil field chemicals	Water treatment chemicals	Albright & Wilson Bayer	Newport, U.K.	Phosphorus Trichloride
11% Food	Bakery; dairy; meat	Food additives	Budenheim FMC Rhône-Poulenc	St. Louis, MO Sao Jose dos Campos, Brazil Trenton, MI	Caustic Soda Lime Phosphorus
4% Vehicles	Hydraulic fluid for commercial aircraft	Hydraulic fluids and lubricants	Chevron	St. Louis, MO	Phosphorus Oxychloride
2% Construction & Home Furnishings	Fire retardant coating; polymer additives	Ammonium polyphosphate	Albright & Wilson Hoechst		Phosphorus

Percentages are based on revenue contribution.

## PRODUCT GROUP REVIEW

Performance products net sales were below those of the prior year, principally due to the weak U.S. economy. Phosphorus and derivatives results were better in 1992 due to improved market conditions and reduced industry capacity.

The division's functional products continue to be recognized for high-performance hydraulic and engineered heat transfer fluids. *Skydrol* aviation hydraulic fluid continued to be an industry leader in worldwide markets. *Therminol* heat transfer fluid is the world's largest selling line of synthetic heat transfer fluids.

## 32 THE CHEMICAL GROUP ■ PLASTICS

*Robert G. Potter* Corporate Executive Vice President and President, The Chemical Group  
*Arthur F. Fitzgerald* Vice President and General Manager, The Chemical Group

## 1992 NET SALES \$661

<i>Major End-Use Markets</i>	<i>End-Use Products &amp; Applications</i>	<i>Major Products</i>	<i>Major Competitors</i>	<i>Major Plants</i>	<i>Major Raw Materials</i>
45% <i>Personal Products</i>	Consumer electronics; business machines; toys; personal care items; housewares; cosmetic packaging; spas and hot tubs; boats; food processing, and medical appliances	<i>Centrex</i> polymer; <i>Lustran</i> ABS and SAN thermoplastics; <i>Lustrex</i> polystyrene (ex-U.S. only); <i>Triax</i> thermoplastic alloys; <i>Vydyne</i> nylon molding resins	BASF Bayer Dow DuPont General Electric Hoechst Celanese	Addyston, OH Antwerp, Belgium LaSalle, Quebec, Canada Muscatine, IA Pensacola, FL Sao Jose dos Campos, Brazil	Acrylonitrile Butadiene Maleic Anhydride Nylon Salt Styrene
30% <i>Vehicles</i>	Automotive interior and exterior molded parts; under-the-hood applications; automotive aftermarket; transportation	<i>Lustran</i> ABS and SAN thermoplastics; <i>Vydyne</i> nylon molding resins; <i>Caodon</i> and <i>Triax</i> thermoplastic resins; <i>Centrex</i> polymer	Allied BASF Bayer Dow DuPont General Electric Hoechst Celanese	Addyston, OH Antwerp, Belgium LaSalle, Quebec, Canada Muscatine, IA Pensacola, FL	Same raw materials as Personal Products
25% <i>Construction &amp; Home Furnishings</i>	Telecommunications; drain pipe; refrigeration	<i>Lustran</i> ABS thermoplastics; <i>Triax</i> thermoplastics alloy	BASF Bayer Dow General Electric	Addyston, OH Antwerp, Belgium LaSalle, Quebec, Canada Muscatine, IA	Acrylonitrile Butadiene Maleic Anhydride Styrene

Percentages are based on revenue contribution.

## PRODUCT GROUP REVIEW

Plastics net sales in 1992 decreased approximately 7 percent from 1991. Sales volumes were stronger in the United States, but weaker in Europe, Brazil and Japan. Competitive selling price pressures negatively affected margins in all major world markets. Volumes and prices in Europe and Japan were especially affected by a general downturn in economic conditions in both areas.

In late 1992, the division completed an 80 million pound expansion of its continuous-mass ABS capacity at the plant in Addyston, Ohio. This additional capacity will allow plastics to support the growing specialty needs of our customers, while allowing for greater processing productivity with fewer environmental risks.

Plastics also formed a joint venture in August 1992 to construct an integrated ABS polymer plant in Thailand. When operational in 1995, the facility will have combined ABS and SAN capacity of 66 thousand metric tons to serve Southern Asia and China, the fastest growing market in the world for these materials. At that time, Monsanto will be the only ABS manufacturer to have production facilities in all major world areas.

The focus of product development and growth for 1993 will continue to be on expanding our market share in the areas of higher performance, value-added applications plus specific focus on growth of our presence in the nylon market.

*Robert G. Potter* Corporate Executive Vice President and President, The Chemical Group  
*William H. Slowikowski* Vice President and General Manager, The Chemical Group

## 1992 NET SALES \$686

Major End-Use Markets	End-Use Products & Applications	Major Products	Major Competitors	Major Plants	Major Raw Materials
42% Vehicles	Windshields	Saflex polyvinyl butyral sheet	DuPont Hüls Sekisui	Ghent, Belgium Indian Orchard, MA Sao Jose dos Campos, Brazil Trenton, MI	Butyraldehyde Ethanol Polyvinyl Alcohol Vinyl Acetate Monomer
	Automotive coatings and sealants	Specialty resins; polymer modifiers	American Cyanamid BASF Bayer Velsicol	Addyston, OH Antwerp, Belgium Bridgeport, NJ Indian Orchard, MA LaSalle, Quebec, Canada	Butanol Chlorine Formaldehyde Melamine Methanol Phthalic Anhydride Toluene
37% Construction & Home Furnishings	Architectural glass	Saflex polyvinyl butyral sheet	DuPont Hüls Sekisui	Ghent, Belgium Indian Orchard, MA Sao Jose dos Campos, Brazil Trenton, MI	Butyraldehyde Ethanol Polyvinyl Alcohol Vinyl Acetate Monomer
	Coatings and adhesives	Specialty resins	American Cyanamid Ashland Chemical National Starch Union Carbide	Addyston, OH Alvin, TX Indian Orchard, MA LaSalle, Quebec, Canada Trenton, MI	Acrylate Esters Butanol Formaldehyde Melamine Methanol Vinyl Acetate Monomer
	Vinyl flooring; caulks and sealants; adhesives; coatings; wall covering; vinyl upholstery; insulation; furniture	Polymer modifiers	AKZO BASF Bayer Ciba-Geigy Exxon FMC Velsicol	Antwerp, Belgium Bridgeport, NJ LaSalle, Quebec, Canada	Butanol Chlorine 2-Ethylhexanol Phenol Phthalic Anhydride Toluene
4% Personal Products	Packaging	Polymer modifiers	Aristech Exxon	Antwerp, Belgium Bridgeport, NJ LaSalle, Quebec, Canada	Butanol Chlorine Phthalic Anhydride Toluene
17% Other	Electronics; paper; graphics; coatings; medical devices; packaging; solvents	A variety of resin products	American Cyanamid Ashland Chemical Avery DuPont Hoechst Celanese National Starch Rohm & Haas	Addyston, OH Indian Orchard, MA LaSalle, Quebec, Canada	Acrylate Esters Butyraldehyde Ethanol Formaldehyde Maleic Anhydride Melamine Methanol Vinyl Acetate Monomer

Percentages are based on revenue contribution.

## PRODUCT GROUP REVIEW

Sales volume of *Saflex* plastic interlayer, the largest resin product, was essentially flat year-to-year reflecting the net impact of the world's major economies. U.S. auto production increased in 1992, but was offset by declines in Europe and Japan.

Specialty resins sales continued to improve modestly reflecting the diversity of markets served, which helped to dampen the impact of the recessionary economy.

Weaknesses in many of its end-use markets caused both volume and price declines for most of the polymer modifiers products.

During 1992 we commissioned new facilities for the production of a superior gradient-band product for the automotive market. We also invested to reduce air emissions from our worldwide manufacturing units.

*Robert G. Potter* Corporate Executive Vice President and President, The Chemical Group  
*Michael W. Winkel* Vice President and General Manager, The Chemical Group

## 1992 NET SALES \$471

<i>Major End-Use Markets</i>	<i>End-Use Products &amp; Applications</i>	<i>Major Products</i>	<i>Major Competitors</i>	<i>Major Plants</i>	<i>Major Raw Materials</i>
76% <i>Vehicles</i>	Tires; tubes; belts; hoses; retreads; mats	<i>Santocure</i> CBS, <i>Santocure</i> MOR, <i>Santocure</i> NS, <i>Santocure</i> TBSI, <i>Santoflex</i> 13, <i>Santogard</i> PVI rubber processing chemicals (accelerators and antidegradants)	Bayer Uniroyal	Antwerp, Belgium Newport, U.K. Nitro, WV Ruabon, U.K. Sauget, IL	Aniline Carbon Disulfide Para-Nitrochlorobenzene Tertiary-Butylamine
14% <i>Construction &amp; Home Furnishings</i>	Roofing; flooring; tape; industrial hose	<i>Flectol</i> , <i>Santocure</i> CBS, <i>Santocure</i> MOR, <i>Santocure</i> NS, <i>Santocure</i> TBSI rubber processing chemicals (antioxidants and accelerators)	Bayer Uniroyal	Antwerp, Belgium Newport, U.K. Nitro, WV Ruabon, U.K. Sauget, IL	Aniline Carbon Disulfide Tertiary-Butylamine
8% <i>Chemicals</i>	Dyes; pigments; rubber preservatives; engineering thermoplastics; pesticides; antifreeze; water treatment	Nitrochlorobenzene derivatives Sodium MBT	Bayer DuPont Hoechst Celanese Miles	Anniston, AL Newport, U.K. Nitro, WV Sauget, IL	Benzene Caustic Soda Chlorine
2% <i>Agriculture</i>	Pesticides	Monochlorobenzene Nitrochlorobenzene derivatives	Bayer Standard Chlorine	Anniston, AL Sauget, IL	Benzene Caustic Soda Chlorine

Percentages are based on revenue contribution.

## PRODUCT GROUP REVIEW

Rubber chemicals sales were affected by the continuing turmoil in the former Soviet Union and the slumping European economies. However, the last half improvement in the North American economy favorably affected sales. Lower raw material costs benefited all major product lines.

Our largest customers, tire manufacturers, began to see improvements in their profitability, but industry overcapacity continued to depress selling prices as producers attempted to protect

capacity utilization rates. Rubber chemicals volumes in 1992 were below 1991 levels in Europe and Latin America but met or exceeded prior year levels in other major markets. The market acceptance of *Santocure* TBSI, a primary amine-based accelerator first introduced in late 1991, was excellent.

The instruments business benefited from the introduction of a new generation of products and significant cost reductions.

**Robert G. Potter** Corporate Executive Vice President and President, The Chemical Group  
**Michael E. Miller** Senior Vice President, The Chemical Group

**1992 NET SALES \$203**

<i>Major End-Use Markets</i>	<i>End-Use Products &amp; Applications</i>	<i>Major Products</i>	<i>Major Competitors</i>	<i>Major Plants</i>	<i>Major Raw Materials</i>
73% <i>Capital Equipment</i>	Process plants	Sulfuric acid and process plants (design and construction); air emission control systems	Chemetics Lurgi	On-Site Construction	Various Construction Components
16% <i>Construction &amp; Home Furnishings</i>	Insulation	<i>Fome-Cor</i> boards	Adams Plastics Amoco	Addyston, OH	Polystyrene
	Doormats	Doormats	ACRO Crown Ludlow 3M	Ghent, Belgium St. Louis, MO	Polyethylene
1% <i>Vehicles</i>	Headliners	<i>Fome-Cor</i> boards	Amoco Owens Corning	Addyston, OH	Polystyrene
10% <i>Other</i>	Photobacks and other graphic arts uses	<i>Fome-Cor</i> boards	Hunt Manufacturing Primex	Addyston, OH	Polystyrene

Percentages are based on revenue contribution.

**PRODUCT GROUP REVIEW**

Engineered products sales in 1992 were significantly higher than 1991 with strong demand for plant construction. Enviro-Chem sales increased 65 percent over 1991 from five major project awards and a

high work backlog going into 1992. Sales of *Fome-Cor* boards were ahead of last year due to the strong sales in the truck component of the automotive segment and to a rise in graphic-arts volume as a result of an increase in retail sales.

Robert E. Flynn Chairman and Chief Executive Officer, The NutraSweet Company

Major End-Use Markets	End-Use Products & Applications	Major Products	Major Competitors	Major Plants	Major Raw Materials
100% Food	High-intensity sweetener available primarily in beverages, dessert products and tabletop sweeteners	NutraSweet brand of aspartame	Acesulfame-K, aspartame, cyclamate and saccharin manufacturers; sugar industry	Augusta, GA Harbor Beach, MI University Park, IL	Aspartic Acid L-Phenylalanine
	Low-calorie tabletop sweeteners	Equal and NutraSweet Spoonful brands of tabletop sweeteners	Tabletop sugar, saccharin and acesulfame-K product manufacturers		Aspartame
	All natural fat substitute for use primarily in dairy products	Simplese brand all natural fat substitute	Microcrystalline cellulose, modified food starch and bulking agent manufacturers		Whey protein concentrate
	Frozen dairy dessert	Simple Pleasures Light low-fat ice cream	Low-fat frozen dairy desserts		Simplese brand all natural fat substitute Milk Aspartame

#### REVIEW OF OPERATIONS

The NutraSweet Company manufactures and markets NutraSweet brand sweetener, which is sold worldwide, Equal tabletop sweetener, which is sold in the United States, NutraSweet Spoonful brand tabletop sweetener, and Simplese all natural fat substitute. Sales of NutraSweet brand sweetener in the European market are made by a 50 percent-owned European joint venture and therefore are not included in NutraSweet net sales and operating income. NutraSweet's share of the European joint venture's earnings are reflected in "Other income (expense) — net" in the Statement of Consolidated Income. About 90 percent of NutraSweet net sales were in the U.S. market.

NutraSweet net sales and operating income in 1992 decreased 8 percent and 58 percent, respectively, compared with the 1991 amounts. Worldwide aspartame sales volumes were slightly higher while average selling prices were lower on planned price decreases. Operating income in 1992 also was reduced by a \$46 million inventory write-down discussed below and restructuring actions totaling \$24 million associated with plant consolidations, employment reductions, and other actions. Operating income benefited from lower operating expenses from the 1991 reorganization.

NutraSweet inventories are valued using the last-in, first-out (LIFO) method. Lower selling prices in post-patent contracts with customers necessitated a lower of cost or market adjustment to the LIFO value of inventories in the fourth quarter of 1992, concurrent with the patent expiration.

In 1991, net sales were up 2 percent, while operating income decreased 5 percent compared with 1990. The effect of 5 percent higher sales volume was partially offset by the lower selling prices. Operating income was reduced by one-time costs of \$10 million associated with various reorganizing actions taken during 1991.

In 1990, net sales were up 7 percent, and operating income grew 2 percent compared with 1989. The higher operating income from a 14 percent sales volume increase for NutraSweet was mostly negated by lower selling prices and launch costs associated with Simplese all natural fat substitute and Simple Pleasures frozen dairy dessert.

**FINANCIAL DATA**

	1992	1991	1990	1989	1988
Net Sales	\$879	\$ 954	\$ 933	\$ 869	\$ 736
Operating Income	72	173	183	180	154
Research and Development	44	41	41	39	35
Total Assets	934	1,155	1,296	1,344	1,484
Capital Expenditures	49	58	113	49	36
Depreciation and Amortization	234	233	218	215	209

**OUTLOOK**

The prospects for *NutraSweet* brand sweetener remain strong worldwide, despite the expiration of the U.S. patent. NutraSweet has built important competitive advantages, including: (a) brand name identity and logo recognition, (b) proprietary low-cost manufacturing processes, (c) state-of-the-art manufacturing facilities, (d) technical expertise, (e) the reputation as a superior quality, highly reliable supplier, (f) an economical replacement for sugar in certain markets, and (g) the possibility of an internally developed, next-generation high-potency sweetener.

Competition from generic aspartame producers and others will lower selling prices in the future. These lower prices will adversely affect operating income and cash flow. Operating income in 1993 and beyond will benefit from lower annual amortization expense of \$173 million because the aspartame-use patent is now fully amortized.

The United States will remain the principal market for *NutraSweet* brand sweetener in 1993, but growth in international markets will continue. Accordingly, NutraSweet has invested in a new manufacturing facility in France, through a European joint venture. The plant is scheduled to begin production in 1993.

*Simplese*, the company's all natural fat substitute, is expected to be more broadly marketed for use in multiple food categories. However, *Simplese* faces a challenging market in which competition continues to intensify.

**PRODUCT PIPELINE DATA**

<i>Product/Product Category</i>	<i>Primary Uses/Benefits</i>	<i>Stage of Development</i>	<i>Estimated Date of Commercialization</i>
Sweetener 2000/ High-potency sweetener	Should be able to replace sugar in all of its uses, including cooking and baking applications commercially and by consumers	Currently undergoing the testing required for submission to the worldwide regulatory authorities of a dossier petition to permit its use as a food additive	Petitions to appropriate regulatory agencies are expected to be filed in the mid-1990s; commercialization dependent upon the amount of time those agencies require to review the food additive petition

## 38 PHARMACEUTICALS

Sheldon G. Gilgore, M.D. Chairman and Chief Executive Officer, G.D. Searle & Co.

Major End-Use Markets	End-Use Products & Applications	Major Products	Major Competitors	Major Plants	Major Raw Materials
90% Pharmaceuticals	Anti-infective	<i>Maxaquin</i> (Lomefloxacin HCl)	Bayer Johnson & Johnson Merck Rhône Poulenc Rorer Roche	Augusta, GA Caguas, Puerto Rico Evreux, France	Triflouranile
	Anti-inflammatory	<i>Daypro</i> (Oxaprozin)	Bristol-Myers Squibb Ciba-Geigy Pfizer SmithKline Beecham Syntex Upjohn Wyeth-Ayerst	Augusta, GA Caguas, Puerto Rico	Benzoin
	Cardiovascular	<i>Aldactone/</i> <i>Aldactazide</i> (Spironolactone/ Hydrochlorothiazide) <i>Calan</i> formulations (Verapamil HCl)	American Cyanamid Bayer Bristol-Myers Squibb Ciba-Geigy Hoechst ICI Marion Merrell Dow Merck Pfizer SmithKline Beecham Warner Lambert	Augusta, GA Caguas, Puerto Rico Evreux, France Morpeth, U.K.	Androstenedione/ Hydrochloro- thiazide Catechol
	Fertility control	Oral contraceptives	American Home Products Johnson & Johnson Schering AG Syntex	Caguas, Puerto Rico Morpeth, U.K.	Delta 4 (19-Norandro- stenedione)
	Gastrointestinal	<i>Cytotec</i> (Misoprostol)	Astra Glaxo Marion Merrell Dow Merck SmithKline Beecham	Caguas, Puerto Rico Coapa, Mexico Morpeth, U.K.	Misoprostol
10% Food	Consumer	<i>Canderel/Equal</i> brand tabletop sweetener	Tabletop sugar, tabletop aspartame and saccharin product manufacturers Bayer Hermes Johnson & Johnson	Evreux, France Morpeth, U.K.	Aspartame

#### REVIEW OF OPERATIONS

Searle is a research-based, worldwide pharmaceutical business concentrating on drugs for the treatment of cardiovascular, gastrointestinal, immuno-inflammatory, central nervous system and infectious diseases.

Pharmaceuticals net sales declined 2 percent in 1992 when compared with 1991. Net sales of the *Calan* family of calcium channel blockers for hypertension and angina, sold primarily in the North American market, were \$456 million, 10 percent lower than the prior year. This decline was due to lower selling prices and the introduction of generic competition for the sustained-release form of *Calan*. Continued growth of *Canderel* tabletop sweetener (which is marketed by Searle outside the United States and by NutraSweet in the United States under the brand name *Equal*) and new products, such as *Maxaquin* quinolone anti-infective agent partially offset the sales decline. Net sales of *Canderel* were \$157 million in 1992, up 7 percent

from 1991. Sales of new products were \$93 million, led by *Maxaquin*, which was launched in the United States in mid-1992. Sales volume of *Cytotec* ulcer preventive drug increased 2 percent in 1992. However, net sales were about the same level as the prior year due to increased sales of the lower dosage form. Average selling prices for Pharmaceuticals were moderately lower, resulting from rebates, principally for *Calan*, to state Medicaid programs and a continued shift in demand from retail pharmacy to managed health care providers in the United States.

A significant part of the restructuring approved by the Board of Directors in November 1992 affected Pharmaceuticals. The restructuring steps included reductions in employment, plant closings and consolidations, a rationalization of research investments, and sales of nonstrategic businesses. A pretax restructuring charge of \$265 million resulted in a 1992 operating loss for Pharmaceuticals.



## FINANCIAL DATA

	1992	1991	1990	1989	1988
Net Sales	\$1,503	\$1,531	\$1,424	\$1,178	\$ 973
Operating Income (Loss)	(232)	170	93	6	(62)
Research and Development	276	259	228	218	198
Total Assets	2,398	2,342	2,085	1,814	1,604
Capital Expenditures	104	96	112	71	56
Depreciation and Amortization	108	94	87	79	79

## REVIEW OF OPERATIONS (continued)

In addition to the restructuring charges, costs to introduce *Maxaquin* quinolone anti-infective agent in the United States, the expansion of the U.S. sales force to support *Maxaquin* and other anticipated new product introductions, and lower selling prices negatively affected 1992 results. Operating income in 1991 benefited from the sales of nonstrategic product rights.

Pharmaceuticals investment in research and development (R&D) continues to be significant. R&D expenditures were 18 percent and 17 percent of the unit's net sales in 1992 and 1991, respectively. Although the 1992 restructuring realigned some research investments, the future R&D spending level is expected to continue to be significant. This spending level demonstrates the commitment to product discovery and development that is aimed at securing sound, long-term financial performance for Pharmaceuticals.

Pharmaceuticals net sales increased 8 percent in 1991 when compared with 1990. The improvement reflected continued growth for *Cytotec* ulcer preventive drug, the *Calan* family of calcium channel blockers for hypertension and angina, and *Canderel* tabletop sweetener, as well as higher selling prices. Net sales for *Calan*, sold primarily in the North American market, were \$508 million, 9 percent higher than 1990 sales. Worldwide sales for *Cytotec* were \$123 million, up 35 percent from 1990. Net sales of *Canderel* outside the United States were \$147 million in 1991, up 11 percent from 1990. Net sales for *Calan*, *Cytotec* and other products in the United States were reduced by \$30 million for rebates to state Medicaid programs mandated under the 1990 Omnibus Budget Reconciliation Act. Comparisons with 1990 also were affected by the December 1990 divestiture of certain of Searle's consumer products outside the United States to a third party, under the terms of a 1985 agreement related to the Company's acquisition of Searle. Sales and operating income of these consumer products were \$52 million and \$30 million, respectively, in 1990.

Pharmaceuticals operating income increased 83 percent in 1991 due to higher sales and the sale of certain nonstrategic product rights.

Pharmaceuticals net sales were up 21 percent in 1990 as compared with that of the prior year. Sales volume improved about 15 percent. Net sales for *Calan* increased 28 percent, to \$467 million, reflecting the strong demand for the 180-milligram dose introduced

in 1990. Worldwide sales for *Cytotec* ulcer preventive drug were \$91 million, up 52 percent from 1989. *Kerlone*, a new beta blocker for the treatment of high blood pressure, was launched in the United States. In addition, net sales in 1990 included full-year results for a German pharmaceuticals company acquired in October 1989. This acquisition increased year-to-year Pharmaceuticals net sales \$58 million in 1990. Sales in 1990 of *Canderel* tabletop sweetener outside the United States were \$132 million, up 18 percent from 1989.

Pharmaceuticals operating income reached \$93 million in 1990, compared with \$6 million in 1989, driven principally by the increased sales level. The 1990 sale of nonstrategic product lines in Italy and France contributed to the gain in operating income. Costs were incurred for the launch of *Kerlone* and other product development activities.

## OUTLOOK

*Calan* participates in an increasingly competitive market for anti-hypertensive drugs and now faces generic competition. This increased competition is likely to adversely affect the future sales and profits of *Calan*. Searle is developing a formulation of *Calan* with proprietary delayed-release technology that could eventually enhance the product's competitive position.

In 1992, Searle launched *Maxaquin*, the first once-a-day anti-infective drug in the quinolone class, in the United States. *Maxaquin* also received 1992 regulatory approvals in Italy, France, the United Kingdom, Canada and 7 other countries. *Daypro*, a nonsteroidal anti-inflammatory drug, and *Ambien*, the first of a new class of prescription sleep aids, have been approved by the U.S. Food and Drug Administration and will be launched in 1993. *Ambien* is awaiting regulatory approval in Canada. *Cytotec* ulcer preventive drug was approved in Japan. *Cytotec* now has been approved in all major markets. *Arthrotec*, a new product for the treatment of arthritis, is a combination of Searle's *Cytotec* and diclofenac, the world's best-selling prescription arthritis medication. *Arthrotec* has been approved in the U.K., France, Canada, Sweden and Portugal. As a result of these approvals, increased launch costs are expected in 1993.

Products currently in various stages of scientific development include potential treatments for abnormal heart rhythms; Alzheimer's disease and age-associated memory impairment; psoriasis and ulcerative colitis; thrombosis; acquired immune deficiency syndrome (AIDS) and other viral diseases.

## 40 PHARMACEUTICALS (continued)

## PRODUCT PIPELINE DATA

<i>Product</i>	<i>Product Category</i>	<i>Primary Uses/Benefits</i>	<i>Stage of Development</i>	<i>Estimated Date of Commercialization</i>
<i>Arthrotec</i>	Anti-inflammatory	New generation NSAID with decreased incidence of upper G.I. lesions and ulcers	Approved in Portugal, the United Kingdom, Sweden, France and Canada; registrations submitted in several other European countries	Early 90s
<i>Ambien</i>	Central nervous system	Treatment for short-term insomnia; fast-acting with short duration of effect	Approved in the United States late 1992; licensed territory is the United States, Canada and the Caribbean	Early 90s
<i>Calan - GITS</i> (Gastrointestinal Therapeutic Systems)	Cardiovascular	Treatment of hypertension and angina in a delayed-release form	Phase III clinical trials	Mid-90s
Antiviral	AIDS/ARC	Prodrug inhibitor of the viral enzyme alpha-glucosidase-1; treatment in AIDS/ARC	Phase I clinical trials	Mid-90s
Cycloserine	Central nervous system	Treatment for Alzheimer's disease and age-associated memory impairment	Phase II clinical trials	Mid-90s
Bidisomide	Cardiovascular	Treatment of supraventricular arrhythmias	Phase II clinical trials	Mid-to-late 90s
Antihypertensive	Cardiovascular	Angiotensin II receptor antagonist for treatment of hypertension and congestive heart failure with fewer side effects than ACE inhibitors	Phase I clinical trials	Mid-to-late 90s
LTB4 Antagonist	Anti-inflammatory	Topical formulation for treatment of psoriasis and contact dermatitis	Phase I clinical trials	Late 90s

## FINANCIAL HIGHLIGHTS

	1992	1991	1990	1989	1988
<b>Net Sales</b>	<b>\$7,763</b>	\$7,936	\$8,068	\$7,829	\$7,453
Percent change	(2)%	(2)%	3%	5%	8%
<b>Operating Income (as reported)</b>	<b>\$ 58</b>	\$ 475	\$ 808	\$1,006	\$ 919
Percent change	(88)%	(41)%	(20)%	9%	31%
<b>Operating Income, Excluding Restructuring Expense and Other Unusual Items</b>	<b>\$ 682</b>	\$ 932	\$ 808	\$1,006	\$ 919
Percent change	(27)%	15%	(20)%	9%	37%
<b>Net Income (Loss)<sup>(1)(2)(3)(4)</sup></b>	<b>\$ (88)</b>	\$ 296	\$ 546	\$ 679	\$ 591
Percent change	(130)%	(46)%	(20)%	15%	36%
<b>Return on</b>					
Shareowners' equity <sup>(5)</sup>	(2.6)%	7.6%	13.6%	17.6%	15.4%
Capital employed <sup>(6)</sup>	—	7	11	14	12
<b>Earnings (Loss) per Share<sup>(1)(2)(3)(4)</sup></b>	<b>\$ (0.71)</b>	\$ 2.33	\$ 4.23	\$ 5.01	\$ 4.14
Percent change	(130)%	(45)%	(16)%	21%	47%
<b>Shareowners' Equity per Share</b>	<b>\$24.95</b>	\$29.72	\$32.51	\$29.79	\$27.60
<b>Common Stock Prices</b>					
High	\$ 71¼	\$ 76	\$ 60⅞	\$ 62⅞	\$ 46¼
Low	49¾	46	38¾	40¼	36¾
Year-end close	57%	67⅞	48¼	57¾	40⅞
<b>Price/Earnings Ratio on Year-end Stock Price</b>	—	29	11	12	10
<b>Dividends per Share</b>	<b>\$ 2.20</b>	\$2.045	\$ 1.88	\$ 1.65	\$1.475
Percent change	8%	9%	14%	12%	7%
<b>Dividend Yield<sup>(7)</sup></b>	<b>4%</b>	3%	4%	3%	4%
<b>Common Shares</b>					
Number of shareowners	60,074	60,152	62,230	61,942	66,066
Shares outstanding (year-end, in thousands)	120,464	122,927	125,778	132,292	137,664
Shares repurchased (in thousands)	6,732	4,396	6,708	6,549	11,211
<b>Research and Development Expenses</b>	<b>\$ 651</b>	\$ 610	\$ 595	\$ 581	\$ 556
<b>Depreciation and Amortization</b>	<b>\$ 765</b>	\$ 714	\$ 704	\$ 659	\$ 666
<b>Cash Provided by Operations</b>	<b>\$ 912</b>	\$1,180	\$1,104	\$1,037	\$1,304
<b>Free Cash Flow<sup>(8)</sup></b>	<b>\$ 56</b>	\$ 368	\$ 151	\$ 238	\$ 528
<b>Capital Expenditures</b>	<b>\$ 586</b>	\$ 554	\$ 711	\$ 578	\$ 565

<sup>1)</sup>Net loss for 1992 includes an aftertax loss for restructuring and other unusual items of \$472 million (\$3.82 per share).

<sup>2)</sup>Net income for 1991 includes net restructuring expense of \$325 million (\$2.54 per share).

<sup>3)</sup>Net income for 1990 includes \$56 million (\$0.43 per share) in gains resulting from divestitures, including the divestiture of certain assets of a joint venture in Japan.

<sup>4)</sup>Net income for 1989 includes a \$36 million (\$0.27 per share) gain on the sale of the analgesics business.

<sup>5)</sup>Excluding the \$472 million aftertax restructuring and other unusual items, return on shareowners' equity in 1992 would have been over 10 percent.

<sup>6)</sup>Capital employed is the sum of short-term debt, long-term debt and shareowners' equity. The beginning of the year and the end of the year capital employed are averaged and divided into net income after adding back the aftertax effect of interest costs.

<sup>7)</sup>Dividend yield is dividends per share for the year divided by average high/low common stock prices for the year.

<sup>8)</sup>Free cash flow is cash provided by operations minus capital expenditures, minus dividend payments.

## CONSOLIDATED NET SALES (continued) 5

## NET SALES BY OPERATING UNIT

	1992	1991	1990	1989	1988
The Agricultural Group	\$1,676	\$1,711	\$1,676	\$1,717	\$1,546
The Chemical Group	3,705	3,740	4,035	4,065	3,989
NutraSweet	879	954	933	869	736
Pharmaceuticals	1,503	1,531	1,424	1,178	973
Electronic Materials					209
<b>Total</b>	<b>\$7,763</b>	<b>\$7,936</b>	<b>\$8,068</b>	<b>\$7,829</b>	<b>\$7,453</b>

## NET SALES BY OPERATING UNIT AS A PERCENT OF TOTAL NET SALES

	1992	1991	1990	1989	1988
The Agricultural Group	22%	22%	21%	22%	21%
The Chemical Group	48	47	50	52	53
NutraSweet	11	12	11	11	10
Pharmaceuticals	19	19	18	15	13
Electronic Materials					3
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## SELLING PRICE AND VOLUME CHANGES

	1992	1991	1990	1989	1988
Selling prices	(4)%	(1)%	1%	—%	3%
Sales volume and mix (net of divestitures)	2	(1)	2	5	5
Total change	(2)	(2)	3	5	8

## STATEMENT OF CONSOLIDATED INCOME (continued)

## OPERATING INCOME BY OPERATING UNIT

	1992	1991	1990	1989	1988
The Agricultural Group	\$245	\$400	\$327	\$ 432	\$424
The Chemical Group	94	(154)	297	497	486
NutraSweet	72	173	183	180	154
Pharmaceuticals	(232)	170	93	6	(62)
Electronic Materials					11
Biotechnology Product Discovery	(62)	(57)	(52)	(47)	(47)
Corporate	(59)	(57)	(40)	(62)	(47)
<b>Total</b>	<b>\$ 58</b>	<b>\$475</b>	<b>\$808</b>	<b>\$1,006</b>	<b>\$919</b>

Operating income in 1992 and 1991 has been affected by restructuring and other unusual charges as follows — Income (Expense):

Operating Unit	1992	1991
The Agricultural Group	\$(135)	\$ 30
The Chemical Group	(148)	(478)
NutraSweet	(70)	
Pharmaceuticals	(265)	
Corporate	(6)	(9)
<b>Total</b>	<b>\$(624)</b>	<b>\$(457)</b>

The 1992 figures also included ongoing incremental expenses resulting from the adoption of SFAS No. 106. These expenses affected the various operating units as follows — Income (Expense):

Operating Unit	1992
The Agricultural Group	\$ (7)
The Chemical Group	(26)
NutraSweet	(4)
Pharmaceuticals	(4)
Corporate	(4)
<b>Total</b>	<b>\$(45)</b>

