



MANUFACTURERS OF PORTLAND CEMENTS

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QUARTERLY REPORT TO STOCKHOLDERS

During the second quarter of 2016, the Company continued to benefit from increased demand for cement and ready-mixed concrete. Higher sales volumes, made possible by dry, warm weather, contributed to the \$7.3 million (19.3%) increase in consolidated net sales for the second quarter of 2016 compared to the second quarter of 2015 and resulted in a \$12.8 million (20.7%) increase in consolidated net sales for the first half of 2016 compared to the first half of 2015. Year-to-date, Cement Business sales increased \$7.1 million, primarily due to a 21.3% increase in volume of cement sold, while Ready-Mixed Concrete Business sales increased \$5.7 million, primarily due to a 16.4% increase in volume of ready-mixed concrete sold. Slight improvements in pricing also contributed to the increase in net sales.

Cost of sales in the Cement Business and Ready-Mixed Concrete Business increased \$2.5 million and \$2.4 million, respectively, for the first half of 2016 compared to the first half of 2015 for a total increase of \$4.9 million (9.5%). Production efficiencies realized as a result of higher sales volumes helped reduce the overall increase in cost of sales resulting in an improvement in our gross profit margin from 16.3% for the first half of 2015 to 24.1% for the first half of 2016. Selling and administrative expenses and other income (expense) remained relatively unchanged for the first six months of 2016 as compared to the same period in 2015. Net income through June 30, 2016 was \$7.2 million compared to \$2.1 million through June 30, 2015.

We are saddened to report that Mr. Byron K. “Kent” Radcliff, Monarch’s Vice Chairman of the Board, Secretary and Treasurer, passed away on July 24, 2016. Mr. Radcliff served as a devoted member of our Board of Directors for over 56 years. We will miss his sound judgment and expert guidance. We continue to keep his family in our thoughts and prayers.

Our next Board of Directors’ meeting is scheduled for August 12, 2016 during which the Board plans to consider the Board vacancy and the declaration of dividends. Please refer to our website, www.monarchcement.com, after the meeting for dividend information.

WALTER H. WULF, JR.
President and Chairman of the Board

Certain statements in this Quarterly Report constitute “forward-looking statements”. Except for historical information, the statements made in this report are forward-looking statements that involve risks and uncertainties. You can identify these statements by forward-looking words such as “should”, “anticipate”, “believe”, “intend”, “may”, “forecast” or similar words. In particular, statements with respect to the timing, scope, cost and benefits of our proposed and recently completed capital improvements and expansion plans, including potential fuel savings, projected installation costs and other cash needs, and our forecasted cement sales are all forward-looking statements. You should be aware that forward-looking statements involve known and unknown risks, uncertainties, and other factors that may affect the actual results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: general economic and business conditions; competition; raw material and other operating costs; costs of capital equipment; changes in business strategy or expansion plans; demand for our Company’s products; cyclical and seasonal nature of our business; the affect weather has on our business; the affect of environmental and other government regulation; and the affect of federal and state funding on demand for our products.

The Monarch Cement Company and Subsidiaries

Consolidated Statements of Income

For the Three Months and the Six Months Ended June 30, 2016 and 2015 (Unaudited)

(In Thousands, except per share data)

	Three Months Ended		Six Months Ended	
	2016	2015	2016	2015
Net Sales	\$ 45,106	\$ 37,826	\$ 74,674	\$ 61,855
Gross Profit from Operations	11,935	9,777	17,982	10,064
Income before Taxes	8,345	6,290	10,624	2,968
Provision for Income Taxes	2,710	1,740	3,440	830
Net Income	5,635	4,550	7,184	2,138
Basic Earnings per Share	1.46	1.17	1.86	0.55
Average Shares Outstanding	3,861	3,866	3,861	3,867

Consolidated Balance Sheets

June 30, 2016 (Unaudited) and December 31, 2015

(In Thousands)

	2016	2015
Assets		
Current Assets	\$ 62,366	\$ 55,768
Property, Plant and Equipment	85,534	83,457
Deferred Income Taxes	10,824	11,296
Investments	32,891	28,684
Other Assets	2,739	2,809
Total Assets	\$ 194,354	\$ 182,014
Liabilities and Stockholders' Equity		
Current Liabilities	\$ 20,333	\$ 16,469
Long-Term Debt	6,205	4,342
Accrued Postretirement Benefits	23,845	23,610
Accrued Pension Expense	12,750	13,213
Total Company Stockholders' Equity	131,221	124,380
Total Liabilities and Equity	\$ 194,354	\$ 182,014

Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2016 and 2015 (Unaudited)

(In Thousands)

	2016	2015
Operating Activities:		
Net Income	\$ 7,184	\$ 2,138
Depreciation, Depletion and Amortization	7,207	6,992
Change in Operating Working Capital	(6,394)	(11,349)
Net Cash Provided by (Used for) Operating Activities	\$ 7,997	\$ (2,219)
Investing Activities	\$ (11,349)	\$ (10,038)
Financing Activities:		
Proceeds from Bank Loans, net	\$ 1,863	\$ 9,172
Cash Dividends Paid	(2,123)	(1,856)
Purchase of Capital Stock	(42)	(132)
Net Cash Provided by (Used for) Financing Activities	\$ (302)	\$ 7,184
Net Change in Cash and Cash Equivalents	\$ (3,654)	\$ (5,073)
Cash and Cash Equivalents, Beginning of Year	6,612	7,262
Cash and Cash Equivalents, End of Period	\$ 2,958	\$ 2,189
*Capital Stock Repurchases included in Accrued Liabilities	\$ 448	\$ 535