



MANUFACTURERS OF PORTLAND CEMENTS

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QUARTERLY REPORT TO STOCKHOLDERS

The continued rise in construction activity in our market area has positively impacted the demand for our products. Warm and dry weather during the first quarter of 2016 allowed construction projects to proceed helping us to realize a 23.8% increase in tons of cement sold and a 26.8% increase in yards of ready-mixed concrete sold as compared to the first quarter of 2015. Consolidated net sales for the three months ended March 31, 2016 increased \$5.5 million compared to the three months ended March 31, 2015 primarily due to the increases in volume sold in both the Cement Business and the Ready-Mixed Concrete Business. Cost of sales and selling and administrative expenses were relatively unchanged resulting in a 20.5% gross profit rate for the quarter ended March 31, 2016 compared to 1.2% for the quarter ended March 31, 2015. Net income (loss) through March 31, 2016 was \$1.6 million compared to \$(2.4) million through March 31, 2015.

With the successful completion of modifications to our Humboldt cement plant to comply with the latest environmental regulations, we are now able to reallocate our resources toward upgrading our production processes and modernizing our fleet of ready-mix concrete trucks and over-the-road tractor trailer units. Total cash spent on capital additions during the first quarter of 2016 was \$7.4 million. We anticipate spending approximately \$16.0 million on capital expenditures in 2016.

At a meeting of the Company's Board of Directors on April 13, 2016, the Board declared a dividend in the amount of \$0.30 per share of Capital Stock and Class B Capital Stock to be paid on June 10, 2016 to stockholders of record on May 10, 2016.

Looking ahead to the remainder of 2016, we do not anticipate sales volumes to continue to exceed last year's volumes at the rate achieved in the first quarter of this year. However, we are optimistic that the economy will continue to improve giving us additional opportunities to serve our customers and improve our operating results.

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 (Loss)
For the Three Months Ended March 31, 2016 and 2015 (Unaudited)**

(In Thousands, except per share data)

	2016	2015
Net Sales	\$ 29,568	\$ 24,029
Gross Profit from Operations	6,047	287
Income (Loss) before Taxes	2,279	(3,323)
Provision for (Benefit from) Income Taxes	730	(910)
Net Income (Loss)	1,549	(2,413)
Basic Earnings (Loss) per Share	0.40	(0.62)
Average Shares Outstanding	3,861	3,868

**Consolidated Balance Sheets
March 31, 2016 (Unaudited) and December 31, 2015**

(In Thousands)

	2016	2015
Assets		
Current Assets	\$ 57,488	\$ 55,768
Property, Plant and Equipment	87,064	83,457
Deferred Income Taxes	11,108	11,296
Investments	30,940	28,684
Other Assets	2,763	2,809
Total Assets	<u>\$ 189,363</u>	<u>\$ 182,014</u>
Liabilities and Stockholders' Equity		
Current Liabilities	\$ 16,475	\$ 16,469
Long-Term Debt	9,688	4,342
Accrued Postretirement Benefits	23,676	23,610
Accrued Pension Expense	13,260	13,213
Total Company Stockholders' Equity	126,264	124,380
Total Liabilities and Equity	<u>\$ 189,363</u>	<u>\$ 182,014</u>

**Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2016 and 2015 (Unaudited)**

(In Thousands)

	2016	2015
Operating Activities:		
Net Income (Loss)	\$ 1,549	\$ (2,413)
Depreciation, Depletion and Amortization	3,640	3,436
Change in Operating Working Capital	(5,396)	(5,060)
Net Cash Used for Operating Activities	<u>\$ (207)</u>	<u>\$ (4,037)</u>
Investing Activities	<u>\$ (8,792)</u>	<u>\$ (7,029)</u>
Financing Activities:		
Proceeds from Bank Loans, net	\$ 5,346	\$ 8,561
Cash Dividends Paid	(965)	(890)
Purchase of Capital Stock	(27)	(1,937)
Net Cash Provided by Financing Activities	<u>\$ 4,354</u>	<u>\$ 5,734</u>
Net Change in Cash and Cash Equivalents	\$ (4,645)	\$ (5,332)
Cash and Cash Equivalents, Beginning of Year	6,612	7,262
Cash and Cash Equivalents, End of Period	<u>\$ 1,967</u>	<u>\$ 1,930</u>
*Capital Stock Repurchases included in Accrued Liabilities	\$ 463	\$ 844