

Notes to 2008 Financial Highlights and charts

EBIT, Ongoing EPS and Free Cash Flow: The presentations of EBIT, ongoing EPS and free cash flow are non-GAAP financial measures intended to supplement investors' understanding of our operating performance. The notes below define these non-GAAP measures and reconcile them to the most directly comparable financial measures calculated and presented in accordance with GAAP.

- ⁽¹⁾ **Reconciliation of EBIT to Net Income:** EBIT is defined as earnings (loss) before interest and taxes. Earnings (loss) is intended to mean net income (loss) as presented in the Statements of Consolidated Operations under GAAP. The following table reconciles EBIT to the most directly comparable financial measure, which is net income (loss).

	12 Months Ended Aug. 31,		
	2008	2007	2006
EBIT – Total ^(A)	\$2,891	\$1,375	\$1,095
Interest (Income) Expense – Net	(22)	16	79
Income Tax Provision ^(B)	889	366	327
Net Income	\$2,024	\$ 993	\$689

^(A) Includes the income from operations of discontinued businesses, the pre-tax cumulative effect of an accounting change and pre-tax minority interest.

^(B) Includes the income tax provision from continuing operations, the income tax benefit on minority interest, the income tax provision (benefit) on discontinued operations, and the income tax benefit on the cumulative effect of a change in accounting principle.

- ⁽²⁾ **Reconciliation of EPS to Ongoing EPS:** Ongoing EPS is calculated excluding certain after-tax items which Monsanto does not consider part of ongoing operations. Monsanto's EPS data for all periods has been adjusted to reflect the company's two-for-one stock split which was paid on July 28, 2006. The reconciliation of EPS to ongoing EPS for each period is included in the table below.

	12 Months Ended Aug. 31,		
	2008	2007	2006
Diluted Earnings per Share	\$3.62	\$1.79	\$1.25
Cumulative Effect of Change in Accounting Principle	—	—	0.01
Items Affecting Comparability – EPS Impact			
Tax Charge on Repatriated Earnings	—	—	0.04
Acquired IPR&D (De Ruiter & Delta & Pine Land)	0.29	0.34	—
Solutia Claim Settlement	(0.23)	—	—
Income on Discontinued Operations	(0.04)	(0.15)	(0.04)
Diluted Earnings per Share from Ongoing Business	\$3.64	\$1.98	\$1.26

- ⁽³⁾ **Reconciliation of Free Cash Flow:** Free cash flow represents the total of cash flows from operating activities and investing activities, as reflected in the Statements of Consolidated Cash Flows.

	12 Months Ended Aug. 31,		
	2008	2007	2006
Net Cash Provided by Operating Activities	\$2,799	\$1,854	\$ 1,674
Net Cash Required by Investing Activities	(2,027)	(1,911)	(625)
Free Cash Flow	772	(57)	1,049
Net Cash Required by Financing Activities	(102)	(583)	(117)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	77	46	3
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 747	\$ (594)	\$ 935