September 1997 Tax Consequences of Solutia Inc. Spinoff

Shareowners of Monsanto Company (the "Company") received a stock distribution on September 2, 1997, for the number of shares of common stock of Solutia Inc. ("Solutia"), including fractional shares, as a result of the Company's spinoff of Solutia (the "Spinoff"), based on the ratio of one share of Solutia common stock for every five shares of the Company's common stock you owned on the record date (August 20,1997) of the Spinoff.

Tax Basis of Company and Solutia Shares

On July 16, 1997, the Company received a ruling from the Internal Revenue Service (the "IRS") which concluded that the Company's shareowners will not recognize any income, gain or loss on their receipt of the Solutia shares in the Spinoff, except to the extent that shareowners receive a cash payment in lieu of fractional shares of Solutia common stock. However, you are required to apportion the tax basis (that is, the cost basis) of your Company common stock between Company common stock and Solutia common stock, including fractional shares, in proportion to their market values on the distribution date. Based on the average trading price of the Company common stock and the Solutia common stock on September 2, 1997, your cost basis for each share of Company common stock, should be reduced to 91.45% of its original cost, and the remaining 8.55% becomes the cost basis for your Solutia common stock received in the Spinoff. These percentages are based upon the average of the high and low share prices on September 2, 1997, which is the first trading date following the distribution date. For the Company this resulted in an average price of $41.07 while for Solutia the pre-split average price was $3.84 (equal to $19.19 post-split) for a combined pre-split value of $44.91. **The foregoing adjustments are required for all Company shareowners that receive Solutia common stock, even if the Company common stock is sold after the record date but prior to the receipt of the Solutia common stock.**

The following example illustrates the above stock basis adjustment requirement: Assume you purchased 100 shares of Company common stock for $10.00 per share. Your cost basis for such 100 shares of Company common stock prior to the Spinoff therefore equals $1,000.00. As a result of the Spinoff, you would have received 20 shares of Solutia common stock. Upon your receipt of the 20 shares of Solutia common stock, your basis in the 100 shares of Company common stock must be reduced to $914.50, which is 91.45% of your original cost basis for such stock. This adjusted tax basis would be utilized to determine any gain or loss on a subsequent sale of the 100 shares of Company common stock. Your cost basis in the 20 shares of Solutia common stock would be $85.50, which is 8.55% of your original cost basis for the 100 shares of Company common stock, and such cost basis would be utilized to determine any gain or loss on a subsequent sale of the 20 shares of Solutia common stock.

The basis adjustment requirement in the case of fractional shares can be illustrated by the following example: Assume you purchased 101 shares of Company common stock for $10.00 per share. Your cost basis for such 101 shares of Company common stock prior to the Spinoff therefore equals $1,010.00. As a result of the Spinoff, you would have received 20.2 shares of Solutia common stock. Upon your receipt of the 20.2 shares of Solutia common stock, your basis in the 101 shares of Company common stock must be reduced to $923.65 which is 91.45% of your original cost basis and such cost basis would be utilized to determine any gain or loss on the subsequent sale of the 101 shares of Company stock. Your cost basis in the 20.2 shares of Solutia common stock would be $86.35, which is 8.55% of your original cost basis for the 101 shares of Company common stock. If physical certificates are requested (with cash being received in lieu of fractional shares), then of this amount, $85.50 would represent the cost basis in the 20 whole shares of Solutia common stock received and $0.85 would represent the cost basis of the .2 fractional shares that will be sold.

Holding Period

Provided you hold the Solutia common stock as a capital asset, the period during which you are considered to hold such stock shall include the period during which you held the Company common stock for which you received such Solutia common stock. Under newly enacted legislation, gain recognized by individuals on the sale of capital assets held for a period of greater than 18 months (rather than a period of more than one year under prior law) would generally be subject to a preferential capital gains tax rate. Sales of capital assets held for a period greater than 12 months but less than 18 months would continue to be taxed at the 28 percent rate.

To illustrate the application of this holding period rule, assume you purchased 100 shares of Company stock in September 1995 and an additional 50 shares of Company stock in September of 1996. On September 1, 1997, you would have received a total of 30 shares of Solutia common stock: 20 shares of Solutia stock with respect to the Company stock purchased in September 1995 and 10 shares of Solutia stock with respect to the Company stock purchased in September 1996. Under the above holding period rule, you will be considered as: (i) Holding the 20 shares of Solutia stock since September 1995; and (ii) holding the 10 shares of Solutia stock since September 1996.

Reporting Requirements

You must also satisfy certain reporting requirements for Federal income tax purposes in connection with your receipt of the Solutia stock. Section 1.355-5(b) of the Treasury Regulations requires that every Company shareowner who receives Solutia common stock pursuant to the Spinoff must attach to his or her U.S. Federal income tax return for the year in which the Spinoff occurs a detailed statement setting forth such data as may be appropriate in order to show the applicability of Section 355 of the Internal Revenue Code. To assist you in complying with this requirement, we are enclosing a suggested statement that can be completed and signed by you and attached to your U.S. Federal income tax return for your taxable year which includes September 1, 1997.

We recommend that you retain this information for your tax records. All shareowners of the Company and Solutia should consult their own tax advisers as to the particular tax consequences of the Spinoff to them, including the applicability and effect of state, local and foreign tax laws.

Form of Shareholder Statement to be Filed with the Internal Revenue Service

TO BE ATTACHED TO YOUR U.S. FEDERAL INCOME TAX RETURN
FOR THE TAXABLE YEAR WHICH INCLUDES SEPTEMBER 1, 1997

Statement Pursuant to Regulation Section 1.355-5(b)

The following statement is submitted pursuant to Section 1.355-5(b), Income Tax Regs. for a shareowner receiving a distribution of stock in Solutia Inc., a controlled corporation, under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").

1. The undersigned, as a shareowner of Monsanto Company, received a distribution of stock in a controlled corporation pursuant to Section 355 of the Code. Such distribution was received as of September 1, 1997.

2. The names and addresses of the corporations involved are as follows:

    a. Distributing Corporation

       Monsanto Company

800 North Lindbergh Boulevard
St. Louis, Missouri 63167

b. Controlled Corporation

Solutia Inc.
10300 Olive Boulevard
St. Louis, Missouri 63166-6760

3. No stock or securities in Monsanto Company were surrendered by the undersigned.

4. Shares of Solutia Inc. common stock were received by the undersigned.

5. On July 16, 1997, the Internal Revenue Service issued a private letter ruling providing that, among other things, the distribution of the shares of Solutia Inc. constituted a tax-free distribution under Section 355 of the Code.

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[Shareholder Name]