BORDEN

1984 ANNUAL REPORT





Financial Highlights

(In thousands except per share and percentage amounts)

	December 31 1984	1983	Percent Change
Operating Results (for the year)			
Net sales	**$4,568,018**	$4,264,771	+ 7.1
Income taxes	**146,000**	144,000	+ 1.4
Net income	**191,407***	189,069**	+ 1.2
Net income per common share and equivalent:			
Primary	**7.13***	6.56**	+ 8.7
Fully diluted	**7.13***	6.50**	+ 9.7
Dividends:			
Common share	**2.65**	2.38½	+11.1
Preferred series B share	**1.32**	1.32	
Total dividends	**71,066**	68,680	+ 3.5
Capital expenditures	**163,751**	184,914	−11.4
Financial Position (at year-end)			
Working capital	**$ 440,527**	$ 453,868	− 2.9
Current ratio	**1.6:1**	1.7:1	
Long-term debt-to-equity percent	**31%**	27%	
Shareholders' equity	**1,367,944**	1,391,039	− 1.7
Equity per common share	**52.57**	49.64	+ 5.9
Common shares outstanding	**26,008**	28,008	− 7.1
Return on average shareholders' equity	**13.9%**	13.8%	

*Net income and earnings per share were $182.4 million and $6.79 before including one-time net after-tax gains of $9.0 million or $.34 per share from the sale of property.

**Net income and earnings per share were $160.4 million and $5.56 (primary), $5.51 (fully diluted), before including one-time net after-tax gains of $28.7 million or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property.

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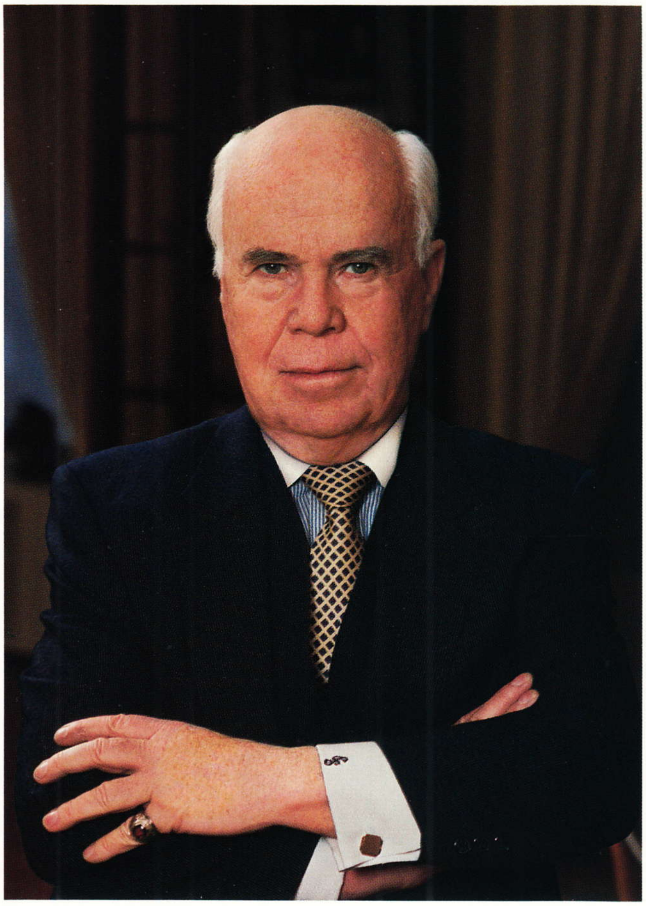
Letter to Shareholders and Employees



Our Company outperformed the robust national economy in 1984, and at the same time reflected its uneven and occasionally hesitant movement. In each quarter we set new highs in earnings, but the rate of increase from 1983 progressively narrowed during the year. This was due in part to comparison with our strong growth in 1983, and in part to a slowdown—at one point, almost a halt—in the economy in the second half of 1984.

On a reported basis, our results showed modest improvement, but were the highest ever. Net income increased 1.2%, and earnings per share, 9.7%, primarily because of fewer shares outstanding. However, on a continuing basis—that is, after excluding one-time gains in net income in both years—our results were up substantially: income by 13.7%, and earnings per share by 23.2%.

For the first time in a quarter of a century, our operations had to deal with a new force that impinged on the business environment. The force was disinflation, an economist's term for a decline in the rate of inflation. Disinflation is an immediate boon to consumers, but a temporary problem for business. Its advent and likely continued presence have required Borden management to adjust the Company's growth strategy for the remainder of the 1980s.

Disinflation tends to stabilize selling prices, establishing a pattern that is difficult to break when a major component cost goes up sharply. This pattern is most evident in the food sector. Selling prices for snacks, for example, were steady during 1984, whereas the cost of cooking oil climbed to its highest level in ten years. Disinflation, too, can adversely affect long-term projections of the return on capital projects and acquisitions. More generally but less measurable, disinflation tends to diminish business activity by lowering the incentive to buy in anticipation of much higher prices later.

Over the long term, disinflation will be good for the economy. For those companies that are quick to adapt to it, it offers unusual opportunities to improve their market position. At Borden, we have already taken steps to convert the problems of disinflation into opportunities for growth.

• We are accelerating our "petro-condo" strategy, which is described in the Chemical Division section of this Report. The strategy is a means to reduce the asset base of our petrochemical complex in Louisiana, increase the volume and lower the unit cost of its production, reduce its dependency on the cyclical merchant petrochemical market, and assure the Chemical Division's full captive requirements of major basic and intermediate chemicals. The effect of this synergy will be a notable improvement in the Division's return on shareholders' equity.

• We have restructured and expanded our research and development program. Emphasis is being given to technologically advanced products and processes, especially those that can be given patent protection. Patented products and processes are distinctive and, in many cases, exclusive; they provide valuable lead time in the marketplace, generate consumer brand loyalty, and command higher margins. We are also working on the "cross-fertilization" of the technology we already possess, to find applications in both foods and chemicals for our know-how in extrusion, condensation, dehydration, polymerization, and blow-molding. We have plans underway for a major expansion of our foods Research Centre.

• We have modified our acquisition strategy. Acquisitions will serve a double purpose: to ease our entry into new geographical markets, as before, and to provide a means of adding manufacturing capacity, where needed. The ease and speed at which an acquisition can be integrated, and the timing of its contribution to an improved return on shareholders' equity, will continue to be important criteria.

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The development program that has been underway since 1980 has achieved its major goals. It was designed for the inflationary environment of the early years of this decade. Much of the program's strategy is being retained—its focus on packaged consumer products and specialty chemicals, expansion of share of market, development of a strong balance sheet, and healthy growth of the Borden ROSE: return on shareholders' equity. To gain from the disinflation that we see for the remainder of the 1980s, we have given high priority to two other goals: low cost production in both foods and chemicals, and technologically advanced products and processes.

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We judge our prospects for 1985 to be favorable. We are encouraged at the outset by the resumption of economic growth and the decline in interest rates. As noted, we have plans to capitalize on the continued low level of inflation. We are encouraged by the improvement in the PVC merchant resins market in the fourth quarter, but remain somewhat apprehensive about overcapacity and pricing instability. We do not see any further strengthening of the dollar, and any decline will benefit our export business and the reported results of our International Division's overseas operations. On balance, it should be a good environment. We expect our earnings per share in 1985 to increase 12% to 15% from 1984.

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In a difficult and challenging year, management once again had the backing and encouragement of informed people who, in varying roles, share concern for the Company's fortunes: our knowledgeable and energetic employees, our loyal and highly supportive shareholders, and our diligent and constructive Board of Directors. Two of our directors retired in April, ending long and valued associations with the Company. Augustine R. Marusi, former Chairman and Chief Executive Officer, had been with Borden since 1939, and John J. O'Connor, former Vice Chairman, since 1946.

Francis R. Elliott, a former Chairman and Chief Executive Officer, died in July on the eve of his 81st birthday. He joined the Company in 1926, and served as Chief Executive Officer from 1964 to 1967 and as Chairman in 1967 and 1968. He retired as a director in 1969, after more than ten years on the Board. He enthusiastically supported the Company's entry into new areas of business outside the dairy field, and his tenure as Chairman was a period of calm growth for Borden during which, with great dignity, he sustained the traditions handed down by his predecessors.

Frank V. Forrestal, Executive Vice President and President of our Consumer Products Division, died January 1, 1985. He was 58 years old. We wish to express here the deep sense of loss felt by his countless friends at Borden and in the industry. Some of Mr. Forrestal's finest and most endearing qualities shone brightest against the backdrop of a year-long battle against illness: his grace, grit, humor, sense of perspective, optimism, and above all his humanity. These dwarfed even his giant talents as a business leader; in combination, they made him beloved as well as admired by all who knew him.

E. J. Sullivan

Eugene J. Sullivan
Chairman and
Chief Executive Officer

Borden Consumer Products

	1984	1983
Sales (in Millions)	**$2,933.9**	$2,771.3
% of Total Sales	**64%**	65%
Operating Income (in Millions)	**$ 219.9**	$ 210.0
% of Total Income from Operations	**53%**	57%

Operating income of the Consumer Products Division increased 4.7% from 1983 to a new high. Sales were up 5.9% from a year earlier and surpassed the previous record of $2.843 billion in 1980.

For the food industry, it was a year of relatively flat volume, strong pressure on selling prices, intense competition for market share, and—with the exception of cooking oil, which hit a ten-year high—moderate increases in costs. Benefiting the division in this environment beyond the strong Borden franchise were an improved product mix; greater efficiencies in manufacturing, distribution, and purchasing; acquisitions, and organizational changes.

The division was restructured into two major sectors that reflect the division's two principal methods of distribution: Grocery and Specialty Products, with delivery to customers' warehouses through food brokers, and Dairy and Snacks, with direct delivery to stores. Corporate vice presidents were elected to head the sectors.

The Grocery and Specialty Products operations consist of five operating units: Main Meal and Confections, Desserts and Beverages, Home and Professional Products, Pasta, and Specialty Products. The Dairy and Snacks operations consist of three operating units: Dairy, Snacks, and Bakery/Puerto Rican Operations.

MAIN MEAL AND CONFECTIONS

Sales of this unit increased almost 5%, however income remained unchanged from 1983.

The cheese industry's processed cheese category was under severe pressure from the Government's ongoing cheese-donation program, which averaged 30 million pounds per month, and from the proliferation of low-cost substitute products. As a result, the total market was unchanged from the previous year's depressed level. Nonetheless, Borden sales of singly wrapped slices increased 7% and market share by a full percentage point. Borden Lite-line, as a specialty processed cheese in the diet/health segment, avoided most of the impact of the donation program but was adversely affected by the overall pressure on selling prices. Lite-line maintained its wide margin as the leading brand in the diet/health segment.

Borden Frosted, a line of flavored drinks previously sold in thermoprocessed cans, went into national distribution in a new aseptically packaged "Shake Box." Sales increased 21%. Frosted is the only aseptic "shake" product on the market.

Snow's clam chowder enhanced its standing as the leading brand of chowder with a 20% increase in volume, posting gains in tonnage and share of market in all its principal sales areas.

Bama jams and jellies remained Number One in their distribution area, the South, in spite of heavy competitive pressure from several national brands. Packaging for the line was revised and updated with new jars, caps, and labels.

Kava, the Borden brand for its exclusive 90% acid-neutralized instant coffee, was repositioned for a different consumer audience and reintroduced with support from increased advertising on network radio and in national magazines. The advertising points up to consumers the benefits of acid-neutralized Kava as distinguished from decaffeinated coffees. One of these benefits is its higher potassium content. The new marketing effort enabled Kava to solidify its position in the highly competitive instant coffee category.

Cracker Jack candied popcorn in boxes was up in volume, with the basic "core" sizes up more than 20%. The gains were reflected in improved market share.

Contents of the familiar single-serve box were increased 25%, and a new 5.5 ounce Cracker Jack Snack Pack was introduced in seven test markets during the third quarter. Cracker Jack Popping Corn was joined by a companion item: Cracker Jack Hot Air Popping Corn. The new product uses a hybrid corn especially suited to hot air poppers, and is pre-seasoned with either salt or salt and butter flavor.

Borden licensed the Cracker Jack trademark to Ralston Purina Co. for use with a children's cereal manufactured and sold by the licensee. The product also carries the Cracker Jack "Sailor Boy Jack and his dog Bingo," and has a toy "surprise."

Confectionery's candy line, including Christmas gift packages, Valentine hearts, chocolate window boxes and thin mints, was upgraded in quality and repackaged under the Haviland brand name.

DESSERTS AND BEVERAGES

Sales of this unit increased 13%, but income declined 13%.

Borden drink mixes, buoyed by aspartame-sweetened products, outperformed the industry. Out-of-store movement for the industry was flat compared

The share of market held by Creamette brand pasta reached an all-time high.

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Lite-line sugar-free drink mixes, directed to adults, were introduced nationally.

with the prior year, with an 8% increase in dollar sales, the latter reflecting a shift in product mix to the higher-priced aspartame items. On a comparable basis, Borden registered a 26% gain in volume and a 46% increase in dollar sales. The Borden share of the total drink mix market was up, with the aspartame segment alone rising 2.2 points, or 15%. Contributing to this improvement was the national introduction of Lite-line brand sugar-free drink mixes directed to adults, complementing the all-family oriented Wyler's sugar-free mixes.

The enthusiastic reception of sugar-free products by consumers led the trade to overbuild drink-mix inventories in advance of the peak summer season, with the result that customer orders from the industry fell sharply in the third quarter. The weakness continued through the fourth quarter as the trade worked down its inventories.

Eagle Brand Sweetened Condensed Milk was aggressively marketed directly to consumers to counter attempts by domestic and imported products to gain market position.

ReaLemon reconstituted lemon juice marked its 50th anniversary with the national introduction of a 100% pure, refrigerated lemon juice that contains no preservatives or additives. This introduction included a significant investment in advertising and consumer promotion which will benefit the total ReaLemon franchise.

Wyler bouillon sales volume closed the year with a 4% second half gain as market share also showed strengthening.

Cremora volume registered a 5% increase, responding to heavy consumer and trade support.

HOME & PROFESSIONAL PRODUCTS

Income of this unit increased 10% on a sales increase of 9%, both all-time highs.

Krylon maintained its position as the leading national brand of spray paints and coatings, with gains in sales, volume, and income. Rust Magic, a line of rust-inhibiting paints introduced in 1983, contributed to the improvement following its placement in several major building-supply, auto-supply, discount and drug chain outlets. The product also benefited from strong television support featuring Bob Uecker, the sports

Drake's Family Pack Brownies, with long shelf life, were among products added to the bakery line.

personality, as spokesman. Rust Magic packaging was redesigned to distinguish it more clearly from the Krylon decorator line. John Madden, the sports commentator, appeared as spokesman for the decorator line in TV commercials.

Two new products, a spray adhesive and a barbecue and stove paint, were introduced.

Elmer's-brand products registered substantial improvements in sales and income. The gains came from new-product introductions, selective price increases, and the expansion of a special advertising program, tested in 1983, to further develop the market for building adhesives, which has become a major growth category for the profit center.

Distribution of Stix-All, a new household repair glue developed by Borden and introduced early in 1983, was extended to 50% of the national market. The product combines most of the favorable characteristics found in the several types of repair glues currently on the market.

Sales of the **Car Care** profit center held at year-earlier levels in spite of increased pressure from lower-priced products and a slight industry-wide decline for the category. Income declined owing to higher advertising and promotional expenses and raw material costs.

Rain Dance, the profit center's principal brand of polishes and waxes, broadened its distribution to virtually all the country's mass merchandisers, up from 75% distribution at the time of acquisition in mid 1982.

Rain Dance "Sun Shield," a new type of car wax that absorbs paint-damaging ultra violet light, achieved substantial distribution in both auto-supply and mass-merchandising outlets. Seven other new products in the "appearance" and "protection" categories were introduced, which, together with "Sun Shield," accounted for 9% of the profit center's total sales.

Sterling, which markets plastic school and office supplies, posted healthy gains in

Cottage Fries potato chips, although not in full distribution, captured over 10% of total Borden snacks sales. Home Fries potato chips, a companion product, were introduced in several major markets.

volume, sales, and income. There was a notable improvement in shipments of school boxes, file boxes, and desk accessories. A new market for letter-file boxes has developed among publishers of newsletters. Sales of desk accessories benefited from additional accounts at several major retail chains and commercial office supply distributors.

PASTA

Sales of this unit were up 16% on a 12% gain in volume. Income increased almost 4%, reflecting higher marketing costs associated with entry into new sales areas in the Southeast, South, and West. The opportunity for expansion came mainly from the availability of substantial added capacity, provided by a new Creamette-brand pasta plant near Phoenix, Arizona, that reached full production late in 1983. The penetration into new areas lifted the Creamette share of market to an all-time high. The Borden Luxury brand posted modest gains in market share.

Ronco Enterprises, Inc., a regional producer of dry packaged pasta based in Memphis, Tennessee, was acquired in October from The Coca-Cola Company. The acquisition extended distribution of Borden pasta to the Mid-South region and established Borden in third place among all pasta companies in the U.S., with a 12% share of the national market.

SPECIALTY PRODUCTS

This unit is responsible for the division's can manufacturing operations, a line of dairy- and fruit-based industrial products, Vogel's (a food service distributor), and the marketing of private label dry grocery and cheese products. Its income increased almost 9% on level sales.

Overall, sales were affected by a reduction in supplies of surplus milk for manufacturing use, increased competition in the private label cheese business, and a generally flat market in grocery products. Income benefited from manufacturing efficiencies, a shift to higher-margin specialties, an upturn in the business of cheese-flavored snack coatings, and the start-up of production of KLIM-brand powdered whole milk.

DAIRY

Income of the Dairy unit increased 16% and sales increased 3% from year-earlier levels to surpass the previous highs reached in 1982. Sales growth reflected an upturn by the industry from the depressed conditions in 1983 and market expansion in the Sun Belt, in part through acquisitions. The relatively greater increase in income came from improved pricing and operating efficiencies, notably those obtained from a program to control butterfat costs.

New products accounted for 9% of total sales of Car Care items.

Industry wide, volume sales of whole milk increased for the first time since the mid-1960s, responding to the growth of the age group with the highest per-capita milk consumption: children ages 7 to 12. This group is forecast to expand by 1% per year for the next ten years. Lowfat milk consumption continued to gain, especially among calorie-conscious adults. Borden Hi-Protein lowfat milk had another year of substantial growth, and maintained its leading market position in Borden dairy regions throughout the Sun Belt.

Sales of cottage cheese, both Borden and Lite-line brands, showed good growth, against a generally flat performance by the industry. The unit's yogurt sales registered double-digit gains, helped by the introduction in several markets of Weight Watchers-brand yogurt, which Borden manufactures under license. Another licensed product, Hershey's Chocolate Milk, was extended to all the unit's markets and met projected sales.

The full line of Borden-brand dairy and ice cream products entered the El Paso, Texas, market with the conversion of the Wholesome Dairy label to the Borden label in mid year. Wholesome Dairy was acquired in late 1982. Supported by a strong advertising program, the Borden products gained immediate consumer acceptance.

Three dairies were acquired during the year: Metzger Dairy, of Dallas, Texas, in January; Furr's Dairy, of Roswell, New Mexico, in August; and the Miami, Florida, dairy of Sealtest, in December. The Metzger plant is being modernized and expanded; in mid-1985, operations will be transferred there from the present Borden plant in downtown Dallas, which was sold in 1983 for development as part of the Dallas Arts District.

A new ice cream plant is under construction in Houston, Texas, as a replacement for a plant that was destroyed by an explosion in December 1983. The new plant will be operational in mid 1985.

New products and line extensions introduced during the year accounted for 3.5% of total dairy sales. Frozen products contributed two-thirds of the added sales revenue; fluid and cultured items contributed the remainder. Emphasis was given to premium-priced products.

Market expansion in the Sun Belt contributed to record sales and income for the Borden dairy operations.

SNACKS

Sales of the Snacks Group increased more than 11% above the all-time high reached a year earlier, benefiting from record marketing expenditures, principally in support of new brands, and significant gains in market shares for potato chip brands and the Cheez Doodles brand of corn-based snacks. Income was virtually unchanged, its growth impeded by the higher marketing expenditures and the highest costs for cooking oil in ten years.

Outlays for marketing climbed 20%. Most of the support went to such new brands as Cottage Fries potato chips, Home Fries potato chips, and La Famous Tortilla Chips. Wise Cheez Doodles, backed by record marketing, posted a 17% gain in sales and a new high in share of market.

Cottage Fries, a premium line of thick-cut, wavy potato chips introduced in 1983, captured a significant share of the unit's potato chip business and more than 10% of its total sales, although not available in all Borden snacks markets for the full year. At current growth rates, Cottage Fries are on their way to becoming the unit's second $100 million brand, along with Wise. Joining Cottage Fries in many major markets during the year was a companion product, Home Fries, a premium brand of thick-cut, flat potato chips.

The unit capitalized on an explosive growth in the popularity of Mexican food with the introduction, in 62% of the U.S. market, of three new dip items, and La Famous Tortilla Chips in a 16-oz size. The unusual packaging of the chips has become an unexpected marketing feature; they are sold in a clear plastic bag with a twist-tie closure. At current sales rates, La Famous Tortilla Chips will increase the unit's share of the tortilla chip market by 50%.

Four major capital projects were completed during the year: a complete potato chip processing line at the Spartanburg, South Carolina, plant, which previously manufactured only corn-based snacks; expansion of potato chip capacity at St. Augustine, Florida; expansion of manufacturing and warehousing space at Guy's Foods, Liberty, Missouri, and the addition of a second pretzel line at the Seyfert plant in Fort Wayne, Indiana. The Seyfert addition contributed to a 91% increase in pretzel shipments to Borden snack plants.

Borden Frosted is the only aseptically packaged "shake" product on the market.

BAKERY/PUERTO RICAN OPERATIONS

Income of this unit climbed 30% on a 6% gain in sales. Both sectors of the group showed improvement.

The bakery profit center, which distributes under the Drake's brand in a 13-state area from Maine to Florida, had a moderate increase in sales but a significant increase in income, which reflected higher volume and an improved product mix. There were solid gains in sales of individual-pack grocery cakes and pies, the largest segment of Drake's business and the most important in reaching pre-teens and teenagers. Volume and market share were also developed within inner-city markets, where luncheonettes and small, independent stores are key but often overlooked outlets.

A bakery in Memphis, Tennessee, that specializes in Brownies and snack pies with long shelf life was acquired in July. Its addition led to the introduction of Drake's Family Pack Brownies and coconut and pecan pies.

The Puerto Rican operations posted a substantial increase in profits on a slight gain in sales.

Industrias La Famosa, which produces the Coco Lopez brand of coconut products, had almost a 25% improvement in sales of coconut products to the U.S. mainland, owing to a sales reorganization completed in late 1983 and the consequent broader distribution of a new line of Pina Colada and strawberry mixes in 25-oz. bottles. These mixes were also introduced in 10-oz. bottles during the year, as was a new fruit drink: Passion Colada.

Borden Puerto Rico, which markets mainland- and locally produced Borden products in the Caribbean, expanded its frozen foods line with the acquisition of International Food Distributors Inc., to become the largest distributor of frozen foods in the Commonwealth. Fresh meat was also added to its line. The two extensions contributed to almost a 19% gain in sales.

Borden Chemical

	1984	1983
Sales (in Millions)	**$922.9**	$768.8
% of Total Sales	**20%**	18%
Operating Income (in Millions)	**$116.0**	$ 80.3
% of Total Income from Operations	**28%**	22%

Operating income of the Chemical Division climbed 44.6% from 1983 on a sales increase of 20%.

The division had the benefit of vigorous growth by the industries it serves, notably building-construction and automotive, although the growth in some areas was uneven throughout the year and presented problems in matching production with market demand. This was most evident in PVC merchant resins.

Operating improvements enabled the division to make the most of the favorable environment. New facilities, the return of idled facilities to production, manufacturing efficiencies, higher operating rates, incremental increases in capacity at minimal capital cost, further integration of the petrochemical complex at Geismar, Louisiana, and an innovative "petro-condo" strategy for the complex to reduce its asset base and increase its captive share of output—all these contributed to the improvement in income and a higher rate of return on sales.

The Resins-Adhesives/Graphics-Canadian Operations Group had a significant increase in income on a moderate increase in sales. Sales benefited from a strong first-half surge in construction activity and a year-long strength in domestic automobile production. The relatively greater improvement in income resulted from gains in market share and higher operating efficiencies.

The Industrial Resins profit center had by far its best year ever. Higher demand for its established products and the addition of Monsanto's phenolic resins business, acquired in September 1983, materially increased plant operating rates and efficiency, and the return on sales. The Monsanto acquisition also enriched the product mix and, together with the development of new specialty applications for phenolics, gave the operation broader access to the automotive market. Automotive applications for Borden phenolics now include acoustical insulation, friction materials, abrasive products, molding compounds, and electronic components.

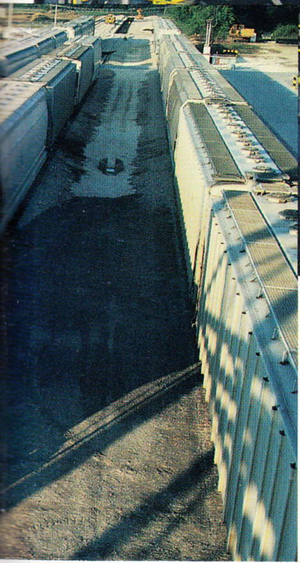
The Resins and Chemicals profit center, serving the forest products industry, posted healthy increases in sales and operating income, reflecting the rebound in housing and in general construction. Gains in market share were achieved in plywood resins and formaldehyde derivatives. New spray-dried phenolic resins for

Sauder Woodworking Co., Archbold, Ohio, is the leading manufacturer of ready-to-assemble furniture, made from composition board laminated to a woodgrain finish. Borden Chemical supplies the resins that bind the composition board, as well as the laminating adhesives.

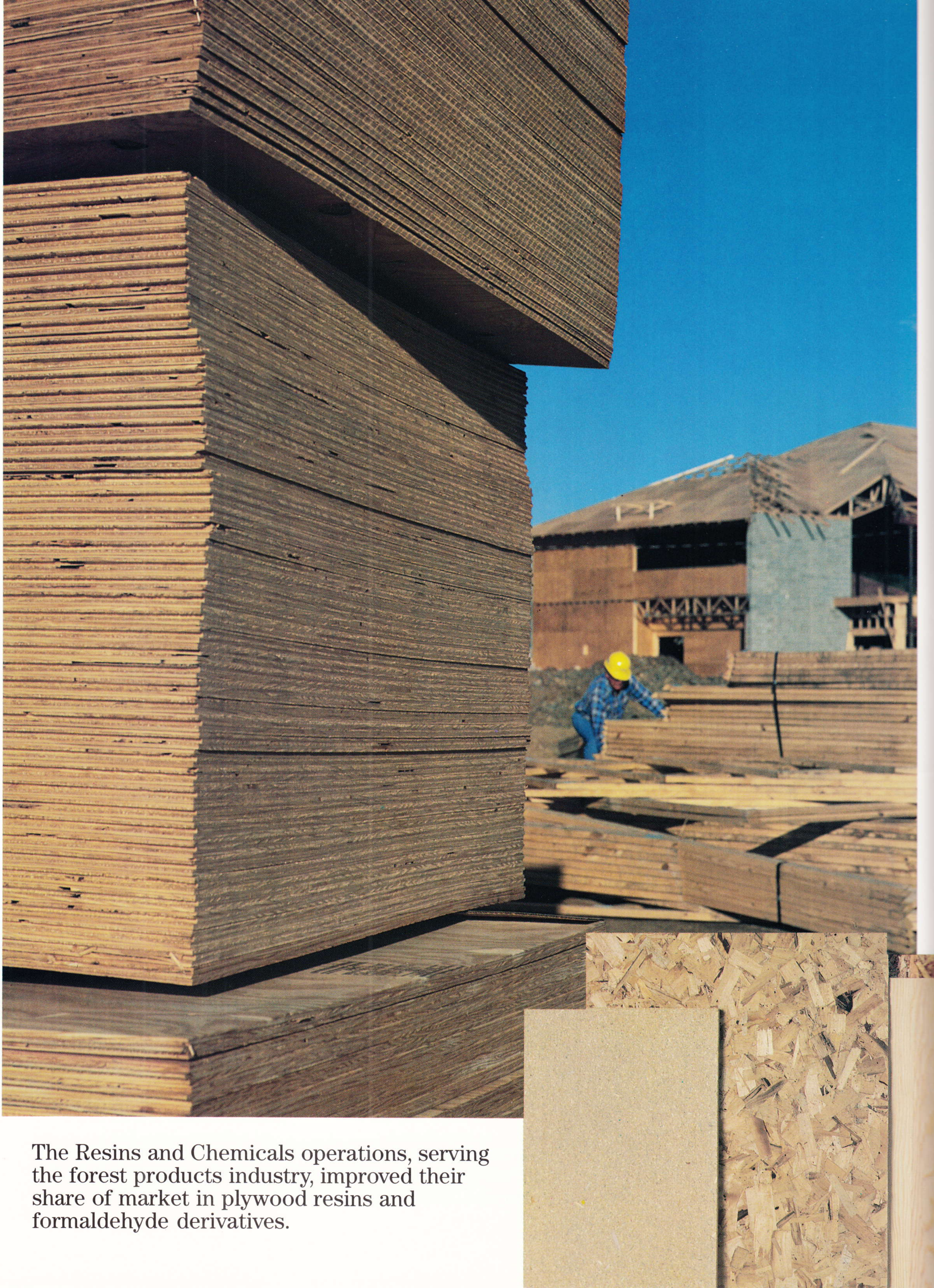
the waferboard market and an improved liquid phenolic resin for oriented strand boards were introduced, and well received.

The formerly separate Adhesives and Graphics operations were merged into a new profit center that provides broader-base problem-solving technology and greater service to the paper-converting, packaging and printing industries.

The Adhesives segment, which also serves specialty markets in construction, had a moderate gain in sales, but a significant gain in income owing to deeper market penetration, reductions in raw materials costs, and production efficiencies. Major growth occurred in resin binders for fiberglass roofing and in



A new, large-reactor, computerized PVC plant at Geismar, Louisiana, was in full production throughout the year; output in the second half exceeded design capacity.



The Resins and Chemicals operations, serving the forest products industry, improved their share of market in plywood resins and formaldehyde derivatives.

"crosslinked" resin emulsions for the exterior gluing of lumber end- and edge-joints.

The Graphics segment's sales were up moderately, but margins improved substantially. Marketing efforts were focused on aqueous ink systems sold to the converting and packaging industries, and on coloidal dispersions. Certain commodity products were deemphasized, in favor of more profitable specialties, including ultra-violet cured coating and metal decorating inks for beverage containers.

The Canadian chemical operations achieved record earnings, in spite of a drop in the value of the Canadian dollar and an economic growth rate below that of the United States.

A new plant producing formaldehyde and urea/formaldehyde concentrates went on line at Edmonton, Alberta, in the second quarter and benefited from an upsurge in the fertilizer market. The forest product sector operated at an acceptable level, although Canadian housing starts were down from 1983. A major resin expansion is underway at Montreal, Quebec, that will triple production capacity at the location. Completion is scheduled for the third quarter of 1985.

Sales of plastic films to the Canadian market increased substantially, owing to higher demand for Resinite-brand PVC food-wrap films and the introduction of Loadmaster, a high-quality pallet-wrap film made from linear low-density polyethylene. Construction of a new plant that will triple production capacity for Loadmaster films is underway at Toronto, Ontario, with completion scheduled for early 1986.

Industry demand for PVC resins, including exports, increased almost 10% from 1983 to a record 6.7 billion pounds. However, the demand was extremely erratic, soaring early in the year, peaking in the second quarter, bottoming out in the third quarter, and recovering slightly in the fourth quarter. The resulting supply/demand imbalance produced severe pricing instability in merchant PVC resins, and lower income for the Thermoplastics operations, which also produce polyvinyl latexes.

In spite of the swings in demand, Thermoplastics achieved record shipments of both specialty and commodity PVC resins, substantially outpacing the industry and measurably increasing its share of market. A new, large-reactor, computerized PVC plant at Geismar, which began break-in operations in the fourth quarter of 1983, was in full production throughout the year; in the second half, output exceeded design capacity. Record production was established by the PVC plant at Illiopolis, Illinois. To adjust for the downturn in demand in the second half, a small-reactor PVC plant at Leominster, Massachusetts, was temporarily idled.

Rolls of Proponite oriented polypropolene (OPP) packaging film being wrapped for shipping in Loadmaster linear low-density polyethylene pallet wrap. Manufacturing capacity for Proponite and Loadmaster is being expanded, at a cost of $30 million.

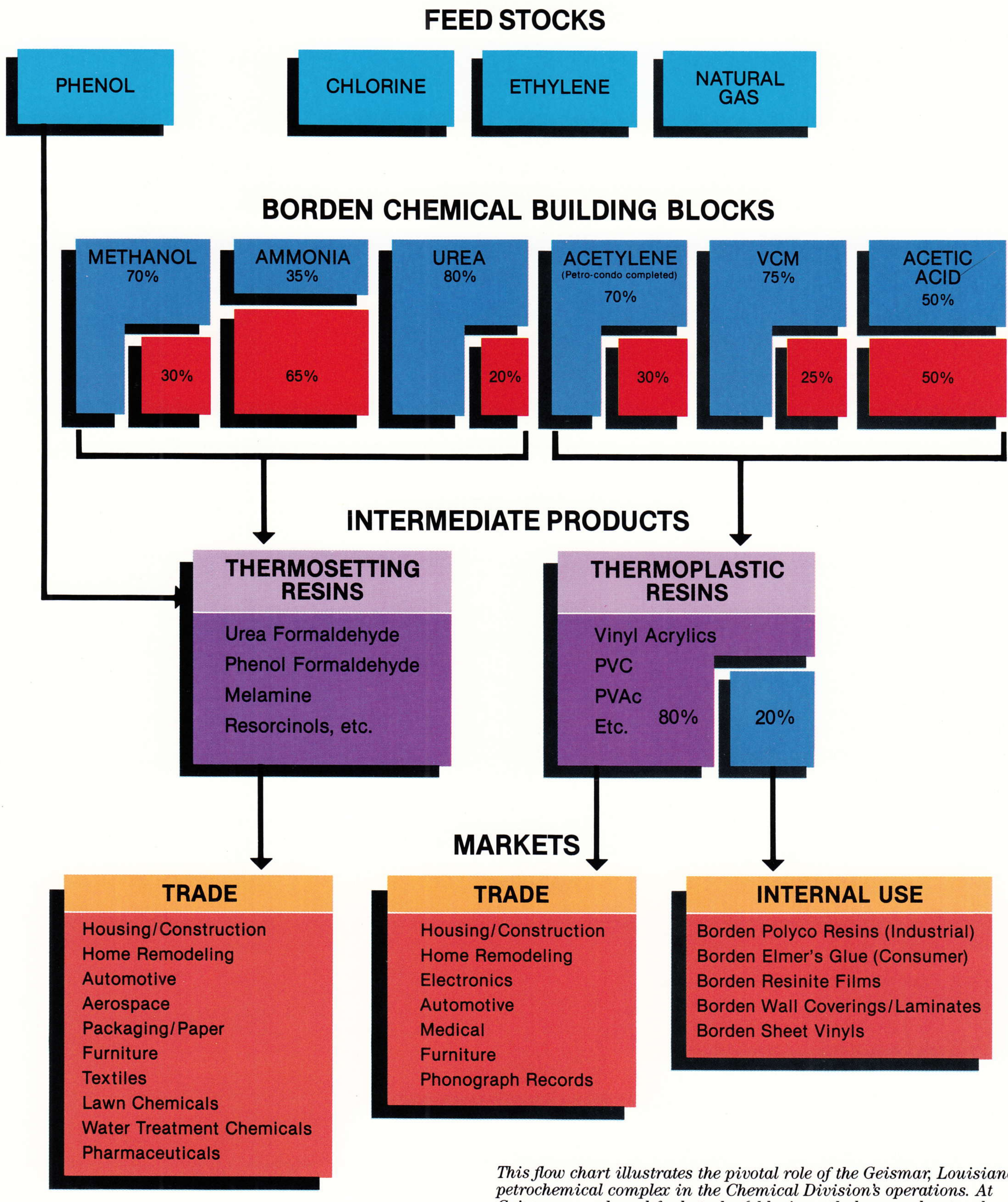
Thermoplastics' polyvinyl acetate latex business, which operates under the Polyco trademark, posted significant increases in volume, sales, income, and market share. Plants at Compton, California, and Illiopolis operated close to capacity. Polyco latexes are used by the paint, paper coating, and adhesives industries.

The division's Plastic Products Group, which converts PVC, polypropylene, and polyethylene resins into finished materials, had an excellent year, with improved results for all four of its profit centers.

Columbus Coated Fabrics' wallcovering operations posted significant gains in units, dollar sales, and income. Their performance outpaced the industry's, and share of market increased. A major factor in the improvement was the growth in sales direct to the retail stores of national accounts. The industrial operations of Columbus Coated Fabrics also had an excellent year, owing principally to greater penetration of markets having specialty applications for building products and vinyl-to-metal and vinyl-to-wood laminates. Manufactured housing and office rehabilitation became major new outlets for building products. Sales of industrial vinyl also benefited substantially from the increased vitality of the domestic automotive market.

The plastic film operations of the Plastic Products Group had a record year, registering material increases in sales and income. The major contributor to the improvement (as it was to film sales of the Canadian chemical operations) was Loadmaster, a pallet wrap made from linear low-density polyethylene. It achieved significant sales volume in its first year on the market, and enabled Borden to increase its penetration of the total industrial film market, which includes products made from PVC. The results for Loadmaster far offset volume declines in Resinite-brand pallet wrap, the Borden entry in the PVC segment. Sales of Resinite-brand packaging films to restaurants and other institutional customers were up substantially; those to supermarkets were up slightly,

1987-1988 PETRO-CONDO OBJECTIVE



Borden's Internal Requirements

Petro-condo or Long Term Guaranteed Sales

This flow chart illustrates the pivotal role of the Geismar, Louisiana, petrochemical complex in the Chemical Division's operations. At Geismar, purchased feed stocks (chlorine, ethylene, and natural gas) are converted into six chemical building blocks, out of which are formed the two principal "chains" of the division's business: thermosetting resins, and thermoplastic resins. (Purchased phenol is converted at the intermediate stage into phenolic resins.) The objective of the petro-condo strategy is to remove Borden Chemical from the cyclical merchant petrochemical market.

having been affected by a decline in the display of in-store wrapped produce.

Proponite, the Borden brand of oriented polypropylene (OPP) films for in-factory packaging, posted new highs in sales and income, aided by the introduction of a coextruded film that offers users a wide range of sealing temperatures. The new film increased Proponite's share of the packaging markets for snacks, bakery goods, and candy.

To meet the growing demand for Borden films, Loadmaster production capacity in the U.S. is being increased 50%, and Proponite capacity, 70%, at a cost of almost $30 million. Loadmaster expansions are underway at North Andover, Massachusetts, and Griffin, Georgia, and are scheduled for completion during the first half of 1985. The Proponite expansion, also at North Andover, is scheduled for completion in the third quarter of 1985.

The Vernon/Fabric Leather profit center of Plastic Products, with operations in Massachusetts and New York, had higher sales and income, in spite of continued pressure from low-priced imports and a fashion trend away from vinyl to fabrics. The profit center has been successful in countering some of this pressure by shifting the product mix toward industrial laminating films, pool liners, and graphic arts materials, and by restyling patterns and designs to revive interest in expanded vinyl applications.

The division's petrochemical complex at Geismar had a significant improvement in production volume to the highest level ever. Income was up almost 145%, reflecting full production and an improved industrial economy.

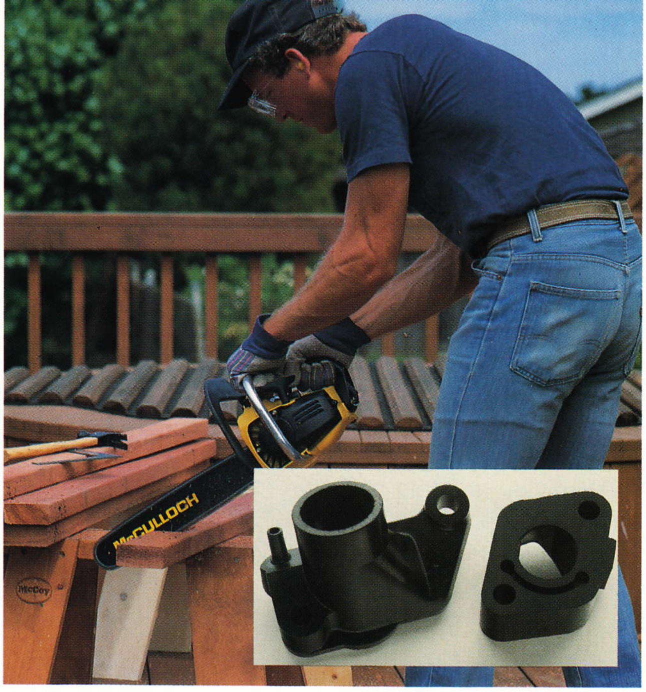
The complex produces over 3.5 billion pounds of products annually. About 70% of the output is used internally by Borden Chemical operations; the remainder is sold to other manufacturers through the division's Petrochemical Marketing Group.

The highly integrated nature of the nine plants at the complex has accentuated the benefits of continual improvements in energy usage and productivity. Efficiency has risen as operating rates have increased and more units have been brought on stream. Significant gains in productivity were achieved during the year at the ammonia, methanol, formaldehyde and ethylene-based vinyl chloride monomer plants.

Contributing to an improvement in profitability in the second half were cost-reduction projects undertaken a year earlier. The full effect of these will be felt in 1985, and reinforced by additional projects now underway. Among the most significant is a $15 million facility for the co-generation of electricity and steam, scheduled to be in production during the third quarter of 1985. It will reduce electrical and energy costs by at least $4.5 million per year thereafter.

Also adding to profitability were lower average raw material costs.

A "petro-condo" strategy was developed to improve the return on investment in the Geismar complex, and thus the return on total divisional investment, and to reduce the effect of market cycles on the division's operations. Under the petro-condo strategy, Borden Chemical invites other chemical companies to share the facilities and raw materials available at Geismar by purchasing an interest in existing plants or constructing "satellite" plants that could be individually owned or co-owned by Borden. The division offers participants long-term supply contracts for raw materials or finished products, and shares on a profit basis such support facilities as steam, electricity, and waste disposal, and receives fees for providing services and operating the participants' share of co-owned facilities.



Carburetor spacers (inset), injection molded from RX600, a glass-reinforced phenolic material formulated by Rogers Corporation, Manchester, Connecticut, go into virtually every gasoline engine made by McCulloch Corporation. Borden Chemical supplies Rogers with specialty dry phenolic resins.

BASF/Wyandotte Corp. became the first petro-condo participant, with the purchase of an interest, raised to 30% during the year, in the Geismar acetylene plant and its related oxygen/nitrogen plant. BASF/Wyandotte made the purchase to assure itself of a long-term supply of acetylene. In December, Liquid Air Corp. joined as a participant, acquiring a 10% interest in the air-compression units that serve the oxygen/nitrogen plant. Additionally, a new state-of-the art molecular sieve air-purification and cryogenic air-separation plant will be built by Liquid Air Engineering Corp. and jointly owned by the parties. The air-separation plant, functioning off the existing air compression units, will produce oxygen and nitrogen at a significantly lower cost than that of the facility now in operation, and supply the acetylene plant as well as other facilities at Geismar. The new plant will also produce merchant industrial gases to meet Liquid Air's long-term requirements of the products.

At year end, negotiations were underway with several other prospective petro-condo participants.

The Energy Resources Group, which is responsible for developing the division's natural gas resources, was restructured to tie in more directly with the Geismar complex. With oil and gas markets in a depressed state, the complex provides a ready and more favorable market for internally developed natural gas supplies. Development programs will be expanded in 1985.

Borden Inc. International

	1984	1983
Sales (in Millions)	**$711.2**	$724.6
% of Total Sales	**16%**	17%
Operating Income (in Millions)	**$ 77.4**	$ 78.8
% of Total Income from Operations	**19%**	21%

Operating income of the International Division, down 1.8% from 1983, reflected the growing strength of the U.S. dollar, continued weakness in the economies of many countries, and balance of payment problems throughout much of Latin America. Most operations achieved higher sales and income, but the gains were not always evident when translated into dollars for reporting purposes.

Foreign exchange losses totaled $15.6 million, against $12.8 million a year earlier, and were the product of the strong dollar and continuing devaluation in Brazil. By significantly reducing outstanding debt in Brazil, the division materially improved the after-financing income of the operations there.

EUROPE

The food and whole milk powder operations posted record results. Chemical income declined slightly owing to the costs of reorganizing operations in France and Spain, which offset gains in most other areas.

Chemicals—In the United Kingdom, income in local currency was up 16% on the strength of good performances by Industrial Products and Rigid Film Packaging. The latter group benefited significantly from the acquisition in Scotland of a manufacturer of complementary rigid film products. Income in dollars was unchanged because of the further depreciation of sterling and the costs of closing two losing operations.

In France, sales in local currency increased 15% with help from a strong improvement in shipments of adhesive tapes and an upturn in shipments of foundry resins. However, government price controls, the elimination of unprofitable activities, and the weakness of the French franc brought a decline in dollar income. The transfer of Resinite packaging film production to France from Norway was begun late in the year. The consolidation will result in the most modern and efficient PVC film processing plant in Europe.

In Spain, the flexible packaging division substantially increased its sales and moved up to market leader. The industrial chemical division was reorganized, staffing was reduced, and unprofitable activities were eliminated. The costs associated with these actions led to a loss by the Spanish chemical operations.

In the Netherlands, the flexible and rigid film packaging operations had a good year, with income in local

ReaLemon reconstituted lemon juice, produced and bottled in Belgium, achieved growth throughout Europe and the Middle East. It was introduced in Finland.

currency up 11%. Dollar income, although ahead of 1983, was adversely impacted by the depreciation of the guilder.

The flexible film operations in Norway achieved a turnaround, moving from a loss in 1983 to a small operating profit.

Foods—The Weber bakery in West Germany posted higher dollar results, with significant increases in local currency sales and income. For the first time, Weber's German Christmas Cakes (stollen) were exported to the United States.

The Belgian bakery division achieved strong sales of its Suzy-brand waffles, with two new lines introduced in the fourth quarter. ReaLemon reconstituted lemon juice, produced and bottled in Belgium, showed further growth throughout the Middle East and Europe; sales in the United Kingdom were up 10%. The product was introduced in Finland.

In Spain, Borden acquired the remaining 50% interest in the snack food operation and consolidated its position in the potato chip market. Gallina Blanca, the Borden affiliate in Spain, further increased its market share in bouillon broth and dehydrated soups. Export sales of Jumbo Cube bouillon improved, with additional gains in West African markets.

Milk Powder—Exports of KLIM brand milk powder, conducted by the European Group, produced an improvement in operating income, although the value and volume of shipments declined slightly. The consumer business encountered severe competition owing to aggressive pricing by competitors in the European Common Market.

The new KLIM processing plant at Esbjerg, Denmark, came on stream in the first quarter and immediately produced the savings projected for it. The new plant added 80% to capacity, and its modern production technology ensures the future competitiveness of KLIM in the industry. The former KLIM plant, also in Esbjerg, has been upgraded and is producing other milk-based products.

The Weber bakery is the supplier of hamburger buns to McDonald's restaurants in West Germany.

Suzy, the Borden bakery in Belgium, is the world's largest producer of waffles.

ASIA

Major increases in sales and income were achieved in local currencies, but the strengthening of the dollar and devaluation of the Philippine peso resulted in only modest gains when translated into dollars.

In Japan, Hitachi-Borden, a joint venture, broadened its product lines beyond packaging films with the start-up of production of car care products. Lady Borden ice cream continued to dominate the premium ice cream market in Japan. Sales were spurred by record attendance at Tokyo Disneyland, where the Borden licensee, Meiji Milk Products Co., sponsors a Lady Borden Ice Cream Parlor.

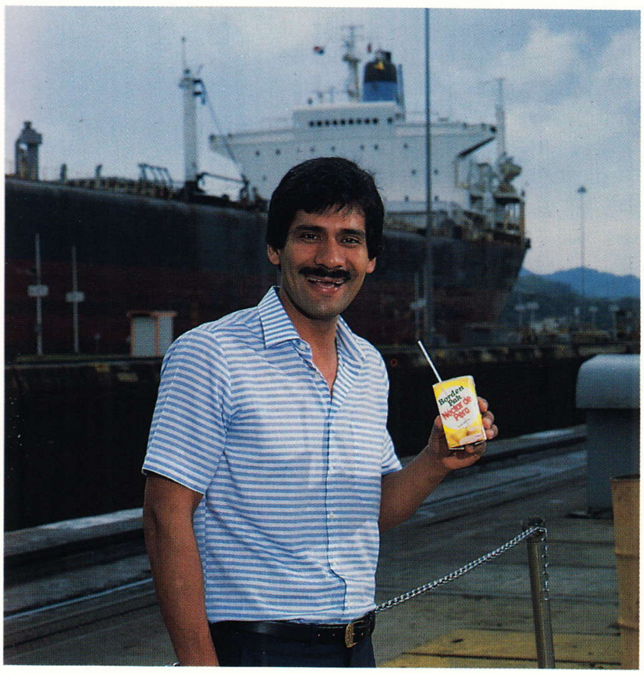
In Australia, record income resulted from a strong economy and good demand from the forest products industry.

A second snack food project in Asia will be established near Kuala Lumpur; production is scheduled to begin by mid 1985.

LATIN AMERICA

High rates of inflation, regular currency devaluations, depressed demand, and price controls continued to characterize the economies of many countries throughout the region. In spite of this environment, many Borden operations achieved higher sales and income in local currencies and some produced improved results even when translated into dollars.

Operations in Brazil benefited from steps taken in 1983 to adjust capacity to reduced demand. The chemical operations achieved excellent results, owing to a combination of higher operating margins and an improved product mix. Borden is the market leader in formaldehyde, woodworking resins, and consumer chemicals. The Brazilian food operation also posted improved results, maintaining its leadership in the pasta market under the Adria brand. Indebtedness in Brazil was reduced by 60%, with consequent savings in financing costs.



Aseptically packaged fruit juices and nectars are being marketed by the Borden food operations in Panama. They are the first aseptic juice products to be sold in Central America.

Hitachi-Borden, a joint venture in Japan, markets a full line of consumer sizes of Resinite PVC packaging film.

In spite of recession and rampant inflation, the Argentine chemical operation maintained market position and profitability.

Owing to the success in developing a market for pasta in Chile through exports of Adria brand products from Brazil, a 12,000-ton pasta plant is under construction in Santiago, Chile. It is scheduled to be in operation in mid 1985, and will serve the Chilean market, which ranks eighth in the world in per capita consumption of pasta.

Chemical operations in Mexico and Colombia registered increased profits in the face of generally weak economies, primarily because of cost reductions and tighter controls over working capital. The Ecuadorian chemical company had record earnings, boosted by its entry into car-care products.

High through-put and new products benefited the whole milk powder operations in Colombia and strengthened the KLIM brand's position as market leader.

In Panama, record results were achieved through higher ice cream sales and the introduction of singly wrapped cheese slices under the Borden brand.

In Ecuador, two snack food companies were acquired, marking the division's entry into the snacks business in Latin America.

CAN MACHINERY

The Can Machinery Group, which manufactures can-making and can-testing equipment in Colorado and New York for sale worldwide, posted higher sales and income. The group received several orders for its new high-speed "decorator" printer, which can be used on plastic containers as well as on cans.

EXPORT

Reflecting the strength of the dollar and the consequent weakened purchasing power of foreign currencies, export sales declined sharply. Income, however, was down only slightly owing to relatively higher shipments of branded consumer products compared with bulk chemicals.

Social Responsibility

The company's corporate citizenship program was directed outward to Borden communities and inward to Borden employees.

The Borden Foundation, the principal conduit for the company's charitable contributions, continued its support of health care and higher education: 119 health and welfare groups received Foundation support, and grants to the Independent College Funds of America, Inc. and the United Negro College Fund, Inc. assisted 633 institutions of higher learning. United Way fund drives in 145 Borden communities also received Foundation support.

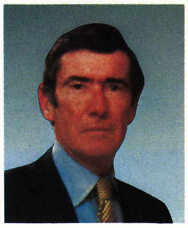
To provide an even greater reflection of employees' interests, the Matching Gifts Program was again expanded in 1984. The program now matches eligible employee gifts to performing and cultural arts organizations, as well as to institutions of higher education and to health care organizations. The value of gifts matched through the program increased over 50% from 1983. Employee participation was up 30%.

The number of minority companies providing goods and services to Borden increased over 20%, from 500 to more than 600. Minority purchases went from $21 million to $31 million, a 50% gain. Deposits in minority-owned banks remained steady at about $46 million. Borden was named "corporate company" of the year by the Columbus (Ohio) Regional Minority Supplier Development Council for its involvement and leadership role in minority purchasing. The company's program was also highlighted in several major industry magazines.

The company's commitment to improving the representation of minorities in its workforce continued to show improvement in 1984: The overall percentage of minorities in all job categories substantially exceeds the percentage of minorities comprising the nation's total workforce. Minority participation showed a significant increase in the top four job categories, as well, with a 63% increase over the past seven years. Female participation in the company exhibited an upward trend in each of the top four categories and posted the largest annual percentage increase in five years. Each company location has established affirmative action goals for the hiring and promoting of minorities and females.

Changes in Directors and Officers

Frank V. Forrestal



Frank V. Forrestal, executive vice president and president of the Consumer Products Division, died January 1, 1985. He joined the Company in 1949 in the export operations of what was then the Foods Division. He left in 1954 to become international sales manager for the Quaker Oats Company, but returned to the Foods Division's international operations in 1959 as assistant sales manager for the Eastern Hemisphere. By 1967, he had risen to group vice president-international operations of the division. He transferred to the International Division upon its formation in 1968, and in 1975 was named president of Borden Europe, responsible for food, dairy and chemical operations in Europe, Canada, the Middle East and Africa. He was elected executive vice president and appointed president of the Consumer Products Division in April, 1981, at which time he also became a member of the Office of the Chairman.

■ ■ ■

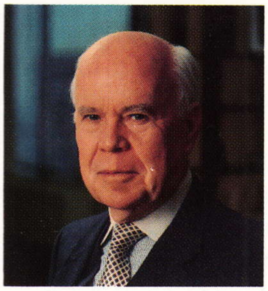
Augustine R. Marusi, former chairman and chief executive officer of the company and a director since 1959, retired from the board on April 13, the date of the annual meeting, in accordance with a company policy that nominees be under 70 years of age at the time of election. The board appointed him an advisory director, citing his "immeasurable contributions" to Borden during his 45 years of service with the company.

John J. O'Connor retired as vice chairman on April 13 and as an employee on April 30, his normal retirement date. He joined the Borden Chemical Division in 1947 and was named its president in 1967, at which time he was elected a corporate vice president. In 1968 he became the first president of the newly formed International Division, continuing in that position following his election as an executive vice president in 1979. He was elected vice chairman effective January, 1983. Mr. O'Connor, having reached normal retirement, was not eligible for nomination as a director nor appointment as an advisory director; under company policy, only retired chief executive officers may serve in these positions beyond age 65.

Jon G. Hettinger, effective January 1, 1985, was elected a corporate vice president, responsible for the Grocery and Specialty Products operations of the Consumer Products Division. He joined the division in 1972 from the General Foods Corp. and was a senior group vice president of the division prior to his election.

George J. Waydo, effective January 1, 1985, was elected a corporate vice president, responsible for the Snacks and Dairy operations of the Consumer Products Division. He joined the division in 1975 from the H. J. Heinz Co., and was a senior group vice president of the division prior to his election.

Office of the Chairman



EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

HARRY G. LAMBROUSSIS
Executive Vice President
President, International Division

R. J. VENTRES
Executive Vice President
President, Chemical Division

BERNARD NEMTZOW
Executive Vice President
Chief Administrative Officer

CORPORATE VICE PRESIDENTS

JON G. HETTINGER
Grocery and Specialty Products, Consumer Products Division

GEORGE J. WAYDO
Dairy and Snacks, Consumer Products Division

ALFRED S. CUMMIN
Science and Technology

LAWRENCE O. DOZA
General Controller

FRANK L. FLORIAN
Planning

KAREN L. JOHNSON
Consumer Affairs

DAVID A. KELLY
Treasurer

WALTER W. KOCHER
General Counsel

ALLAN L. MILLER
Employee Relations

DIVISION GROUP VICE PRESIDENTS

Chemical Division

JOHN S. BELLECCI
Basic Chemicals

A. S. D'AMATO
Plastic Products

H. A. PEED
Resins-Adhesives/Graphics-Canadian Operations

TODD C. WALKER
Vinyl Resins/Petrochemical Marketing

Consumer Products Division

LEE N. ARST
Main Meal and Confections

JOHN F. DIX
Desserts and Beverages

THOMAS O. DOGGETT
Home & Professional Products

H. WAYNE MOSLEY
Dairy

SEYMOUR L. VLADIMER
Bakery and Puerto Rican Operations

International Division

FERNANDO G. LOUZADA
Latin America, South

DAN O'RIORDAN
European Foods/Export

JOSEPH M. SAGGESE
Asia/Latin America, North/Can Machinery

STAFF DEPARTMENTS

ROBERT G. TRITSCH
Secretary

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

FRED J. CHRVALA
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

L. CLARKE BUDLONG
Assistant General Controller

EUGENE C. McCARTHY
Assistant General Controller

PAUL J. JOSENHANS
Associate General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

JUDY BARKER
President, The Borden Foundation

DEBBIE J. MITCHELL
Director, Investor Relations

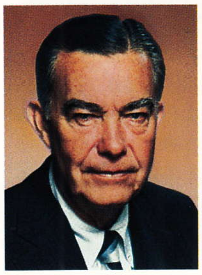
JOSEPH A. McCAHERY
General Auditor

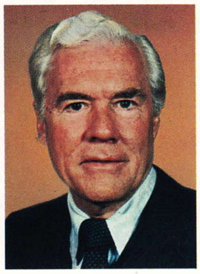
JAMES T. McCRORY
Director, Public Affairs

Directors


Theodore Cooper, M.D.


Virginia Dwyer


James D. Finley


Ward S. Hagan


John W. Lynn

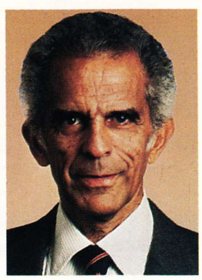

Bernard Nemtzow


Robert T. Quittmeyer


Patricia Carry Stewart


Eugene J. Sullivan


Pieter C. Vink


Franklin H. Williams

THEODORE COOPER, M.D.
Vice Chairman of the Board
The Upjohn Company
(Pharmaceuticals)

VIRGINIA DWYER
Senior Vice President, Finance
American Telephone and Telegraph Company

JAMES D. FINLEY
Retired Chairman
J. P. Stevens & Co., Inc.
(Textiles)

WARD S. HAGAN
Chairman
Warner-Lambert Company
(Health-care and consumer products)

JOHN W. LYNN
Chairman and Chief Executive Officer
F. W. Woolworth Co.
(Retail merchandising)

BERNARD NEMTZOW
Executive Vice President and Chief
Administrative Officer

ROBERT T. QUITTMEYER
Former Chairman and Chief Executive Officer
Amstar Corporation
(Sweeteners—industrial and technical products)

PATRICIA CARRY STEWART
Vice President
The Edna McConnell Clark Foundation
(Charitable foundation)

EUGENE J. SULLIVAN
Chairman and Chief Executive Officer

PIETER C. VINK
Retired Chairman
North American Philips Corporation
(Electrical/electronic manufacturing)

FRANKLIN H. WILLIAMS
President
Phelps-Stokes Fund
(Educational foundation)

1984 Financial Review

Sales and Earnings

Sales for 1984 increased 7.1% to $4.568 billion from $4.265 billion in 1983. Net income for 1984 reached an all-time high of $191.4 million, an increase of 1.2% over $189.1 million in 1983. Earnings per share were $7.13 (primary and fully diluted), an increase of 9.7% from $6.50 for fully diluted and 8.7% from $6.56 for primary. During 1984 the Company realized a net after-tax gain of $9.0 million or $0.34 per share from the sale of property. During 1983 the Company realized a net after-tax gain of $28.7 million or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property. In addition, 1984 average shares outstanding for primary and fully diluted earnings per share declined approximately 2.0 million and 2.3 million, respectively, from the 1983 amounts, which in part contributed to the improvement in earnings per share.

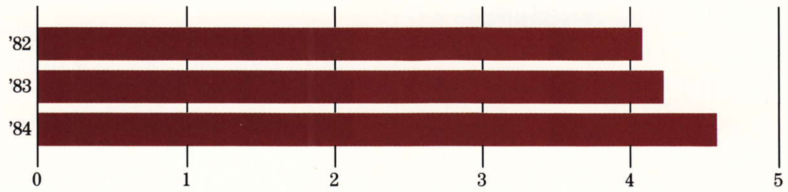
Dividends

Dividends for 1984 were $2.65 per share, an increase of 11.1% over 1983. The increase in 1984 represents the eleventh consecutive yearly increase. Quarterly dividends have been paid without interruption for 86 years. Future dividends and the amount thereof will depend upon earnings, cash requirements and other relevant factors.

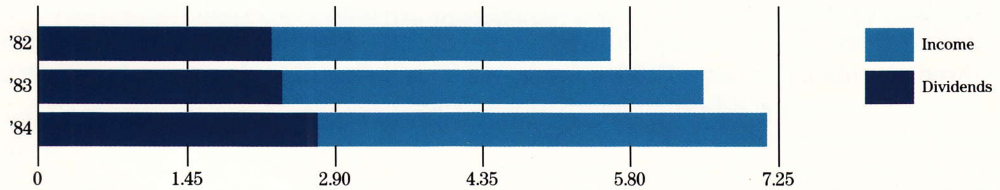
Return on Average Shareholders' Equity

Return on average shareholders' equity was 13.9% in 1984 and 13.8% in 1983. A company goal is to increase the return on average shareholders' equity to at least 15% by 1985.

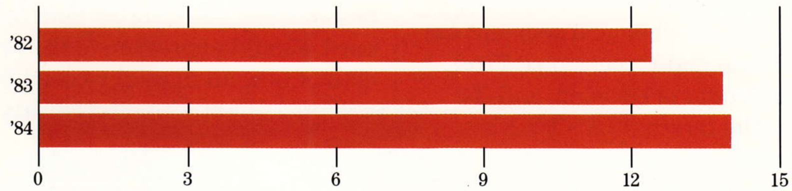
Sales
in billions of dollars



Income and Dividends Per Share
in dollars



Return on Average Shareholders' Equity
% return



Three Year Comparison of Division Sales and Operating Income

(Dollars In Thousands)

	1984		1983		1982	
Division Sales						
Consumer Products	**$2,933,898**	**64%**	$2,771,316	65%	$2,659,944	65%
Chemical	**922,883**	**20**	768,838	18	679,620	16
International (including exports)	**711,237**	**16**	724,617	17	771,713	19
Total	**$4,568,018**	**100%**	$4,264,771	100%	$4,111,277	100%
Division Operating Income						
Consumer Products	**$ 219,855**	**53%**	$ 210,023	57%	$ 181,334	62%
Chemical	**116,037**	**28**	80,265	22	26,754	9
International (including exports)	**77,386**	**19**	78,814	21	83,886	29
Total	**413,278**	**100%**	369,102	100%	291,974	100%
Other income and expenses not allocable to divisions and income taxes	**(221,871)**		(180,033)		(126,119)	
NET INCOME	**$ 191,407**		$ 189,069		$ 165,855	

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Borden is primarily engaged in the purchase, manufacture, processing and distribution of a broad range of consumer and chemical products, both domestically and in foreign countries. Borden operates in two major industry segments: foods and chemicals. Internally, Borden is organized into three operating divisions: Borden Consumer Products, Borden Chemical and Borden International. The foods segment encompasses the food related products of the Consumer Products Division and the International Division. International's products are primarily processed in overseas plants but also include exports of domestically processed products. Included in the chemical segment are the Chemical Division, the Home and Professional Products Group of the Consumer Products Division, and the chemical related products of the International Division produced overseas and domestically. A breakdown of the Company's sales, operating profit and other information between the foods and chemical industry segments is presented on pages 29 and 30. A three-year summary of sales and operating income by the three operating divisions is presented above. An analysis of the results achieved, financial position and changes in financial position in both industry segments, in terms of the Company as a whole and the divisions through which it operates, for the three most recent years follows.

Liquidity and Capital Resources

Borden meets the majority of its cash requirements through operations. The amounts provided from operations and retained in the business in 1984, 1983, and 1982 were $243.9 million, $337.8 million and $253.1 million, respectively. Short-term borrowings are utilized to meet temporary cash requirements. See Note 4 of the Notes to Consolidated Financial Statements for further information regarding short-term borrowings.

Borden borrows domestically at commercial paper rates and has credit agreements available to support commercial paper borrowing of approximately $300.0 million at December 31, 1984, all of which are with domestic lending institutions. The interest cost on the credit agreements, if used, should approximate the prime rate in effect at the date of use. Additional unused lines of credit totaling $61.6 million at December 31, 1984 are available for use by foreign subsidiaries.

In addition to cash provided from operations, approximately $107.0 million was generated in 1982 through the divestiture of businesses under a redeployment program. The disposal phase of the program was completed in 1982.

In 1984, 1983, and 1982 long-term debt financing provided $112.5 million, $26.8 million and $85.6 million, respectively. Included in the long-term debt financing provided in 1984, are proceeds from a Eurodollar Extendible Note offering of $100.0 million, which were used to finance the acquisition of Ronco Enterprises, Inc., a pasta manufacturer, and to repay short-term debt. The reduction of long-term debt, including conversions, was $67.1 million, $85.7 million and $86.8 million, respectively. At December 31, 1984 and 1983 long-term debt was 31% and 27%, respectively, of total shareholders' equity. Debt payable within one year increased $76.2 million in 1984, $42.4 million in 1983 and $32.2 million in 1982.

The Company's strong financial position and history of growth in earnings provide a solid base for obtaining substantial financial resources. If required, management believes that additional cash from long-term borrowings in excess of $400.0 million could be raised. The Company has outstanding a shelf registration statement for $200.0 million of debt securities, which provides the Company with the flexibility to enter the market quickly and take advantage of favorable market conditions.

Capital expenditures for new facilities and improvements to existing facilities were $163.8, $184.9, and $240.1 million in 1984, 1983 and 1982, respectively. Depreciation, depletion and amortization during each of the three years was $113.0, $95.5, and $99.8 million. The Company's $1.5 billion expansion program, consisting of both capital expenditures and acquisitions, is being funded primarily by operations and, in 1982, by the redeployment program.

Borden is actively engaged in complying with environmental protection laws, as well as the various federal and state statutes and regulations relating to the production, processing, distribution and labeling of its many products. In this connection Borden incurred approximately $3.5 million of capital expenditures in 1984 as compared to $8.5 million in 1983 and $24.1 million in 1982. It is estimated that Borden will spend $8.2 million for environmental control facilities during 1985.

The Company's 1984 acquisition of treasury shares approximated 2.1 million shares at a cost of $118.7 million. In 1983 and 1982 it acquired approximately 1.3 million shares at a cost of $70.2 million and 2.0 million shares at a cost of $65.8 million, respectively. Treasury shares on hand and any additional which may be purchased in 1985 will be held for general corporate purposes including possible future acquisitions.

During 1983 the Company called its 6¾% and 5% Eurodollar Convertible Debentures for redemption. Approximately 0.6 million shares of common stock were issued for the conversion of $17.4 million convertible debentures prior to the redemption dates.

Results of Operations

Each of Borden's operating divisions must deal with intense competition on the local and national level, both in the United States and overseas. Advertising and promotion expenditures were increased to $252.0 million in 1984 from $219.1 million in 1983 and $209.7 million in 1982 in order to preserve and expand Borden's market share.

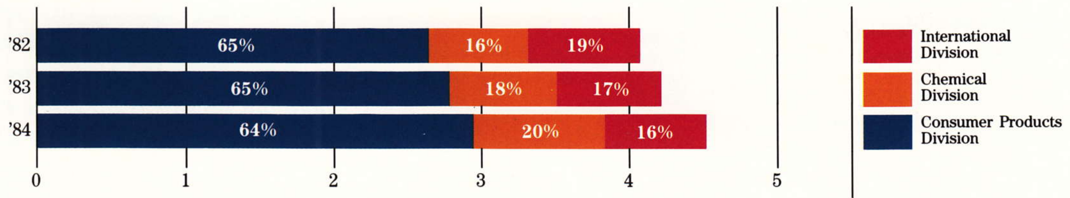
Raw materials and supplies used in production are purchased from a broad range of sources. Natural gas, the feedstock for Borden's petrochemical complex, is the subject of supply contracts. Borden has contracts for all current gas requirements, beyond captive sources, through 1990.

Research and development expenditures were $22.5 million in 1984, $22.0 million in 1983 and $21.3 million in 1982. The development and marketing of new food and chemical products is carried out at the divisional level and is integrated with quality controls for existing product lines.

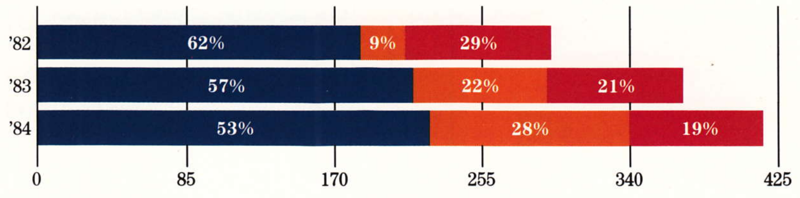
Net sales in 1984 increased 7.1% to $4.568 billion from 1983 sales of $4.265 billion, which was up 3.7% from 1982 sales of $4.111 billion. Net income increased 1.2% to a record $191.4 million from the previous high of $189.1 million in 1983, which was 14.0% higher than the $165.9 million in

Sales and Operating Income

Sales
in billions of dollars



Operating Income
in millions of dollars



1982. In 1984 there was an after-tax gain of $9.0 million or $0.34 per share from the sale of property. In 1983 there was an after-tax gain of $28.7 million or $1.00 per share (primary), $0.99 per share (fully diluted), primarily from a disputed contract settlement and the sale of property. In 1982 there was a net after-tax gain of $28.0 million or $0.98 per share (primary), $0.94 per share (fully diluted), from the sale of assets. Primary earnings per share rose 8.7% to $7.13 from $6.56 in 1983, which was 12.9% above the 1982 mark of $5.81. Fully diluted earnings per share increased 9.7% to $7.13 compared to $6.50 in 1983 and $5.62 in 1982. As a result of the 1983 conversion of the Company's 6¾% and 5% convertible debentures, the spread narrowed considerably between primary and fully diluted earnings per share in 1983 and was eliminated in 1984.

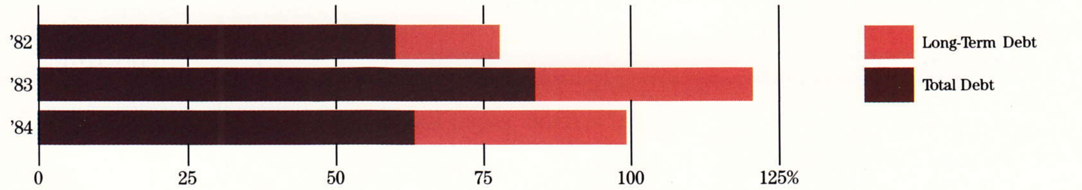
Divisional operating income for 1984 increased to $413.3 million from $369.1 million in 1983, which was up from the 1982 amount of $292.0 million. The effective income tax rate was 43.3% in 1984, 43.2% in 1983 and 34.9% in 1982. Income taxes in 1984 were $146.0 million versus $144.0 million in 1983 and $89.0 million in 1982. The increase in the effective tax rate for 1984 and 1983 was due primarily to lower investment tax credits and higher domestic operating income relative to foreign income. The investment and energy tax credits were $8.6 million in 1984, $8.8 million in 1983 and $18.2 million in 1982.

The Consumer Products Division's sales increased 5.9% to $2.934 billion from $2.771 billion in 1983. Operating income for the Division rose 4.7% to $219.9 million from $210.0 million. Four of the five Grocery and Specialty operating units improved their profit performance from 1983. Strong product gains were made by branded cheese, Cracker Jack candied popcorn, Krylon and glue products. Two of the three Dairy and Snacks operating units improved sales and operating income from 1983. Dairy's milk and ice cream products and Drake bakery products reflected strong gains while the snacks group was adversely affected by substantially higher costs for cooking oil which could not be recovered in higher selling prices and increased marketing costs for the introduction of new products. The Division's sales increased 4.2% and operating income rose 15.8% in 1983 versus 1982 as seven of the Division's eight operating units had improved results.

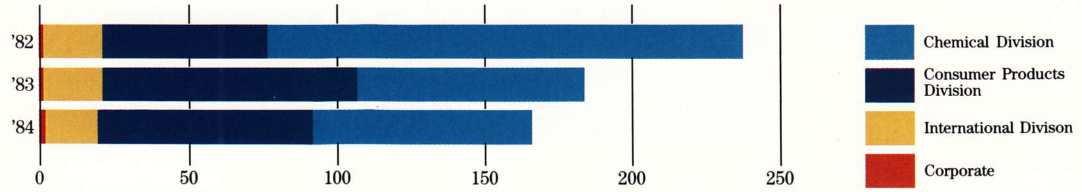
The Chemical Division's 1984 sales increased 20.0% to $922.9 from $768.8 million in 1983 primarily due to the continued recovery of the housing and auto markets, the two principal outlets for the Division's products. Operating income increased to $116.0 million from the $80.3 million level the year earlier. Strong gains were posted in Industrial Resins, Adhesives and Graphics, Resins and Chemicals, Columbus Coated Fabrics, Plastic films and Basic Chemicals. These gains more than offset a substantial decrease in Thermoplastic's results due to severe pricing instability in PVC Resins. Additionally, the Division benefited from improved production relative to higher plant operating rates and generally lower natural gas costs. The Chemical Division's 1983 operating income was up sharply from $26.8 million in 1982, primarily due to the recovery of the housing and auto markets.

The International Division's 1984 sales decreased 1.8% to $711.2 from $724.6 million in 1983, due to the rise in the value of the dollar. Operating income was down 1.8% to $77.4 million from $78.8 million in 1983 primarily because of the impact of the continued recession, intense price

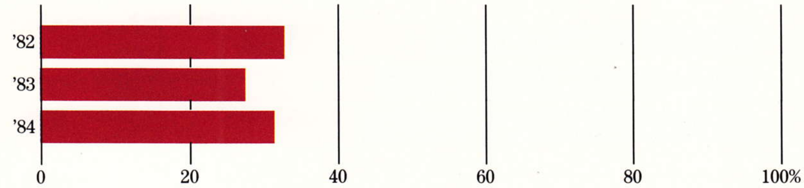
Funds Provided From Operations as a Percent of Long-Term Debt and Total Debt



Capital Expenditures by Division
in millions of dollars



Long-Term Debt as a Percent of Equity



competition and price controls in Latin America and on our chemical operations in Europe. This was partially offset by improvements in the Division's food operations. The Division's 1983 results were behind 1982 for similar conditions which impacted 1984 results.

Inflation

Inflation and disinflation had an impact on the Company's reported earnings, shareholders' equity and other financial information which is not measured by traditional accounting methods. Pages 43 and 44 present certain financial information adjusted in accordance with Statement of Financial Accounting Standards No. 33, an experimental approach for estimating and evaluating the impact of inflation.

Business Segments

Borden, Inc., as discussed on the previous pages, operates in two major industry segments: foods and chemical. Corporate departments provide certain centralized services for the corporation and all operating units. The Company's general offices are located in Columbus, Ohio and its executive offices in New York City. Production facilities are located throughout the United States and in many foreign countries. The Company considers that its operating properties are generally well maintained and effectively utilized.

The foods segment encompasses the following: the food products of the Consumer Products Division, including in its product lines—processed cheese, non-dairy creamer, reconstituted lemon and lime juice, dehydrated potatoes, instant coffee, sweetened condensed milk, snack foods and cakes, confections, powdered soft drinks, jams and jellies, pasta, seafood, homogenized milk, buttermilk, chocolate drink, ice cream and milks, sherbets, yogurt, cottage cheese, frozen novelties, dips, eggnog, sour cream, low-fat dairy products, milk-based products for the industrial trade, and fruit drinks; and the International Division's food products processed in domestic plants but exported outside the United States, and food and dairy products processed in overseas plants. As of December 31, 1984 the Consumer Products Division operated 100 manufacturing and processing facilities, the most significant being the Illinois powdered soft drink operations, the snack group operations in Pennsylvania, Florida, Missouri, South Carolina, Texas, Indiana, Wisconsin, Utah and Ohio, the pasta operations in Minnesota, Louisiana, Arizona and Tennessee, the confectionery operations located principally in Illinois, the bakery operations in New Jersey, the snack and specialty operations in Puerto Rico, and the dairy facilities, all of which are approximately the same size, located principally in the midwest, south, and southwest; and the International Division operated 23 food and dairy manufacturing and processing facilities located principally in Latin America and Western Europe.

Included in the chemical segment are the Chemical Division, the home and professional products group of the Consumer Products Division, and chemical related products of the International Division produced overseas and domestically. This segment is a major producer of basic petrochemicals and thermoplastics including polyvinyl acetate, PVC resins, formaldehyde, methanol, ammonia, and urea, most of which are utilized in the segment's downstream production facilities. Those facilities produce synthetic adhesives for the forest products and packaging industries, transparent wrapping film, printing inks, vinyl film for wall coverings and other applications, glue and spray paint, and plastic school and office accessories. As of December 31, 1984 the Chemical Division operated 47 manufacturing and processing facilities, the most significant being the Division's petrochemical complex in Louisiana and the thermoplastics and Resinite operations in Massachusetts and Illinois; the Consumer Products Division operated 3 consumer chemical manufacturing and processing facilities, located in the United States and Canada; and the International Division operated 40 chemical manufacturing and processing facilities located principally in Brazil and Western Europe.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food processors, institutions and governmental agencies. The chemical segment products are sold throughout the United States to industrial users and, in the case of consumer products, by an in-house and independent sales force to distributors, wholesalers, jobbers and dealers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, governmental policy toward industry and foreign investment and other factors vary substantially from country to country for both industry segments.

Segment operating profit as shown on page 30 is total revenue less operating expenses. In computing segment operating profit none of the following items have been deducted from revenue: general corporate expenses, interest expense and federal, state and local income taxes. Minority interests in earnings of certain subsidiaries and the Company's equity in earnings of unconsolidated 20% to 50% owned companies were immaterial and have been included in segment operating profit.

Identifiable assets by segment are those assets that are used in the segments' operations. Corporate assets are principally cash and cash items.

Business Segments

(In thousands)

	Year ended December 31	1984	1983	1982
Net Sales	Foods	$3,120,487	$2,969,431	$2,891,294
	Chemical	1,447,531	1,295,340	1,219,983
	Total	$4,568,018	$4,264,771	$4,111,277
Operating Profit	Foods	$ 243,208	$ 231,441	$ 206,336
	Chemical	170,070	137,661	85,638
	Total segments	413,278	369,102	291,974
	General Corporate income	3,384	31,518	27,886
	Interest expense	(79,255)	(67,551)	(65,005)
	Earnings before income taxes	$ 337,407	$ 333,069	$ 254,855
Identifiable Assets	Foods	$1,414,600	$1,256,364	$1,160,372
	Chemical	1,340,212	1,324,893	1,271,167
	Total segments	2,754,812	2,581,257	2,431,539
	Corporate assets	129,315	139,214	158,163
	Total	$2,884,127	$2,720,471	$2,589,702
Depreciation, Depletion, and Amortization	Foods	$ 50,326	$ 44,109	$ 43,868
	Chemical	60,045	48,109	52,639
Capital Expenditures	Foods	$ 78,406	$ 94,592	$ 61,074
	Chemical	83,555	89,701	178,097
Foreign Operations	Net sales	$ 752,288	$ 769,644	$ 790,245
	Operating profit	83,039	83,813	84,069
	Identifiable assets	505,187	497,948	529,494

Five-Year Selected Financial Data
BORDEN, INC.

(All dollar and share figures in thousands—except market price, number of common shareholders, average number of employees, and per share statistics)

Summary of Earnings	**1984**	1983	1982	1981	1980
Net sales	**$4,568,018**	$4,264,771	$4,111,277	$4,415,174	$4,595,795
Income taxes	**146,000**	144,000	89,000	79,500	95,300
Net income	**191,407**	189,069	165,855	159,939	147,485
Percent of net income to sales	**4.2%**	4.4%	4.0%	3.6%	3.2%
Net income per common share and equivalents:					
Primary	**$ 7.13**	$ 6.56	$ 5.81	$ 5.45	$ 4.77
Fully diluted	**7.13**	6.50	5.62	5.20	4.56
Dividends:					
Common share	**$ 2.65**	$ 2.38½	$ 2.17¾	$ 2.01¼	$ 1.88
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares and equivalents assumed outstanding during the year for calculation of:					
Primary earnings per share	**26,844**	28,819	28,530	29,367	30,889
Fully diluted earnings per share	**26,844**	29,121	29,717	31,066	32,708
Financial Statistics					
Capital expenditures	**$ 163,751**	$ 184,914	$ 240,104	$ 247,500	$ 196,951
Inventories	**418,740**	397,751	399,272	400,917	506,017
Property, plant and equipment, net	**1,331,252**	1,286,108	1,214,632	1,093,340	990,321
Depreciation, depletion and amortization	**112,968**	95,477	99,797	99,423	100,322
Total assets	**2,884,127**	2,720,471	2,589,702	2,508,816	2,649,644
Current assets	**1,221,729**	1,138,461	1,082,315	1,107,653	1,362,782
Current liabilities	**781,202**	684,593	604,360	588,559	788,780
Working capital	**440,527**	453,868	477,955	519,094	574,002
Current ratio	**1.6:1**	1.7:1	1.8:1	1.9:1	1.7:1
Long-term debt	**$ 423,413**	$ 377,683	$ 434,876	$ 435,549	$ 490,201
Long-term debt-to-equity percent	**31%**	27%	32%	33%	40%
Shareholders' equity	**$1,367,944**	$1,391,039	$1,341,333	$1,318,755	$1,227,422
Liquidating value of preferred stock	**(576)**	(649)	(710)	(1,065)	(1,138)
Common shareholders' equity	**1,367,368**	1,390,390	1,340,623	1,317,690	1,226,284
Equity per common share at year-end	**52.57**	49.64	46.99	44.98	41.32
Return on average shareholders' equity	**13.9%**	13.8%	12.6%	12.6%	12.3%
Ratio of earnings to fixed charges	**4.6:1**	4.7:1	3.8:1	3.7:1	4.0:1
Shareholders' Data					
Outstanding shares at year-end:					
Common	**26,008**	28,008	28,531	29,298	29,681
Preferred series B	**20**	22	25	37	39
Market price of common stock:					
At year-end	**$ 64¾**	$ 56½	$ 47⅝	$ 28	$ 25¾
Range during year	**65-49⅞**	61-45¼	52½-26⅞	30-25	27⅞-19⅝
Number of common shareholders	**43,409**	45,689	50,202	55,884	59,562
Employees' Data					
Payroll	**$ 608,400**	$ 578,000	$ 571,600	$ 573,000	$ 584,500
Average number of employees	**32,200**	32,600	33,200	35,200	38,400

Consolidated Statements of Income
BORDEN, INC.

(In thousands except per share data)		1984	1983	1982
		Year Ended December 31		
Revenue	Net sales	**$4,568,018**	$4,264,771	$4,111,277
Costs and Expenses	Cost of goods sold	**3,488,900**	3,277,535	3,258,719
	Marketing, general and administrative expenses	**688,382**	640,749	592,573
	Interest expense	**79,255**	67,551	65,005
	Other income, interest income, equity in income of affiliates, and royalties, net	**(25,926)**	(54,133)	(59,875)
	Income taxes	**146,000**	144,000	89,000
		4,376,611	4,075,702	3,945,422
Earnings	Net income	**$ 191,407**	$ 189,069	$ 165,855
Share Data	Net income per share:			
	Primary	**$ 7.13**	$ 6.56	$ 5.81
	Fully diluted	**7.13**	6.50	5.62
	Cash dividends per common share	**2.65**	2.38½	2.17¾
	Average number of common shares and equivalents assumed outstanding during the year	**26,844**	28,819	28,530

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Financial Position

BORDEN, INC.

(In thousands)		1984	1983	1982
		Year Ended December 31		
Funds Provided From Operations And Retained In The Business	Division operating income	$ 413,278	$ 369,102	$ 291,974
	Depreciation, depletion, and amortization	112,968	95,477	99,797
	Changes in trade receivables, payables, and inventories	(77,059)	(24,238)	(10,727)
	Other, net	(29,710)	18,536	(39,630)
		419,477	458,877	341,414
	Income taxes paid	(104,544)	(52,408)	(26,232)
	Dividends paid	(71,066)	(68,680)	(62,068)
		243,867	337,789	253,114
Funds Provided From Divested Operations	Divestiture of businesses	1,532	3,123	107,015
Funds Used In Investment Activities	Capital expenditures	(163,751)	(184,914)	(240,104)
	Purchase of businesses	(44,166)	(22,175)	(71,271)
		(207,917)	(207,089)	(311,375)
Funds Used In Financing Activities	Acquisition of treasury stock	(118,665)	(70,217)	(65,829)
	Stock issued for conversions and stock options	3,307	23,449	35,969
	Increase in debt payable within one year	76,194	42,406	32,249
	Long-term debt financing	112,455	26,792	85,634
	Reduction in long-term debt	(67,098)	(85,678)	(86,821)
	Interest paid, net	(64,514)	(58,197)	(50,015)
		(58,321)	(121,445)	(48,813)
	(Decrease) increase in cash (including time and certificates of deposit)	$ (20,839)	$ 12,378	$ (59)

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

BORDEN, INC.
(In thousands except share and per share data)

ASSETS		December 31 1984	1983
Current Assets	Cash (including time and certificates of deposit of $77,008 and $75,421, respectively)	**$ 122,335**	$ 143,174
	Accounts receivable (less allowance for doubtful accounts of $10,421 and $10,199, respectively)	**605,705**	523,019
	Inventories:		
	Finished and in process goods	**250,973**	242,272
	Raw materials and supplies	**167,767**	155,479
	Other current assets	**74,949**	74,517
		1,221,729	1,138,461
Investments and Other Assets	Investments in and advances to affiliated companies	**15,422**	14,551
	Miscellaneous investments and receivables	**57,882**	48,402
	Other assets	**46,768**	36,908
		120,072	99,861
Property and Equipment	Land	**53,005**	49,874
	Buildings	**364,725**	352,045
	Machinery and equipment	**1,794,374**	1,689,781
		2,212,104	2,091,700
	Less accumulated depreciation	**(880,852)**	(805,592)
		1,331,252	1,286,108
Intangibles	Intangibles resulting from business acquisitions	**211,074**	196,041
		$2,884,127	$2,720,471

See Notes to Consolidated Financial Statements

LIABILITIES AND SHAREHOLDERS' EQUITY

		December 31 1984	1983
Current Liabilities	Debt payable within one year	**$ 242,714**	$ 166,276
	Accounts and drafts payable	**309,723**	318,254
	Income taxes	**36,802**	43,826
	Other current liabilities	**191,963**	156,237
		781,202	684,593
Other	Long-term debt	**423,413**	377,683
	Deferred income taxes	**302,831**	259,017
	Other long-term liabilities	**5,217**	5,291
	Minority interests in consolidated subsidiaries	**3,520**	2,848
		734,981	644,839
Shareholders' Equity	Capital Stock:		
	Preferred stock—no par value		
	Authorized 10,000,000 shares		
	Issued series B convertible—19,929 shares and 22,481 shares, respectively (involuntary liquidating value of $576 or $28.88 per share at December 31, 1984)	**82**	93
	Common stock—$3.75 par value		
	Authorized 120,000,000 shares and 60,000,000 shares, respectively		
	Issued 33,664,037 and 33,640,060 shares, respectively	**126,240**	126,150
	Paid in capital	**258,215**	257,033
	Accumulated translation adjustment	**(103,342)**	(75,264)
	Retained earnings	**1,402,162**	1,281,821
		1,683,357	1,589,833
	Less common stock in treasury (at cost)—7,656,367 shares and 5,631,929 shares, respectively	**(315,413)**	(198,794)
		1,367,944	1,391,039
		$2,884,127	$2,720,471

Consolidated Statements of Shareholders' Equity
BORDEN, INC.

(In thousands) **For the Three Years Ended December 31, 1984**

	CAPITAL STOCK ISSUED					
	Preferred Series B	**Common**	**Paid-In Capital**	**Accumulated Translation Adjustment**	**Retained Earnings**	**Treasury Stock**
Balance, December 31, 1981	$ 152	$118,793	$204,913		$1,057,645	$ (62,748)
Net income					165,855	
Cash dividends:						
Common stock					(62,024)	
Preferred series B					(44)	
Accumulated translation adjustment:						
As of January 1, 1982				$ (25,329)		
Translation adjustment for the period				(26,020)		
Stock reacquired for acquisitions and treasury						(65,829)
Convertible Debentures and Preferred series B stock converted	(51)	3,596	24,967			
Stock issued for exercised options and Management Incentive Plan		1,014	6,443			
Balance, December 31, 1982	101	123,403	236,323	(51,349)	1,161,432	(128,577)
Net income					189,069	
Cash dividends:						
Common stock					(68,649)	
Preferred series B					(31)	
Translation adjustment for the period				(23,915)		
Stock reacquired for acquisitions and treasury						(70,217)
Convertible Debentures and Preferred series B stock converted	(8)	2,157	14,957			
Stock issued for exercised options and Management Incentive Plan		590	5,753			
Balance, December 31, 1983	93	126,150	257,033	(75,264)	1,281,821	(198,794)
Net income					191,407	
Cash dividends:						
Common stock					(71,038)	
Preferred series B					(28)	
Translation adjustment for the period				(28,078)		
Stock reacquired for acquisitions and treasury						(118,665)
Preferred series B stock converted	(11)	2	(84)			93
Stock issued for exercised options and Management Incentive Plan		88	1,266			1,953
Balance, December 31, 1984	**$ 82**	**$126,240**	**$258,215**	**$(103,342)**	**$1,402,162**	**$(315,413)**

See Notes to Consolidated Financial Statements

Notes To Consolidated Financial Statements
(In thousands except share and per share data)

1. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on the estimated useful lives of the properties (average rates for buildings—3%; machinery and equipment—6%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Gains or losses from retirements and disposals are included in income except for normal disposals subject to composite depreciation.

Gas and oil program expenditures are accounted for according to the "full cost" method whereby the cost of acquisition, exploration and development of gas and oil properties are capitalized.

Depletion of the full cost pool is computed using the unit-of-production method based upon the estimated proved reserves underlying all gas and oil properties.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the Consolidated Balance Sheets. It is the Company's policy to carry intangibles arising prior to November, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Intangibles arising after October, 1970 are being amortized on a straight-line basis generally over a forty-year period.

Income Taxes—The provision for income taxes includes federal, foreign, state and local income taxes currently payable and those deferred because of timing differences between income for financial statements and income for tax purposes. Investment tax credits are recorded as a reduction of current income tax expense in the years realized. A substantial portion of the undistributed earnings of subsidiaries, primarily outside the United States, have been reinvested and are not expected to be remitted to the parent company. Accordingly, no additional federal income taxes have been provided and at December 31, 1984, the cumulative amount thereof was approximately $180,000.

Pension, Retirement Savings and Certain Postretirement Benefits Plans—Substantially all of the Company's domestic and Canadian employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expenses for the Company's plans, determined for domestic employees in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, comprise current service costs and amortization of prior service costs, effectively, over a thirty year period. It is the Company's policy to fund pension costs accrued for qualified plans.

Substantially all domestic and Canadian salaried employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by participating employees and is recognized as a charge to income in the year the cost is incurred.

The Company provides certain health and life insurance benefits for eligible domestic and Canadian retired employees. Retired employees may become eligible for coverage by Company plans if they meet age and service requirements as indicated in the plans' provisions. The cost of providing health and life insurance benefits to retired employees under Company plans is recognized as a charge to income in the year the cost is incurred.

Earnings Per Share—Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Convertible Preferred Stock and Stock Options) assumed outstanding during the year of computation.

Fully diluted earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year, as if the Convertible Debentures (none outstanding subsequent to August 1983) had been converted at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

2. Foreign Affiliates

The financial statements of foreign entities have been translated into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52. The principal policies are that assets and liabilities are generally translated at current exchange rates and related translation adjustments are reported as a component of shareholders' equity. For entities in highly inflationary countries a combination of current and historical rates, similar to that previously required by Statement of Financial Accounting Standards No. 8, are used in translating assets and liabilities. Related exchange adjustments are included in net income.

After translation into U.S. dollars, the Company's proportionate share of net assets of foreign affiliates included in the consolidated financial statements was $250,000 at December 31, 1984 and $240,000 at December 31, 1983.

Realized and unrealized net foreign exchange losses aggregating $15,400, $12,800 and $12,500 were charged against net income in 1984, 1983, and 1982, respectively.

3. Earnings Per Share

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1984	1983	1982
Common Shares	26,773,690	28,737,206	28,462,973
Convertible Preferred Series B	23,152	25,522	36,032
Stock options	47,320	55,869	31,198
Total for primary calculation	26,844,162	28,818,597	28,530,203
Convertible Debentures:			
6¾%		157,151	600,945
5%		141,317	555,560
Stock options		4,131	29,835
Total for fully diluted calculation	26,844,162	29,121,196	29,716,543

4. Debt, Lease Obligations and Commitments

Debt outstanding at December 31, 1984 and 1983 is as follows:

	1984		1983	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
Sinking Fund Debentures:				
4⅜% due 1991	$ 12,000	$ 2,000	$ 14,000	$ 2,000
5¾% due 1997	45,000	3,750	48,750	3,750
8½% due 2004	96,000	4,000	100,000	
9⅜% due 2009	144,000	6,000	150,000	
Debentures repurchased	(86,979)	(15,750)	(56,167)	(3,761)
12½% Eurodollar Extendible Notes due 1996	100,000			
Industrial Revenue Bonds (at an average rate of 8.79% and 8.75%, respectively)	62,050	810	62,860	795
Other borrowings (at an average rate of 13.71% and 16.44%, respectively)	51,342	5,636	58,240	10,376
Current Maturities Of Long-Term Debt		6,446		13,160
Short-Term Debt:				
Commercial paper (at an average rate of 9.0% and 10.0%, respectively)		197,700		100,600
Other (primarily Foreign Bank Loans at an average rate of 27.2% and 32.7%, respectively)		38,568		52,516
Total Debt	$423,413	$242,714	$377,683	$166,276

During 1984 the Company sold at par $100 million of 12½% Eurodollar Extendible Notes with a final maturity in 1996. Proceeds from the sale were used to finance the acquisition of Ronco Enterprises, Inc. and to retire short-term debt. The Notes bear an annual interest rate of 12½% through October 14, 1987 at which time the Company may, at its option, either redeem the Notes in whole or in part, or reoffer an interest rate and an extended term. The Company has this option at the completion of each such term through the final maturity date. The Notes are repayable at the holder's option on October 15, 1987 and at the completion of each extended term.

During 1983 the Eurodollar Convertible Debentures were called for redemption. The 6¾% and 5% Convertible Debentures were converted into approximately 343,000 and 230,000 shares of Common Stock of Borden, Inc. at $28.75 and $31.50 a share, respectively, prior to the redemption dates.

Aggregate maturities of long-term debt and minimum annual rentals under agreements classified and accounted for as operating leases at December 31, 1984 are as follows:

	Long-Term Debt*	Minimum Rentals on Operating Leases
1985	6,446	19,774
1986	6,561	16,063
1987	4,117	13,573
1988	30,347	12,091
1989	11,181	8,261
1990 and beyond**	371,207	20,440

*Net of debentures repurchased.
**Figures represent combined totals for all years.

The average amount of commercial paper outstanding was $195,500 during 1984 and $26,400 during 1983, and the average amount of other short-term debt, primarily Foreign Bank Loans, was $50,500 during 1984 and $69,600 during 1983. The respective weighted average interest rates for commercial paper and other short-term debt were 10.7% and 34.6% during 1984, and 9.3% and 36.7% during 1983. Maximum month-end borrowings were $304,700 in 1984 and $100,600 in 1983 for commercial paper, and $57,800 in 1984 and $80,100 in 1983 for other short-term debt. Commercial paper was issued and redeemed on the open market in the United States through a money market dealer.

The Company has credit agreements of approximately $300,000 which bear interest, if used, at approximately the prime rate and require a commitment fee on any unused credit. Under most of these agreements the Company can execute term loans for up to two years. The agreements are available to support domestic commercial paper borrowing at commercial paper rates. Additional unused credit facilities totalling $61,600 at December 31, 1984 were available for use by foreign subsidiaries. Pursuant to these arrangements, the Company has agreed to maintain minimum cash balances aggregating approximately $6,500 with various commercial banks. These requirements are satisfied by balances maintained for normal business needs.

The Company has capitalized interest that related to the capital cost of acquiring certain fixed assets. The interest costs incurred and the amounts capitalized were $81,683 and $2,428 in 1984, $78,396 and $10,845 in 1983, and $75,469 and $10,464 in 1982.

5. Income Taxes

Comparative analyses of the provisions for income taxes follows:

	1984	1983	1982
Current			
Federal	$ 62,800	$ 56,900	$ 12,500
State and Local	14,200	7,650	8,400
Foreign	22,400	16,750	17,000
	99,400	81,300	37,900
Deferred			
Federal	38,300	46,800	44,400
State and Local	6,500	11,400	5,800
Foreign	1,800	4,500	900
	46,600	62,700	51,100
	146,000	$144,000	$ 89,000

The deferred Federal tax provisions in 1984, 1983 and 1982 reflect accelerated write-offs of property and equipment costs, the Federal tax effects of which were $39,900, $44,100 and $30,200, respectively.

Reconciliations of the difference between the Federal statutory tax rates and consolidated effective book income tax rates are as follows:

	1984	1983	1982
Federal statutory tax rate	46.0%	46.0%	46.0%
State tax provision, net of Federal benefit	3.3	3.1	3.0
Investment and energy tax credits	(2.5)	(2.7)	(7.2)
Foreign tax benefits	(1.5)	(1.1)	(3.9)
Capital gain benefits	(1.4)	(1.4)	(2.2)
Other—net	(0.6)	(0.7)	(0.8)
Effective book income tax rate	43.3%	43.2%	34.9%

The domestic and foreign components of income before income tax expense are as follows:

	1984	1983	1982
Domestic	$274,012	$282,006	$207,540
Foreign	63,395	51,063	47,315
	$337,407	$333,069	$254,855

Foreign income before income taxes differs from division operating income as shown on page 26 of this report because the International Division's operating income includes export and excludes Canadian operations and because operating income has not been reduced for interest expense.

6. Operations by Industry Segment

Information about the Company's industry segments and geographic areas of operation is provided on pages 29 and 30 of this Annual Report and is an integral part of the financial statements.

7. Pension, Retirement Savings and Certain Postretirement Benefits Plans

The charges to operations under the Company's domestic and Canadian pension plans were $10,500 in 1984, $11,600 in 1983, and $16,300 in 1982. During 1984 a dedicated bond portfolio, with a higher rate of return, was established within the principal pension fund to provide a portion of the funds necessary to meet the actuarially calculated payments to employees retired on or before January 1, 1984. The effect was a reduction of pension costs in 1984 of approximately $1,800.

Effective January 1, 1984, the domestic pension plan was amended to increase the benefit percentage for salaried employees for pre-1972 service from 1¼% to 1½%. Effective January 1, 1983, the Company's pension plans were amended to change the salaried benefit formula to a career average pay basis for credited service after 1987. A final average pay basis will still apply for credited service prior to 1988.

The following information is presented for the pension plans:

	January 1	
	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$247,348	$248,381
Non vested	11,482	10,339
Total	$258,830	$258,720
Net assets available for benefits at estimated fair value	$314,715	$290,338
Assumed rate of return on plan assets	8¼%	8¼%

Operations were charged approximately $7,600 in 1984, $7,300 in 1983 and $6,000 in 1982 primarily for payments to pension trusts on behalf of employees not covered by the Company's plans. Most domestic employees not covered by the Company's plans are covered by collectively bargained plans. The Company's collective bargaining agreements are generally effective for periods of from one to three years. Under federal pension law there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such Trust, and under certain other specified conditions. The annual payment of such continuing liability would not normally exceed the annual amount currently being paid to such Trust. The amount of such liability would be determined should the Company withdraw from participation.

Company contributions charged to operations under the Company's retirement savings plans in 1984, 1983 and 1982 amounted to approximately $9,200, $4,700 and $2,900, respectively. Effective January 1, 1984 the United States plan was amended to increase the Company's matching contribution to $1.00 from 55¢ for every dollar of eligible contributions by employees.

The charges to operations for health and life insurance benefits to retired domestic and Canadian employees under Company plans amounted to $5,400, $5,900 and $4,500 in 1984, 1983 and 1982, respectively.

8. Shareholders' Equity

Each of the 19,929 shares of Preferred Stock—Series B bears an annual cumulative dividend of $1.32, is convertible into 1.1 common shares, and is redeemable at the Company's option at $39. At December 31, 1984, 21,921 common shares were reserved for conversion of Preferred Stock—Series B.

Following is an analysis of common shares reserved for stock options under the Company's 1974 and 1984 Stock Option Plans:

	Common Shares Reserved For Stock Options	
	Shares	Price Range
January 1, 1984	466,908	$19.44-49.31
Grants	143,850	57.69
Exercises	(101,260)	19.44-57.69
Expirations or cancellations	(10,830)	19.44-57.69
December 31, 1984	498,668	23.00-57.69

At December 31, 1984, 360,068 options were exercisable. Included with the shares reserved for unexercised options at December 31, 1984 are 223,961 options with stock appreciation rights attached, which permit the holder the election in lieu of exercising the option, of receiving cash, shares, or a combination of cash and shares. During 1984, 41,722 stock appreciation rights were exercised.

The Company's 1984 Stock Option Plan provides for the grant of options to purchase up to 850,000 shares of the Company's common stock. The Plan expires in 1994 and no further options may be granted thereafter. At December 31, 1984 there were 710,600 shares available for future grants.

9. Supplemental Income Statement Information

Set forth below is a comparative summary of certain expense items:

	1984	1983	1982
Maintenance and repairs	$117,714	$104,732	$102,112
Depreciation, depletion and amortization	112,968	95,477	99,797
Advertising and promotion, including promotions of $186,893, $161,270 and $150,916, respectively	252,048	219,110	209,653
Research and development	22,513	21,991	21,261
Rent	33,970	29,224	26,255

10. Quarterly Financial Data (Unaudited)

	1984 Quarters			
	First	Second	Third	Fourth
Net Sales	$1,096,235	$1,186,537	$1,139,918	$1,145,328
Gross Profit	239,337	293,334	267,666	278,781
Net Income	33,900	51,277	53,639	52,591
Per Share of Common Stock:				
Earnings				
Primary	1.22	1.88	2.06	2.02
Fully Diluted	1.22	1.88	2.06	2.02
Dividends*	.61	.68	.68	.68
Market Price Range:				
Low	49⅞	52	56	57
High	59⅞	60	63½	65

*Dividends on Preferred Stock—Series B were $.33 in each quarter during 1984.

	1983 Quarters			
	First	Second	Third	Fourth
Net Sales	$ 937,327	$1,084,036	$1,074,500	$1,168,908
Gross Profit	198,781	250,188	244,589	293,678
Net Income	39,644	45,677	51,294	52,454
Per Share of Common Stock:				
Earnings				
Primary	1.38	1.59	1.76	1.83
Fully Diluted	1.36	1.56	1.75	1.83
Dividends*	.555	.61	.61	.61
Market Price Range:				
Low	45¼	51½	52⅛	52½
High	56¾	60⅝	61	59⅞

*Dividends on Preferred Stock—Series B were $.33 in each quarter during 1983.

11. Supplemental Information for Changes in Financial Position

The Consolidated Statements of Changes in Financial Position on page 33 have been prepared on a cash basis. The Company believes that presenting information reflecting the flow of funds on a cash basis is a more desirable method than similar information presented on a working capital basis and provides the most useful portrayal of the financing and investing activities and the changes in financial position of the Company.

The following analyzes the increases (decreases) in the components of working capital and certain elements of the statements:

	Year Ended December 31		
	1984	1983	1982
Cash (including time and certificates of deposit)	$(20,839)	$ 12,378	$ (59)
Accounts receivable	82,686	34,001	2,567
Inventories	20,989	(1,521)	(1,645)
Other current assets	432	11,288	(26,201)
Debt payable within one year	(76,438)	(43,578)	(32,249)
Accounts and drafts payable	8,531	(16,350)	1,814
Income taxes	7,024	(27,244)	2,434
Other current liabilities	(35,726)	6,939	12,200
(Decrease) in working capital	$(13,341)	$(24,087)	$(41,139)

Division operating income as shown in the Statements less other income and expenses not allocable to divisions and income taxes appearing on page 26 constitutes the net income of the Company.

Divestitures in 1982 were three Pepsi-Cola bottling franchises, Jean Patou, Inc., and a minority interest in a plant in Louisiana.

Acquisitions during 1984 include Ronco Enterprises, Inc., a pasta operation, three domestic dairy operations, the remaining interest in a snacks operation in Spain and a rigid film products operation in Scotland. Acquisitions during 1983 include Geiser's Potato Chips and Clover Club Foods, snack foods companies, and the minority interest in common stock of Industrias La Famosa. Acquisitions in 1982 included the Du Pont line of car care products, Seyfert Foods, a snack foods company, Uniroyal Inc.'s share of the production facilities of Monochem Inc., and Sterling Plastics, a supplier of school and office supplies.

Report of Management

BORDEN INC
277 PARK AVENUE • NEW YORK, N. Y. 10172

The management of Borden, Inc. is responsible for the preparation and the integrity of all information included in this report. The financial statements which necessarily include amounts based upon the judgements of management, have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances and consistently applied.

The Company, in order to meet its responsibilities, has established and supports internal accounting control systems which are designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorizations and that those transactions are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. The Company's internal accounting control system is regularly reviewed for effectiveness, monitored by an internal audit department and implemented by well trained and qualified personnel. In addition, the Company has distributed to all key employees its policies for conducting business affairs lawfully and in an ethical manner.

Management recognizes that no internal accounting control system that properly weighs benefits against costs will preclude absolutely all errors and irregularities. It believes, however, that the Company's internal accounting control system provides reasonable assurance that any material errors and irregularities are prevented or would be detected and corrected within a timely period by employees in the normal course of performing their assigned duties.

The Board of Directors, through its Audit Committee consisting of non-employee directors, meets periodically with management, the Company's internal auditors and its independent accountants to discuss audit and financial reporting matters. Both the independent accountants and the Company's internal auditors have free access to the Audit Committee and Board of Directors, without management present, to discuss internal accounting control, auditing, and financial reporting matters.

E. J. Sullivan

Eugene J. Sullivan
Chairman and
Chief Executive Officer

L O Doza

Lawrence O. Doza
Vice President and
General Controller

Report of Independent Accountants

Price Waterhouse
180 EAST BROAD STREET, COLUMBUS, OHIO 43215 614 221-8500

January 29, 1985

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the financial position of Borden, Inc. and its subsidiaries at December 31, 1984 and 1983, the results of their operations and the changes in financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Supplemental Financial Data Adjusted for the Effects of Changing Prices (Unaudited)

Introduction

The Company's financial statements are stated at historical or actual costs and have not attempted to disclose the effect of inflation or disinflation. Recently, as evidenced by the trend in the average consumer price index, the effect of inflation is lessening. In an effort to produce financial information that discloses the effects of inflation the Financial Accounting Standards Board (FASB) has issued Statement No. 33, Financial Reporting and Changing Prices, requiring companies to explain the effect of inflationary factors on operations using the current cost method.

The current cost method adjusts certain elements of the basic historical financial statements for price changes of specific assets. Current cost identifies certain assets or expenses with the use or sale of products in terms of what their current costs would have been when they were used or sold rather than what their historical cost actually was. Generally, Borden's inventories, plants, and equipment would cost more to replace than when they were originally acquired. This concept is specifically applied to each business's methods of operation, products, and types and locations of assets, but it unrealistically assumes that the same types of property, plant, and equipment would be purchased.

This method of reporting inflationary effects requires the use of assumptions, approximations and estimates. Inflation adjustments will vary among companies because of different effects of inflation as well as different methods of accounting used in the historical financial statements. This inflation adjusted data is, therefore, not a precise indicator of inflationary effects primarily because the method utilized does not necessarily provide actual amounts for which assets could be sold, cost which would be incurred in the future, or the manner in which actual replacement of assets would occur.

Supplementary information on the current cost basis is shown below:

Statement of Income from Continuing Operations Adjusted for Changing Prices
(In thousands except per share data)

	Year Ended December 31, 1984	
	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net sales	$4,568,018	$4,568,018
Cost of goods sold (excluding related depreciation expense)	3,393,730	3,398,262
Other operating expenses (excluding related depreciation expense)	644,658	644,658
Depreciation expense	112,968	169,471
Interest expense	79,255	79,255
Earnings before income taxes	337,407	276,372
Income taxes	(146,000)	(146,000)
Net Income	$ 191,407	$ 130,372
Gain on net monetary items		25,278
Earnings, net of inflationary effects		$ 155,650
Increase in current cost of inventories and property and equipment excluding translation adjustment*		$ 162,168
Less effect of increase in general price level before translation adjustment		103,448
Excess of increase in specific prices over increase in the general price level		$ 58,720
Net income per common share	$ 7.13	$ 4.86
Gain on net monetary items		.94
Earnings, net of inflationary effects		$ 5.80
Effective tax rate	43%	53%

*At December 31, 1984 the current cost of inventory was $429,378 and the current cost of net property and equipment was $2,243,610.

Discussion and Analysis of Supplemental Financial Data

Net income derived under the current cost method has been adjusted only for depreciation expense and product costs related to restated property and equipment and inventories. The increased depreciation expense under this method is a result of the adjustment required to reflect the impact of inflation on assets which have relatively long lives. The increased values of current cost of goods sold over historic cost of goods sold is a result, primarily, of the increasing costs of raw materials and labor. Sales and all other costs and expenses remain unchanged from the primary statements since they are considered to occur relatively evenly throughout the year. In accordance with the FASB statement, income tax expense has not been restated in the inflation-adjusted earnings statement despite the significant reduction in pre-tax earnings. If the higher depreciation and other costs had actually been incurred, the Company would have reported added tax deductions and tax credits, such as investment tax credits, which would significantly increase inflation adjusted net income.

Current cost amounts were determined by adjusting inventories and cost of goods sold to year-end and time of sale market values of raw materials and current production costs using average and standard costing, and indexing methods. Property and equipment was adjusted to current cost primarily by applying indices developed both internally and externally. Depreciation was calculated using the same methods and depreciable life assumptions as those used in the primary financial statements.

The gain from decline in the purchasing power of net amounts owed was determined by calculating the net monetary liabilities at the beginning and end of the year, stating these amounts in average 1984 dollars and deriving the change therefrom. Monetary assets and liabilities are cash, and claims on, or liabilities for, cash receipts or payments, the amounts of which are fixed in terms of the number of dollars to be received or paid. The net monetary gain shown in the preceding supplemental statement results from Borden's net monetary liability position which will be repaid with dollars which have lost purchasing power relative to the point when the liabilities were incurred.

The data presented in the five-year summary has been adjusted for the effects of specific price changes in the same manner as for 1984 information. All amounts in the summary are stated in estimated average-for-the-year 1984 dollars as measured by the Consumer Price Index for All Urban Consumers. As is apparent in comparing data from the primary statements to the same data on the current cost basis, real growth results only when the nominal rate of growth exceeds the rate of inflation.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In thousands, except per share data and average consumer price index)

	1984	1983	1982	1981	1980
Net sales	$4,568,018	$4,447,710	$4,422,501	$5,044,062	$5,795,022
Current Cost Information:					
Net income	130,372	128,664	95,749	62,071	43,827
Net income per common share	4.86	4.46	3.36	2.11	1.42
Net assets	2,256,984	2,321,672	2,402,087	2,557,545	2,680,734
Foreign currency translation adjustment	(92,634)	(164,081)	(113,066)		
Excess of increase in specific prices over the increase in the general price level	58,720	57,044	47,164	53,440	92,954
Other Information:					
Purchasing power gain on net monetary items	25,278	18,358	23,525	51,707	93,021
Cash dividends per common share	2.65	2.49	2.34	2.30	2.37
Market price per common share	63¾	57⅞	50⅜	31	31
Average consumer price index	311.2	298.4	289.3	272.4	246.8

Executive Offices
Borden, Inc.
277 Park Avenue
New York, New York 10172
Telephone (212) 573-4000

Administrative Headquarters
180 East Broad Street
Columbus, Ohio 43215
Telephone (614) 225-4000

Annual Meeting
The Annual Meeting will be held on Friday, April 19, 1985, beginning at 11:00 a.m. in the Hunterdon Theatre, Church Street and Route 31, Flemington, New Jersey.

Independent Accountants
Price Waterhouse
180 East Broad Street
Columbus, Ohio 43215

Transfer Agent, Registrar & Dividend Disbursing Agent
The Bank of New York
90 Washington Street
New York, New York 10015

Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the United States Securities and Exchange Commission.

Written requests should be directed to:
Borden, Inc.
Attn. D. J. Mitchell
Director, Investor Relations
277 Park Avenue
New York, New York 10172

Debenture Trustees
4⅜% Sinking Fund Debentures
The Chase Manhattan Bank, N.A.
New York, New York 10081

5¾% Sinking Fund Debentures
Morgan Guaranty Trust Company of New York
New York, New York 10015

8½% Sinking Fund Debentures
Bank of America, N.T. & S.A.
San Francisco, California 94137

9⅜% Sinking Fund Debentures
The Bank of New York
New York, New York 10015

Exchange Listings
Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Basel, Geneva, Lausanne and Zurich, Switzerland.

New York Stock Exchange
4⅜% Sinking Fund Debentures, due 1991
5¾% Sinking Fund Debentures, due 1997
8½% Sinking Fund Debentures, due 2004
9⅜% Sinking Fund Debentures, due 2009

Date and State of Incorporation
April 24, 1899-New Jersey

BORDEN

BORDEN, INC. 277 PARK AVENUE NEW YORK, N.Y. 10172