



January 5, 1994

Dear Borden Shareholder:

Your Board of Directors has approved a comprehensive restructuring plan that has one overriding goal: to build shareholder value.

This plan differs radically in its scope from anything the Company has done in the past. It signals a new era for Borden:

First, the plan divests the Company of businesses that do not add to shareholder value, providing a much needed and unprecedented focus on Borden's best businesses. In 1994, Borden intends to sell businesses that make up almost 20% of its current revenue base.

Second, the plan will be executed by a strengthened management team, made up of people recruited at all levels of management. These include senior executives who have done at other food companies what has to be done at Borden.

Third, the plan invests in the marketing of our best brands and franchises, using innovative and targeted methods that are appropriate to our many businesses that are national in scope but regional in character.

Fourth, the plan includes—through a combination of divestiture and improvement of basic processes across the Company—the largest cost reduction in Borden history.

Fifth, the plan will create a new Borden culture. This culture will emphasize and reward dedication to quality and creation of value for consumers in everything we do.

The plan also contemplates a reduction of the Borden cash dividend to an annual rate of 30 cents a share for 1994, half of the current annual rate. This is a difficult consideration for the Board. This dividend level would be in line with the Company's projected earnings in 1994 and would help to fund new marketing programs and other initiatives, including capital requirements.

Plan Adoption Followed Exploration of All Options

The restructuring plan was adopted by the Board after months of analysis and consideration of a full range of options, including, with the help of investment bankers, sale or merger of the Company. Borden received no sale or merger proposals for the Company. And we are not aware of any third party seeking such discussions.

Our months of analysis are over. A decision has been made. Your Board and management are now focused on achieving successful implementation of the restructuring plan.

It has four key elements:

1. *Focus—through sale of businesses that do not add to shareholder value.*

We are committed to focusing all of Borden's resources on our best businesses. Those businesses of our nearly 50 distinct domestic and international operations which did not meet criteria as to market position,

size, growth and profitability potential, and management record are being sold. These represent in total about \$1.25 billion, or nearly 20% of Borden's 1993 projected sales of \$6.75 billion. Included among these are: all seven of Borden's North American salty snack operations, Snow's and Doxsee clam products, Bama jams and jellies, and certain other domestic and international businesses. For competitive reasons pending sale, we have not identified here all Borden businesses to be sold. While we believe that these businesses have a solid attraction for the right buyer, for Borden, they lack strategic fit, market leadership or sufficient size.

2. *Investment in Our Best Businesses*

Virtually all of our ongoing businesses have number one or strong number two market positions, are large enough to merit our investment in people and other resources, offer strong growth and profitability potential, and are businesses that we have shown over time we know how to manage.

Pasta and sauce represents a leadership position for Borden in a category of solid growth, supported by trends to greater consumer nutritional awareness and product value.

In addition to service and organizational improvements, we plan to increase TV and radio advertising support to \$8 million in 1994 from less than \$3 million annually. Our marketing will differentiate our brands from the competition by quality and value and support our strongest regional brands in addition to our national Creamette brand.

Niche grocery products today provide double-digit return on sales for Borden. Volume growth through marketing and promotional investment, rather than price increases, can significantly increase profits and enhance our market positions in this key category. Our niche brands such as Cracker Jack, ReaLemon, Wylers' bouillon and Eagle Brand condensed milk have been under-marketed and can benefit from investment in product quality, variety, presentation and positioning.

International foods is already a success story at Borden. Our plan is to further expand and take advantage of opportunities already identified. Our European—predominantly German—consumer and industrial bakery business, KLIM powdered milk, and Spanish soup and bouillon joint venture are targeting good gains both in operating income and cash flow.

In our *domestic dairy operation*, we intend to aggressively recover lost volume through a combination of improved pricing policies, superior customer service, and innovative marketing practices. We will also sharply reduce costs through better plant utilization, lower overhead, and improved distribution. Our top-to-bottom overhaul of the dairy operation is already underway. A new management team, including the division head and one-third of the key managers, is redirecting decision-making to the regional level, making management more flexible and responsive to market conditions. We have already regained two-thirds of the targeted 1994 recovery volume in the fluid milk and cultured products businesses, and we believe we are on track to regain the balance over the next year.

Packaging and industrial products are crucial contributors to Borden's current cash flow and earnings. Almost all of these businesses will be retained. The plan will concentrate on regaining margins and rebuilding volume as the economy recovers.

3. *Cost Reductions*

The plan envisions significant cost reductions rising over the next two years to an annual rate of approximately \$100 million to \$125 million by the end of 1995. These reductions will result from a combination of divestments and gains in efficiencies and productivity.

4. *Strengthened Management Team Working in a New Culture*

The responsibility for implementing the new restructuring plan and for building a new, aggressive, forward-thinking business culture at Borden rests with a strengthened and revamped management team. Both of us, your Chairman and your Chief Executive Officer, assumed our positions on December 9, 1993. We approach our tasks at Borden with attitudes that were developed working many years in a variety of corporate settings and companies. We are committed to the successful implementation of the new plan and to a thorough change in the Company's culture and the way it approaches its business. Among the many changes, the Company has and is continuing to assemble a solid new team of senior executives, including new leadership in pasta and in domestic dairy and new capacity for anticipatory financial management of our worldwide food businesses with the addition of a Vice President for Strategy and Finance for these operations.

What the Plan Can Achieve: Financial Targets

We have set ambitious but realistic financial goals for Borden. *In 1994, our targets include:*

- Earnings per share at the upper end of the \$0.75-\$1.00 range of analysts' estimates; the plan targets earnings gains from better margins as well as a 5% sales dollar gain from continuing operations.
- Cash flow of \$400 million to \$450 million, after capital expenditures and including divestiture proceeds, substantially all of which we intend to apply to debt repayment;
- Cost reductions reaching an annualized rate of \$70 million to \$85 million by the end of the year.

Our performance goals for the 1994 to 1996 period include:

- Sales growth of 6% per year in 1995 and 1996, after a decline in 1994 due to divestments;
- Annual earnings per share growth in 1995 and 1996 of at least double the food industry average;
- Increase in return on investment for a range of 5 to 6% in 1994 to 12% in 1996;
- Cumulative cash flow of \$900 million, including capital expenditures and divestment proceeds; this would enable us to achieve a total debt to adjusted total capitalization ratio of about 50% by year-end 1996.

While these are the goals of our base plan, we believe there are opportunities in the core businesses for us to outperform the base plan.

What is Required to Implement the Plan

The financial effects of the restructuring are substantial. We will record charges in 1993 totaling \$650 million aftertax. This includes a fourth quarter aftertax charge of \$567 million, consisting of approximately \$490 million for business divestments and \$77 million for organizational restructuring.

An additional aftertax charge of \$65 million will be recorded in the same quarter for changes in accounting estimates, primarily related to the cost of consumer and trade promotions.

We also will incur a net charge of \$18 million to adopt FAS Number 112 "Employers' Accounting for Postemployment Benefits," retroactive to January 1, 1993. Earnings per share for the first quarter of 1993 will be restated from 23 cents to 10 cents for this charge.

Including all charges, Borden expects to report a loss for 1993 of approximately \$590 million to \$600 million, or \$4.18 to \$4.26 per share, which anticipates a fourth quarter loss of a few cents a share, including a small gain from an asset sale, before the charges.

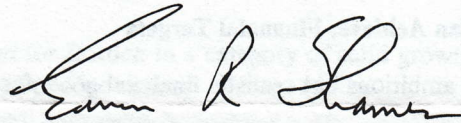
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Your Board of Directors and management team very much appreciate the loyalty and patience demonstrated by our shareholders. We want you to know that we are firmly committed to fundamentally changing the way that Borden approaches its business. Our new plan is designed to thoroughly overhaul the operations and the culture of the Company and, as a consequence, to build shareholder value, employee pride, and consumer confidence in Borden.

On behalf of the Borden Board and management, we thank you for your support.



Frank J. Tasco
Chairman



Ervin R. Shames
President and Chief
Executive Officer