

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D. C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

Commission file number 1-71

BORDEN, INC.

New Jersey 13-0511250

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

180 East Broad Street, Columbus, OH 43215

(Address of principal executive offices)

(614) 225-4000

(Registrant's telephone number, including area code)

277 Park Avenue, New York, New York 10172

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Number of shares of common stock, \$0.625 par value, outstanding as of the close of business on April 22, 1994: 141,419,814

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

BORDEN, INC.

		Three Months Ended March 31	
(In millions except per share data)		1994	1993
-----		-----	
REVENUE	Net sales	\$1,272.7	\$1,297.6
-----		-----	
COSTS AND EXPENSES	Cost of goods sold	954.7	946.5
	Marketing, general and administrative expenses	257.3	239.9
	Interest expense	27.8	30.5
	Equity in income of affiliates	(2.3)	(3.8)
	Minority interest	9.2	10.2
	Other (income) and expense, net	16.3	8.6
	Income taxes	3.9	22.0
		-----	-----
		1,266.9	1,253.9
		-----	-----
-----		-----	
EARNINGS	Income from continuing operations	5.8	43.7
	Loss from discontinued operations	-----	(16.5)
		-----	-----
	Income before cumulative effect of accounting changes	5.8	27.2
	Cumulative effect of change in accounting for postemployment benefits	-----	(18.0)
		-----	-----
	Net income	\$ 5.8	\$ 9.2
		=====	=====
-----		-----	
SHARE DATA	Income from continuing operations	\$ 0.04	\$ 0.31
	Loss from discontinued operations	-----	(0.11)
		-----	-----
	Income before cumulative effect of accounting changes	0.04	0.20
	Cumulative effect of change in accounting for postemployment benefits	-----	(0.13)
		-----	-----
	Net income per common share	\$ 0.04	\$ 0.07
		=====	=====
	Cash dividends paid per common share	\$ 0.075	\$ 0.300
	Average number of common shares outstanding during the period	141.5	140.8
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 CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

BORDEN, INC.

(In millions)		Three Months Ended March 31	
		1994	1993

CASH FLOWS FROM OPERATING ACTIVITIES	Cash flows from operations	\$ (1.3)	\$ (64.6)

CASH FLOWS FROM INVESTING ACTIVITIES	Capital expenditures	(26.7)	(38.8)
	Divestiture of businesses	4.8	
		(21.9)	(38.8)

CASH FROM FINANCING ACTIVITIES	Increase (decrease) in short-term debt	143.1	(126.0)
	Reduction in long-term debt	(28.5)	(27.5)
	Long-term debt financing	2.1	257.9
	Repurchase of receivables	(70.0)	
	Dividends paid	(10.6)	(42.2)
	Other	0.8	0.3
		36.9	62.5

	Increase (decrease) in cash and equivalents	13.7	(40.9)
	Cash and equivalents at beginning of period	100.3	186.0
		-----	-----
	Cash and equivalents at end of period	\$ 114.0	\$ 145.1
		=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	Interest paid	\$ 31.5	\$ 36.7
	Income taxes paid	7.2	13.3

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

BORDEN, INC.

(In millions)

		March 31	December 31
		-----	-----
ASSETS		1994	1993

CURRENT ASSETS	Cash and equivalents	\$ 114.0	\$ 100.3
	Accounts receivable (less allowance for doubtful accounts of \$10.1 and \$8.9 respectively)	423.8	334.7
	Inventories:		
	Finished and in-process goods	340.7	319.4
	Raw materials and supplies	162.8	171.0
	Other current assets	162.8	142.6
	Net assets of discontinued operations	229.9	222.2
		-----	-----
		1,434.0	1,290.2
		-----	-----

INVESTMENTS AND OTHER ASSETS	Investments in and advances to affiliated companies	89.5	91.3
	Deferred income taxes	222.6	225.4
	Other assets	134.0	126.6
		-----	-----
		446.1	443.3
		-----	-----

PROPERTY AND EQUIPMENT	Land	104.2	105.5
	Buildings	600.9	609.6
	Machinery and equipment	1,922.8	1,949.3
		-----	-----
		2,627.9	2,664.4
	Less accumulated depreciation	(1,297.5)	(1,327.7)
		-----	-----
		1,330.4	1,336.7
		-----	-----

INTANGIBLES	Intangibles resulting from business acquisitions	792.4	801.5
		-----	-----
		-----	-----
		\$4,002.9	\$3,871.7
		=====	=====

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

BORDEN, INC.

(In millions except share and per share data)

	March 31	December 31
LIABILITIES AND SHAREHOLDERS' EQUITY	----- 1994	----- 1993

CURRENT LIABILITIES		
Debt payable within one year	\$ 536.3	\$ 410.6
Accounts and drafts payable	436.0	433.3
Restructuring reserve	136.9	145.9
Income taxes	59.8	56.5
Other current liabilities	344.2	325.2
	-----	-----
	1,513.2	1,371.5
	-----	-----

OTHER		
Long-term debt	1,235.3	1,240.8
Deferred income taxes	51.8	47.1
Postretirement benefit obligations	353.8	353.8
Other long-term liabilities	103.5	103.8
Minority interest	508.2	508.8
	-----	-----
	2,252.6	2,254.3
	-----	-----

SHAREHOLDERS' EQUITY		
Common stock - \$0.625 par value		
Authorized 480,000,000 shares		
Issued 194,983,374 shares	121.9	121.9
Paid in capital	88.3	88.1
Accumulated translation adjustment	(175.9)	(171.1)
Minimum pension liability	(95.5)	(95.5)
Retained earnings	830.3	835.1
	-----	-----
	769.1	778.5
Less common stock in treasury (at cost) - 53,566,588 shares and 53,625,339 shares, respectively	(532.0)	(532.6)
	-----	-----
	237.1	245.9
	-----	-----
	-----	-----
	\$4,002.9	\$3,871.7
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in millions except per share amounts)

1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary for a fair statement of the results for the interim periods. Results for the interim periods are not necessarily indicative of results for the full years.

2. DISCONTINUED OPERATIONS

In January 1994 the Company announced a comprehensive divestiture and restructuring program which includes the divestment of North American snacks, seafood, jams and jellies, foodservice and other businesses.

The Company anticipates the sale or closure of all the operations will be completed by the end of 1994. The Company intends to use net proceeds from the sale of the operations primarily to reduce debt.

The net loss from discontinued operations of \$21.5 for the first quarter of 1994 has been charged against the 1993 reserve for loss on disposal of discontinued operations. The actual loss for the 1994 first quarter is in line with the estimates made in December 1993.

PART I FINANCIAL INFORMATION

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 1994 VERSUS QUARTER ENDED MARCH 31, 1993

Net sales from continuing operations for the quarter ended March 31, 1994 decreased 1.9% to \$1.27 billion from \$1.30 billion in 1993. The 1994 first quarter net income of \$5.8 million, or \$0.04 per share, which includes only continuing operations, compares with restated income from continuing operations of \$43.7 million, or \$0.31 per share, in 1993. Restated net income for the first quarter of 1993 was \$9.2 million, or \$0.07 per share, which includes a \$16.5 million loss from discontinued operations and an \$18.0 million charge for the cumulative effect of an accounting change. Division operating income in 1994 decreased 50.5% to \$55.9 million from \$112.9 million in 1993.

North American Foods sales decreased 4.7% to \$592.8 million from \$622.1 million in 1993 primarily as a result of the 1993 divestitures as well as volume declines in dairy and pasta. Operating income declined 96.0% to \$2.3 million from \$57.6 million in 1993 primarily as a result of the volume declines and higher raw milk and durum wheat costs.

International Foods sales decreased 0.8% to \$218.9 million from \$220.7 million as a result of adverse foreign exchange rate fluctuations, decreases in Latin American dairy and European bakery products, partially offset by increases in international milk powder. Operating income declined 16.2% to \$15.8 million from \$18.8 million due primarily to declines in Latin American dairy and lower income from the Gallina Blanca soup and bouillon joint venture in Spain, partially offset by improvements in KLIM milk powder and several European niche grocery and pasta products.

Packaging and Industrial Products sales increased 1.3% to \$461.0 million from \$454.8 million in 1993 as a result of increases in North American forest products adhesives, plastic film and packaging, and worldwide wallcoverings, partially offset by the 1993 divestiture of a European packaging operation and decreases in European operations. Operating income increased 3.6% to \$37.8 million from \$36.5 million in 1993 reflecting improvements in most North American operations, partially offset by declines in European operations.

Net sales of discontinued operations decreased 4.5% to \$255.5 million from \$267.7 million in 1993 primarily as a result of decreases in North American snacks and seafood products. The net loss from discontinued operations was \$21.5 million in 1994 compared to a net loss of \$16.5 million in 1993. The increase in the net loss is primarily the result of declines in seafood products. The net loss for first quarter 1994 has been charged against the 1993 reserve for loss on discontinued operations. The 1994 loss is in line with the estimates made in 1993 to establish the reserve.

LIQUIDITY AND CAPITAL RESOURCES

Cash used in operating activities during the first three months of 1994 was \$1.3 million compared to cash used in operating activities of \$64.6 million for the first three months of 1993. The decrease in cash used by operating activities is due primarily to reduced working capital requirements.

Capital expenditures for new facilities and improvements to existing facilities during 1994 were \$26.6 million compared to \$38.8 million for the prior year period.

Cash provided in 1994 from the divestiture of a seafood business was \$4.8 million.

Short term debt increased \$143.1 million in 1994 compared to a decrease of \$126.0 million in 1993. A portion of the 1994 increase is due to the repurchase of \$70.0 million of accounts receivables. The decrease in 1993 reflects repayment of commercial paper with the proceeds of long-term debt financing discussed below.

The 1993 long-term debt financing includes proceeds from a \$250.0 million issuance of 30-year, 7 7/8% debentures which were used primarily to repay short-term commercial paper.

PART II OTHER INFORMATION

Item 1: LEGAL PROCEEDINGS

ENVIRONMENTAL PROCEEDINGS

The Company is involved in various proceedings relating to the designation of certain waste sites for cleanup where the Company, along with a large number of other companies, has potential liability under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state environmental laws. While the Company's ultimate liability will depend on many factors including its volumetric share of waste, the financial viability of the other companies and the remediation methods and technology used, management has determined that, as of the date hereof, any costs incurred in connection with individual sites will not be significant and even in the aggregate, will not have a material adverse effect on the financial condition of the Company.

Private actions have been filed against the Company and numerous other defendants beginning in 1986 in the State Court in Livingston Parish, Louisiana alleging personal injuries and property damage in connection with a waste disposal site in Louisiana, and beginning in 1987 in state court in Camden, New Jersey in connection with a waste disposal site in New Jersey.

In February 1993, an Environmental Protection Agency ("EPA") Administrative Law Judge held that the Borden Chemicals and Plastics Limited Partnership ("BCP") Illiopolis, Illinois facility violated CERCLA and the Emergency Planning and Community Right to Know Act ("EPCRA") by failing to report certain relief valve releases that the Company believes are exempt from CERCLA and EPCRA reporting. A petition for reconsideration has been filed. In January 1994, the Louisiana Department of Environmental Quality determined that a production unit at BCP's Geismar facility should be subject to regulation under Louisiana's hazardous waste statutes and regulations. That decision has been appealed to the state courts. In April 1994, the U.S. Department of Justice, at the request of the U.S. EPA, notified BCP that it intends to bring an action in federal court against BCP seeking, among other things, corrective action and penalties for alleged violations of the Resource Conservation and Recovery Act at the Geismar facility. BCP maintains that the Geismar production unit is not subject to regulation under federal or state hazardous waste laws. Under an Environmental Indemnity Agreement, the Company has agreed, subject to certain conditions and limitations, to indemnify BCP from certain environmental liabilities that predate the formation of BCP.

The U.S. EPA has issued a notice of violation alleging the violation of air pollution regulations by a plant in Massachusetts (September 1988).

A notice of violation has been issued by the Maine Department of Environmental Protection (April 1991) alleging the violation of certain solid waste and wetlands regulations at a Scarborough, Maine facility.

Allegations by the State of Virginia, of antitrust violations in connection with the sale of milk to schools in Virginia, were settled in March 1994 by an agreement to pay \$325,000 in restitution.

The States of West Virginia and Ohio have also filed suits (12/93, and 8/93) alleging antitrust violations in connection with the sale of milk to schools in certain of their school districts. A private antitrust suit containing similar allegations was filed in Federal Court in Oklahoma (4/93) on behalf of four school districts and seeks class action certification. Federal Grand Jury investigations of similar allegations are pending in Michigan, Indiana and Kentucky (6/91), Oklahoma (8/92), Ohio (2/93) and the Plains States (9/93). Similar investigations by the state Attorneys General are pending in Illinois (11/91) and North Carolina (6/93). Two private antitrust suits alleging price fixing of wholesale/retail accounts were filed in Florida (7/93) and W. Virginia (9/93).

The Company is a defendant in litigation in Montreal, Canada involving allegations of personal injury or property damage arising from the misapplication of, or defects in, the urea-formaldehyde foam insulation. The litigation, which was tried from September 1983 through December 1989, was dismissed by the trial court in December 1991. An Appeal filed by plaintiffs will be heard in 1995.

The Company and its Directors have been sued in Federal District Court in New York (December 1993) for alleged violations of the Securities Exchange Act of 1934 in connection with certain 1993 financial projections.

In addition, the Company is involved in other litigation throughout the United States which is considered to be in the ordinary course of the Company's business.

The Company believes, based upon the information it presently possesses, and taking into account its established accruals for estimated liability and its insurance coverage, that the foregoing proceedings and actions are unlikely to have a materially adverse effect on the Company's financial position or operating results.

Item 6: EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

None

b. Reports on Form 8-K

On January 10, 1994 the Registrant filed a Form 8-K announcing that charges were recorded in fourth quarter 1993 for a restructuring and business divestiture program, and for the cumulative effect relating to the adoption of a new accounting standard.

On March 23, 1994 the Registrant filed a Form 8-K announcing the restatement and reclassification of the 1992 and 1993 financial statements as a result of reversing and reclassifying certain items that had been included in its 1992 restructuring charge.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BORDEN, INC.

Date: May 13, 1994

By /s/ George P. Morris

George P. Morris
Vice President and
Chief Strategic Officer
(Principal Financial Officer
and duly authorized signing
officer)