UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 1998 Commission file number: 1-71

BORDEN, INC.

New Jersey	13-0511250
(State of incorporation)	(I.R.S.Employer Identification No.)
180 East Broad St., Columbus, OH 43215	614-225-4000
(Address of principal executive offices)	(Registrant's telephone number)

SECURITIES REGISTERED PURSUANT TO SECTION 12 (B) OF THE ACT:

Title of each class	Name of each exchange on which registered
8 3/8% Sinking Fund Debentures	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in any amendment to this Form 10-K. [x].

Aggregate market value in thousands of the voting stock held by nonaffiliates of the Registrant based upon the average bid and asked prices of such stock on March 30, 1999: $0.

Number of shares of common stock, par value $0.01 per share, outstanding as of the close of business on March 30, 1999: 198,974,994

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated
none	none

The Exhibit Index is Located herein at sequential pages 86 through 88.

BORDEN, INC.

INTRODUCTION

The following filing with the Securities and Exchange Commission ("SEC") by Borden, Inc. ("the Company") presents four separate financial statements: Borden, Inc. Consolidated Financial Statements, Borden, Inc. and Affiliates Combined Financial Statements, the Financial Statements of Wise Holdings, Inc. ("Wise Holdings") and the Financial Statements of Borden Foods Holdings Corporation ("Foods Holdings"). The consolidated statements present the Company after the effect of the sale of (i) the Company's former salty snacks business ("Wise") to Wise Holdings and its subsidiaries and (ii) the Company's former domestic and international foods business ("Foods") to Foods Holdings and its subsidiaries, as explained in Notes 1, 4 and 6 to the consolidated and combined financial statements. The Company, Wise Holdings and Foods Holdings are controlled by BW Holdings, LLC ("BWHLLC"). The consolidated financial statements are those of the Company, which is the SEC Registrant.

The Borden, Inc. and Affiliates ("the Combined Companies") combined financial statements are included herein to present the Company on a combined historical basis, including the financial position, results of operations and cash flows of Wise and Foods. The Combined Companies' financial statements are included because management of the Company will continue to control significant financial and managerial decisions with respect to Wise Holdings and Foods Holdings. The Combined Companies' financial statements do not reflect pushdown accounting and therefore present financial information on a basis consistent with that on which credit was originally extended to the Company. Also, in accordance with rule 3-10 of Regulation S-X, the financial statements of Wise Holdings and Foods Holdings are included in Part IV of this Registration Statement on Form 10-K because Wise Holdings and Foods Holdings are guarantors of the Company's credit facility and all of the Company's outstanding publicly held debt.

BORDEN, INC.

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PART I

ITEM 1. BUSINESS

The Company was incorporated on April 24, 1899. The Company is engaged primarily in manufacturing, processing, purchasing and distributing specialty chemicals and consumer adhesives, and providing infrastructure management services. The Combined Companies includes the specialty chemicals, consumer adhesives, infrastructure management services, Wise and Foods businesses. Corporate departments provide certain governance functions for all business units. The Company's executive and administrative offices are located in Columbus, Ohio. Production facilities are located throughout the United States and in many foreign countries.

In September 1994, the Company entered into a merger agreement providing for the acquisition of all of the Company's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR") in exchange for shares of RJR Nabisco Holdings Corp. ("RJR Holdings") common stock owned by affiliates of KKR. The acquisition was completed on March 14, 1995, following approval of the merger of an affiliate of KKR with and into the Company (the "Merger") by shareholders of the Company at a special meeting held on that date. The Company is currently controlled by affiliates of KKR.

On July 2, 1996, the Company sold its Wise business to Wise Holdings and classified the salty snacks business in the "businesses held for sale" segment for all periods prior to this date. On October 1, 1996, the Company sold its Foods business to Foods Holdings and classified this segment as a discontinued operation in the Company's financial statements in accordance with generally accepted accounting principles. Management of the Company continues to exercise significant financial and managerial control with respect to Wise Holdings and Foods Holdings. In addition, Wise Holdings and Foods Holdings have guaranteed the Company's obligations under its credit facility and its outstanding publicly held debt securities.

In 1995, the Company began the process of redesigning its operating structure. As a result of this redesign, management decided to divest certain businesses that did not fit into the Company's long-term strategic plan. Businesses included in the classification "businesses held for sale" for the segment data were Wise (see discussion above) the packaging and plastic films business, the commercial and industrial wallcoverings business, a European bakery business, and an equity interest in a Spanish food company (see Note 4 to the consolidated and combined financial statements). During the first quarter of 1996, the Company sold its interest in the Spanish food company. During the fourth quarter of 1996, the Company sold its packaging and plastic films business and the European bakery business.

On September 4, 1997, the Company sold its Borden/Meadow Gold Dairies business ("Dairy"). On March 13, 1998, the Company sold its Decorative Products business. Both businesses are included in discontinued operations for all periods presented.

PRODUCTS

The Company's Chemical business includes formaldehyde, melamine, resins, coatings and other specialty and industrial chemicals. The Company's consumer adhesives and infrastructure management services businesses are included in the "Corporate and Other" heading for business segment information and Management's Discussion and Analysis (Item 7).

The Combined Companies includes the Company and its subsidiaries, together with the Foods and Wise businesses. In 1996, Foods management announced its strategy to focus on grain-based meal solutions and, therefore, its intent to divest all businesses not aligned with this strategy (the "Unaligned" businesses). The ongoing Foods business includes pasta and sauces, bouillon and dehydrated soups. Foods' principal Unaligned businesses included processed cheese, candy coated popcorn, non-dairy creamer, sweetened condensed milk, reconstituted lemon and lime juices, and milk powder. Certain of these principal Unaligned businesses were sold in December 1997, with the remaining sales occurring early in 1998. The Wise business manufactures salty snacks, including potato chips, pretzels and corn snacks and chips.

MARKETING AND DISTRIBUTION

Domestic products for the Chemical and the consumer adhesives businesses are sold throughout the United States to industrial users, and by in-house and independent sales forces to distributors, wholesalers, jobbers and retailers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, government policy toward industry and foreign investment, and other factors may vary substantially from country to country.

The domestic Foods and Wise products are marketed primarily through food brokers and distributors, and directly to wholesalers, retail stores, food service businesses, food processors, institutions and government agencies. To the extent practicable, international distribution techniques parallel those used in the United States. Raw materials, production considerations, pricing, competition, government policy toward industry and foreign investment, and other factors may vary substantially from country to country.

COMPETITION

Chemical is the leading global producer of thermosetting resins for the forest products industry and a leading producer of thermosetting resins for foundry and industrial applications. These resins are used to bind or coat other materials during the manufacturing process. UV coatings and specialty inks are produced for applications in a variety of industries. The business is also the world's largest producer of formaldehyde and a leading producer of melamine crystal. Much of the formaldehyde and melamine crystal materials are consumed internally to produce thermosetting resins, with the remainder sold to third parties. The business manufactures and distributes products in North America, the United Kingdom, Latin America, Australia and east Asia and, generally, holds a leading market position in the areas it competes. Chemical resins are provided to a wide variety of customers for use in the manufacture of, among other products, plywood, particle board, laminate veneers, insulation binders and automotive brakes, and to coat cores and molds in the metal casting process. The major competitors of Chemical are Ashland Chemical, Georgia Pacific, Neste, Perstorp, and several regional international competitors. Product performance, customer service and price are the primary areas in which Chemical competes.

Foods is the second largest manufacturer and marketer of dry pasta in the United States and Canada, holds the number one position in the United States and Canada premium pasta sauce market, and holds the number one position in the United States bouillon market. Foods also competes in the total United States and Canada sauce markets, holding the fourth and first positions, respectively. Other markets in which Foods competes include United States dry soups and dry pasta in Italy. The pasta, sauces, bouillon and soups businesses are highly competitive, with competition taking place primarily on the basis of price. The two primary competitors of pasta products are New World Pasta and CPC International in the United States, and Nabisco Brands and Unico in Canada. Primary sauce competitors are Unilever plc, Campbell Soup and ConAgra, Inc. Bouillon competitors include Best Foods and Hormel.

Wise operates its salty snacks business in the eastern United States. Frito-Lay holds the dominant number one position throughout the United States as well as the eastern United States with a market share in excess of 50%. Wise holds an approximate 6% market share in the eastern United States market in which it operates. The intense competition in the salty snacks business is primarily based on price.

The consumer adhesives business is the leading United States producer of household and school glues and manufactures a full line of consumer adhesives, including home repair products, caulks and sealants. The business enjoys the dominant number one position in its market. Competition is primarily on the basis of brand equity.

MANUFACTURING AND RAW MATERIALS
The primary raw materials used by Chemical are methanol, phenol, urea and formaldehyde. The primary raw materials used by the consumer adhesives business are methanol and polyvinyl alcohol. Raw materials are generally available from numerous sources in sufficient quantities, but are subject to price fluctuations which cannot always be passed on to the Company's customers. The primary raw materials used by the Foods and Wise businesses are flour, tomato products, oil and potatoes.

Long-term purchase agreements are used in certain circumstances to assure availability of adequate raw material supplies at guaranteed prices, for both the Company and the Combined Companies.

CUSTOMERS
The Company and the Combined Companies do not depend on any single customer nor is their business limited to a group of customers, the loss of which would have a material adverse effect on their businesses. The primary customers consist of food brokers and distributors, retail stores and manufacturers.

PATENTS AND TRADEMARKS
The Company and the Combined Companies own various patents, trademark registrations, and patent and trademark applications around the world, which are held for use or currently used in their operations. A majority of the patents relate to the development of new products and processes for manufacturing and use thereof, and will expire at various times between 1999 and 2005. No individual patent is considered to be material.

RESEARCH AND DEVELOPMENT
Research and development expenditures were $18.7 million, $24.9 million and $26.5 million in 1998, 1997, and 1996 for the Company and $39.0 million, $44.4 million and $49.2 million for the Combined Companies. Development and marketing of new products are carried out at the operating unit level and integrated with quality control for existing product lines.

WORKING CAPITAL
Working capital for all segments is generally funded through operations and borrowings under the Company's credit facility.

EMPLOYEES
At December 31, 1998, the Company had approximately 4,200 employees. The Combined Companies had approximately 8,200 employees. Relationships with union and non-union employees are generally good.

FINANCIAL INFORMATION ABOUT OPERATING SEGMENTS
In 1998 the Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 requires an enterprise to report financial and descriptive information about its operating segments. In accordance with SFAS 131, the Company determined its operating segments on the same basis that is used internally to evaluate segment performance and allocate resources.

The Company and Combined Companies have a decentralized organization structure with stand-alone businesses. Each of the business units has a separate management team and infrastructure, and offers different products. The businesses within the Company include a chemical business and a consumer adhesives business. The Combined Companies also include the Foods and Wise businesses.

In accordance with SFAS 131, each business is an operating segment that is not aggregated with another business because the economic characteristics between the businesses differ. Because the consumer adhesives business does not meet the quantitative thresholds given in SFAS 131, it is combined with corporate functional departments in the "Corporate and other" category.

In the consolidated financial information that follows, the Foods segment is shown as a discontinued operation in both the Depreciation and Amortization Expense chart and the Capital Expenditures chart, prior to its October 1, 1996, sale. The Foods segment, consistent with treatment as a discontinued operation, is excluded from the Sales to Unaffiliated Customers and Operating EBITDA charts. The Dairy and Decorative Products businesses were discontinued in 1997, and all periods presented have been restated to reflect this accounting treatment. Therefore, Dairy and Decorative Products results are excluded from statements of operations related tables that follow.

In the consolidated and combined financial information that follows, the businesses held for sale classification prior to 1997 includes the European bakery business, the packaging and plastic films businesses and an equity interest in a Spanish food company. The Wise business is included in the businesses held for sale classification in the consolidated financial information through July 2, 1996, the date of its sale to Wise Holdings. Certain other non-food operations are included in this category for all periods presented. The Wise business is presented separately for all periods in the combined financial information.

Operating EBITDA information (as defined below) is presented because it is the primary measure used by the chief operating decision maker to evaluate operating results.

OPERATING SEGMENTS:

SALES TO UNAFFILIATED CUSTOMERS:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1998	1997	1996	1998	1997	1996
Foods ongoing				$ 586.3	$ 724.2	$ 808.9
Foods Unaligned				119.8	1,027.5	1,140.9
Wise				228.7	242.2	245.6
Chemical	$1,260.3	$1,290.8	$1,174.2	1,260.3	1,290.8	1,174.2
Corporate and other	102.7	92.6	84.7	102.7	92.6	84.7
Businesses held for sale	36.7	104.3	1,129.1	36.7	104.3	1,002.5
	$1,399.7	$1,487.7	$2,388.0	$2,334.5	$3,481.6	$4,456.8

OPERATING EBITDA:

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1998	1997	1996	1998	1997	1996
Foods ongoing				$ 11.4	$ (5.8)	$ (6.9)
Foods Unaligned				(1.7)	113.5	58.7
Wise				7.7	10.6	4.0
Chemical	$ 185.9	$ 154.4	$ 150.6	185.9	154.4	150.6
Corporate and other	(0.9)	(7.0)	(13.1)	(1.7)	(7.0)	(7.0)
Businesses held for sale	0.5	7.0	78.2	0.5	7.0	74.9
Adjusted Operating EBITDA (1)	185.5	154.4	215.7	202.1	272.7	274.3
Significant or Unusual Items(2)	5.8	(16.0)	62.0	351.0	124.9	55.9
Operating EBITDA	191.3	138.4	277.7	553.1	397.6	330.2
Depreciation & Amortization	(50.9)	(38.9)	(81.3)	(86.6)	(96.3)	(134.1)
Operating Income	$ 140.4	$ 99.5	$ 196.4	$ 466.5	$ 301.3	$ 196.1

(1) Adjusted Operating EBITDA represents net income (loss), excluding discontinued operations, non-operating income and expense, interest, taxes, depreciation, amortization and Significant or Unusual Items.

(2) Includes Significant or Unusual Items shown on page 8 and page 18 of Management's Discussion and Analysis of Financial Condition and Results of Operations.

SIGNIFICANT OR UNUSUAL ITEMS AFFECTING COMPARABILITY OF OPERATING EBITDA: (1)

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	CONSOLIDATED 1996	COMBINED 1998	COMBINED 1997	COMBINED 1996
Foods ongoing				$ (23.3)	$ 3.1	$ (26.0)
Foods Unaligned				371.7	137.8	3.2
Wise				(3.2)	-	-
Chemical	$ 5.8	$ (16.0)		5.8	(16.0)	-
Corporate and other	-	-	$ 62.0	-	-	78.7
	$ 5.8	$ (16.0)	$ 62.0	$ 351.0	$124.9	$ 55.9

(1) See page 18 of the Management's Discussion and Analysis of Financial Condition and Results of Operations for further information concerning these items.

TOTAL ASSETS AT YEAR END:

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	COMBINED 1998	COMBINED 1997
Foods ongoing			$ 908.5	$ 751.4
Foods Unaligned			37.5	306.3
Wise			100.0	116.3
Chemical	$ 878.5	$ 905.9	878.5	905.9
Businesses held for sale	4.4	110.6	4.4	110.6
Net assets of discontinued operations	-	165.2	-	165.2
Elimination of intercompany accounts	(6.9)	(15.2)	(288.3)	(42.6)
Corporate and other	1,136.2	1,008.8	1,081.3	706.1
	$2,012.2	$2,175.3	$2,721.9	$3,019.2

DEPRECIATION AND AMORTIZATION EXPENSE:

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	CONSOLIDATED 1996	COMBINED 1998	COMBINED 1997	COMBINED 1996
Foods ongoing				$ 28.1	$ 34.1	$ 34.3
Foods Unaligned				0.9	16.3	15.0
Wise				6.7	7.0	6.8
Chemical	$ 41.9	$ 28.6	$ 23.4	41.9	28.6	23.4
Businesses held for sale	1.9	5.2	53.9	1.9	5.2	50.6
Discontinued operations	2.0	19.9	57.6	2.0	19.9	21.3
Corporate and other	7.1	5.1	4.0	7.1	5.1	4.0
	$ 52.9	$ 58.8	$ 138.9	$ 88.6	$ 116.2	$ 155.4

CAPITAL EXPENDITURES:

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	CONSOLIDATED 1996	COMBINED 1998	COMBINED 1997	COMBINED 1996
Foods ongoing				$ 36.4	$ 19.7	$ 33.4
Foods Unaligned				1.6	15.6	16.8
Wise				9.7	5.2	5.8
Chemical	$ 39.6	$ 80.8	$ 92.8	39.6	80.8	92.8
Businesses held for sale	1.7	3.6	61.0	1.7	3.6	59.6
Discontinued operations	1.1	29.3	81.9	1.1	29.3	50.0
Corporate and other	10.1	16.0	6.8	10.1	16.0	6.8
	$ 52.5	$ 129.7	$ 242.5	$ 100.2	$ 170.2	$ 265.2

GEOGRAPHIC AREAS:

SALES TO UNAFFILIATED CUSTOMERS: (1)

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	CONSOLIDATED 1996	COMBINED 1998	COMBINED 1997	COMBINED 1996
United States	$ 942.1	$ 969.0	$1,167.1	$1,649.8	$2,340.9	$2,583.5
Canada	141.9	143.3	135.7	241.4	292.8	295.8
Other international	315.7	375.4	1,085.2	443.3	847.9	1,577.5
Total	$ 1,399.7	$1,487.7	$2,388.0	$2,334.5	$3,481.6	$4,456.8

(1)For purposes of geographic area disclosures, sales are attributed to the country in which individual business locations reside.

LONG-LIVED ASSETS: (2)

(Dollars in millions)	CONSOLIDATED 1998	CONSOLIDATED 1997	COMBINED 1998	COMBINED 1997
United States	$ 344.1	$ 374.1	$ 492.6	$ 555.4
Canada	40.8	43.1	77.9	82.6
Other international	86.0	90.7	109.0	155.4
Total	$ 470.9	$ 507.9	$ 679.5	$ 793.4

(2) Long-lived assets includes property, plant and equipment, net of accumulated depreciation.

ITEM 2. PROPERTIES

As of December 31, 1998, the Company operated 29 domestic Chemical production and manufacturing facilities in 17 states, the most significant being the Chemical plant in Kentucky. In addition, the Company operated 25 foreign Chemical production and manufacturing facilities primarily in Canada, South America, Great Britain, Australia and the Far East.

As of December 31, 1998, the Company operated one domestic facility in New York for producing and manufacturing household, school and consumer glues.

As of December 31, 1998, the Foods and Wise businesses operated eight domestic food manufacturing facilities in six states. In addition, the Foods business operated seven foreign food manufacturing and processing facilities located principally in Canada and Western Europe.

The Company's and the Combined Companies' manufacturing and processing facilities are generally well maintained and effectively utilized. Substantially all facilities are owned.

The Company and the Combined Companies are actively engaged in complying with environmental protection laws, as well as various federal and state statutes and regulations relating to manufacturing, processing and distributing their many products. In connection with this, the Company incurred capital expenditures of $2.8 million in 1998, $8.3 million in 1997 and $6.5 million in 1996. The Company estimates that it will spend $6.7 million for environmental control facilities during 1999. The Combined Companies incurred environmental capital expenditures of $3.7 million 1998, $12.0 million in 1997 and $6.9 million in 1996. The Combined Companies estimate $6.9 million will be spent in 1999 relating to environmental control facilities.

ITEM 3. LEGAL PROCEEDINGS

Environmental Proceedings

The Company has been notified that it is or may be a potentially responsible party with respect to the cleanup of 49 waste sites in proceedings brought under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state environmental laws. The Company's ultimate liability will depend on many factors including its volumetric share of waste, the financial viability of other responsible parties, the remediation methods and

technology used, the amount of time necessary to accomplish remediation, and the availability of insurance coverage. While the Company cannot predict with certainty the total cost of such cleanup, the Company has recorded approximately $19.6 million of liabilities for environmental remediation costs for these and other sites in amounts that it believes are probable and reasonably estimable. Based on currently available information and analysis, the Company believes that it is reasonably possible that costs associated with such sites may exceed current reserves by amounts that may prove insignificant or by amounts, in the aggregate, of up to approximately $11 million. This estimate of the range of reasonably possible additional costs is less certain than the estimates upon which reserves are based, and in order to establish the upper limit of such range, assumptions least favorable to the Company among the range of reasonably possible outcomes were used. In estimating both its current reserves for environmental remediation and the possible range of additional costs, the Company has not assumed that it will bear the entire cost of remediation of every site to the exclusion of other known potentially responsible parties who may be jointly and severally liable. The ability of other potentially responsible parties to participate has been taken into account, based generally on the parties' probable contribution on a per site basis. No attempt has been made to discount the estimated amounts to net present value, and no amounts have been recorded for potential recoveries from insurance carriers.

Private actions against the Company and numerous other defendants are pending in U.S. District Court in Baton Rouge, Louisiana, alleging personal injuries and property damage in connection with a waste disposal site in Louisiana. Similar actions are pending in state court in Camden, New Jersey, in connection with a waste disposal site in New Jersey and in state court in Los Angeles, California, in connection with a landfill site in Monterey Park, California.

The U.S. Environmental Protection Agency ("EPA") issued a Notice of Violation in September 1997 to a Borden Chemical plant in Aurora, Illinois, alleging violations of the Clean Air Act and seeking an administrative penalty.

Borden Chemicals and Plastics Limited Partnership

In 1987 the Company's basic chemical and polyvinyl chloride resin businesses located at Geismar, Louisiana, and Illiopolis, Illinois, were acquired by the Borden Chemicals and Plastics Limited Partnership ("BCP"). BCP Management, Inc., ("BCPM"), a wholly owned subsidiary of the Company, serves as general partner of BCP and has certain fiduciary responsibilities to BCP's unitholders. Under an Environmental Indemnity Agreement ("EIA"), the Company has agreed, subject to certain conditions and limitations, to indemnify BCP from certain environmental liabilities arising from facts or circumstances that existed and requirements in effect prior to November 30, 1987, and share on an equitable basis those arising from facts or circumstances existing and requirements in effect both prior to and after such date. No claim can be made by BCP under the EIA after November 30, 2002.

In 1985 the Louisiana Department of Environmental Quality ("LDEQ") and the Company entered into a settlement agreement that called for the implementation of a long-term groundwater and soil remediation program at the Geismar complex to address contaminants. The Company and BCP implemented the Settlement Agreement, and worked in cooperation with the LDEQ to remediate the groundwater and soil contamination. Any further remediation will be done pursuant to the March 1998 Consent Decree with the U.S. Department of Justice ("DOJ"), described below.

On October 27, 1994, the DOJ acting on behalf of the EPA, filed an action against BCP and its General Partner, BCPM, in U.S. District Court for the Middle District of Louisiana. The complaint sought civil penalties and corrective action for alleged violations of the Resource Conservation and Recovery Act ("RCRA"), CERCLA and the Clean Air Act at the Geismar, Louisiana, facility. In March 1998, BCP and the DOJ signed a Consent Decree to resolve the enforcement action brought by the DOJ against BCP, and in June 1998 the U.S. District Court accepted the Consent Decree into record, which closed the proceeding. The Consent Decree provides for payment of a civil penalty by BCP of $3.6 million and funding of $0.4 million for

community based environmental programs, but it does not include any admission of wrongdoing. The Consent Decree also provides for a specific and detailed program of groundwater and other remediation at the Geismar facility that is consistent with various actions undertaken previously, currently being undertaken, and planned to be undertaken in the future, by BCP. Under certain circumstances, EPA and LDEQ may require investigation and remediation beyond the specific terms of the Consent Decree. BCP, however, believes that the technical information and facts known to it regarding the nature of contamination at the site, and the need for remediation, make it unlikely that investigation and remediation beyond that which BCP has already planned and accounted for will be required. The Consent Decree also provides that BCP will undertake a Supplemental Environmental Project to decommission its underground injection wells and instead subject the waste to innovative source reduction. BCP also agreed to apply for a RCRA permit for its VCR unit and related tanks. Under the EIA, the Company will reimburse BCP for the costs incurred in connection with the remediation program.

In February 1993, an EPA Administrative Law Judge held that the Illiopolis, Illinois, facility had violated CERCLA and the Emergency Planning and Community Right to Know Act by failing to report certain relief valve releases that occurred between February 1987 and July 1989. By a Consent Order with the EPA dated August 4, 1998, this matter was settled. BCP agreed to pay $51,000 in cash to two governmental entities, to purchase $34,000 worth of equipment for the Illiopolis Fire Department, and to install a tertiary vinyl chloride recovery system within 20 months.

In connection with a federal grand jury investigation in the U.S. District Court in New Jersey, the Company provided documents and other information with respect to partially depleted mercuric chloride catalyst shipped to Thor Chemicals S.A. (PTY) Limited in South Africa for recovery of mercury. In February 1999, the DOJ declined to bring charges against BCP or its agents as a result of the grand jury investigation and the grand jury investigation was closed.

Other Legal Proceedings

The State of Louisiana has a suit pending against the Company (filed October 1996) alleging antitrust violations in connection with the sale of milk to schools in certain school districts in Louisiana. A private antitrust suit filed in 1993 alleging price fixing of wholesale/retail accounts in Florida was dismissed and is on appeal.

On July 19, 1995, a Fresno, California, jury returned a verdict against the Combined Companies' Foods business for approximately $11.5 million for wrongful termination of a tomato packing agreement. Foods contested the verdict and a settlement was reached during the first quarter of 1999, involving payments by Foods in May 1999 and May 2000, totaling $6.7 million, to Helm Tomatoes, Inc.

The Company and the Combined Companies are involved in other litigation throughout the United States, which is considered to be in the ordinary course of their business.

Anticipated Impact

Management believes, based upon the information it currently possesses, and taking into account its established reserves for estimated liability, that the ultimate outcome of the foregoing environmental and legal proceedings and actions is unlikely to have a material adverse effect on the financial position or results of operations of the Company and the Combined Companies.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's Annual Shareholder Meeting was held October 27, 1998. The Company's Board of Directors was re-elected in its entirety by unanimous vote of the 198,974,994 shares of the Company's common stock outstanding.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As a result of the Merger on March 14, 1995, all common stock was canceled and retired and was de-listed from trading on exchanges in the United States, Japan and Switzerland. The Company's authorized common stock consists of 300,000,000 shares with a par value of $0.01 per share, 198,974,994 of which are issued and outstanding and controlled by affiliates of KKR. No shares of such common stock trade on any exchange. The Company declared $59.5 million in dividends on common stock during 1998, $51.4 million during 1997, and $16.5 million during 1996. The Company's ability to pay dividends on its common stock is restricted by its credit agreement with certain banks. See Notes 10 and 14 to the Consolidated and Combined Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR SELECTED FINANCIAL DATA
(All dollar and share amounts in millions, except per share data)

The following represents five year selected financial data for the Company and the Combined Companies, restated for discontinued operations. See pages 8 and 18 for items impacting comparability between years.

CONSOLIDATED FOR THE YEARS	1998	1997	1996	1995	1994
SUMMARY OF EARNINGS					
Net sales	$1,399.7	$1,487.7	$2,388.0	$2,902.1	$3,270.4
Income (loss) from continuing operations	23.6	17.2	44.7	(428.2)	(505.0)
(Loss) income applicable to common stock	(11.1)	147.6	(333.1)	(424.9)	(597.7)
Basic and diluted income (loss) per common share from continuing operations	$ 0.12	$ 0.09	$ 0.23	$ (2.22)	$ (3.51)
Basic and diluted (loss) income per common share	(0.06)	0.74	(1.67)	(2.21)	(4.16)
Dividends per share					
Common share	$ 0.30	$ 0.26	$ 0.08		$ 0.25
Preferred series A	3.00	3.00	3.13	$ 2.39	
Preferred series B					1.32
Average number of common shares outstanding during the year	199.0	199.0	199.0	192.3	143.7
FINANCIAL STATISTICS					
Total assets	$2,012.2	$2,175.3	$2,490.0	$3,207.9	$3,670.0
Long-term debt	552.0	788.3	567.2	1,200.1	1,368.0
Operating EBITDA(1)	$ 191.3	$ 138.4	$ 277.7	$ (148.3)	$ 0.2
Adjusted Operating EBITDA(1)	185.5	154.4	215.7	82.6	57.7

COMBINED FOR THE YEARS	1998	1997	1996	1995	1994
SUMMARY OF EARNINGS					
Net sales	$2,334.5	$3,481.6	$4,456.8	$4,741.0	$5,092.6
Income (loss) from continuing operations	271.3	93.1	45.0	(469.2)	(466.9)
Income (loss) applicable to common stock	94.6	131.1	5.1	(424.9)	(597.7)
FINANCIAL STATISTICS					
Total assets	$2,721.9	$3,019.2	$3,084.7	$3,617.9	$3,911.8
Long-term debt	554.6	794.9	581.8	1,210.7	1,377.8
Operating EBITDA(1)	$ 553.1	$ 397.6	$ 330.2	$ (162.2)	$ 106.7
Adjusted Operating EBITDA(1)	202.1	272.7	274.3	108.3	187.6

(1) Operating EBITDA represents net income (loss), excluding discontinued operations, non-operating income and expense, interest, taxes, depreciation and amortization. Adjusted operating EBITDA excludes the effects of Significant or Unusual Items included on page 8 and page 18 of Management's Discussion and Analysis of Financial Condition and Results of Operations. Operating EBITDA is presented because management understands that such information is considered by certain investors to be an additional basis for evaluating the ability to pay interest and repay debt. Operating EBITDA should not be considered an alternative to measures of operating performance as determined in accordance with generally accepted accounting principles, including net income, as a measure of operating results and cash flows or as a measure of liquidity. Because operating EBITDA is not calculated identically by all companies, the presentation herein may not be comparable to other similarly titled measures of other companies.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions)	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
NET SALES						
Ongoing businesses	$1,363.0	$1,383.4	$1,258.9	$2,178.0	$2,349.8	$2,313.4
Businesses held for sale and Foods Unaligned businesses	36.7	104.3	1,129.1	156.5	1,131.8	2,143.4
Total	$1,399.7	$1,487.7	$2,388.0	$2,334.5	$3,481.6	$4,456.8
OPERATING INCOME						
Ongoing businesses and corporate	$ 141.8	$ 97.7	$ 172.1	$ 98.8	$ 64.5	$ 124.9
Businesses held for sale and Foods Unaligned businesses	(1.4)	1.8	24.3	367.7	236.8	71.2
Total	$ 140.4	$ 99.5	$ 196.4	$ 466.5	$ 301.3	$ 196.1

CONSOLIDATED SUMMARY

Net Sales

Consolidated sales declined $88.0 million or 6% in 1998 to $1,399.7 million from $1,487.7 million in 1997. The sales decline was primarily the result of the divestiture of the Company's commercial and industrial wallcoverings business in 1998 recorded in the businesses held for sale category. Sales for the Company's ongoing businesses also declined in 1998 by $20.4 million, due primarily to unfavorable exchange rate fluctuations and lower pricing in the Chemical business, partially offset by higher domestic volume and newly acquired businesses.

Operating Income

The Company's total operating income increased $40.9 million or 41% from $99.5 million in 1997 to $140.4 million in 1998. The improvement is due to higher volume and improved margins in the Chemical North American operations, as well as the results of businesses acquired in late 1997 and early 1998. The improvement also reflects the absence of a $16.0 million charge for the closure of a European operation in 1997, and a gain of $8.3 million on the sale of a Latin American business in 1998.

COMBINED SUMMARY

Net Sales

Combined sales declined $1,147.1 million, or 33%, from $3,481.6 million in 1997 to $2,334.5 million in 1998. The decrease is primarily due to divestitures of the Combined Companies' Foods Unaligned businesses. Ongoing businesses' sales decreased by $171.8 million or 7%. This decrease was primarily due to the elimination of certain unprofitable volume in the Foods business in late 1997 and 1998 and the sales decline described above for the Chemical business.

Operating Income

Combined operating income improved $165.2 million or 55% from $301.3 million in 1997 to $466.5 million in 1998. The increase was primarily due to gains on the sale of Foods Unaligned businesses of $371.7 million in 1998, compared to $122.6 million in 1997. This improvement was partially offset by a decline of $115.0 million in Foods Unaligned operating income, primarily due to the divestiture of these businesses. The remainder of the Combined Companies' improvement relates primarily to improvements in the Chemical business as described above.

RESULTS OF OPERATIONS BY BUSINESS UNIT:

Following is a comparison of net sales and operating income (loss) by operating segment for both the Company and the Combined Companies:

(Dollars in millions)

	Year ended December 31,		
NET SALES	1998	1997	1996
Chemical	$1,260.3	$1,290.8	$1,174.2
Corporate and other	102.7	92.6	84.7
Businesses held for sale (1)	36.7	104.3	1,129.1
CONSOLIDATED NET SALES	1,399.7	1,487.7	2,388.0
Foods ongoing businesses	586.3	724.2	808.9
Foods Unaligned businesses	119.8	1,027.5	1,140.9
Total Foods	706.1	1,751.7	1,949.8
Wise (2)	228.7	242.2	245.6
Combining adjustments (3)	-	-	(126.6)
COMBINED NET SALES	$2,334.5	$3,481.6	$4,456.8

	Year ended December 31,		
OPERATING INCOME (LOSS)	1998	1997	1996
Chemical	$ 149.8	$ 109.8	$ 127.2
Corporate and other	(8.0)	(12.1)	44.9
Businesses held for sale (1)	(1.4)	1.8	24.3
CONSOLIDATED OPERATING INCOME	140.4	99.5	196.4
Foods ongoing businesses	(40.0)	(36.8)	(67.2)
Gains on sale of Foods Unaligned businesses	371.7	122.6	3.2
Foods Unaligned businesses	(2.6)	112.4	43.7
Total Foods	329.1	198.2	(20.3)
Wise (2)	(2.2)	3.6	(2.8)
Combining adjustments (3)	(0.8)	-	22.8
COMBINED OPERATING INCOME	$ 466.5	$ 301.3	$ 196.1

(1) Includes Wise results prior to sale to affiliate on July 2, 1996. See page 4 for other businesses included in this classification.
(2) Represents 100% of Wise results for the applicable period presented.
(3) The 1996 adjustment represents an adjustment to exclude the Wise results included with consolidated results and the loss on the sale of Wise, which is eliminated in the Combined Companies' results. The 1998 operating income adjustment represents corporate expenses recorded by the Combined Companies that did not apply to the Company.

1998 VS. 1997

Chemical

Chemical sales were down $30.5 million or 2% from 1997. The decline reflects unfavorable currency exchange rates in Canada, Latin America and Asia Pacific, substantially lower pricing, the mid-year shutdown of a European operation, and the mid-year sale of a plastic films business in Latin America, all partially offset by improved volume in North America and incremental sales provided by the melamine and derivatives businesses acquired in late 1997 and early 1998.

The combined impact on sales of unfavorable currency exchange rates was approximately $47 million, with nearly half of the impact coming from Asia Pacific.

The significant unfavorable impact of lower pricing was approximately $46 million and reflects highly competitive market conditions and contractual arrangements that necessitated the pass-through of significantly lower raw material costs, primarily for methanol, phenol and urea.

Volume improvement of 4% in North America, excluding the melamine and derivatives acquisitions, had a positive impact on sales of approximately $32 million but was partially offset by a 10% decline in Latin America volume that had a $12.1 million negative impact on sales. The improved volume in North America was driven by low interest rates and strong housing activity throughout 1998 while the decline in Latin America reflects the region's struggling economy.

The melamine and derivatives product line includes Melamine Chemicals acquired in November 1997 and the resins and compounds business of Sun Coast Industries acquired in February 1998. The addition of Melamine Chemicals secured a supply of a crucial raw material for the Company's current business and allowed the Company to expand in the growing specialty business of melamine resins. The February 1998 acquisition of a Sun Coast Industries, Inc. division that manufactures melamine-based products has further expanded the Company's growth in this market. This product line provided incremental sales of approximately $60 million in 1998 and had very good operating results, reflecting strong pricing and market demand throughout the year.

The mid-year closure of a European operation and sale of the Latin America plastic films business resulted in sales declines of approximately $8 million and $9 million, respectively, compared to the prior year.

Operating income increased $40.0 million or 36% from 1997. This significant improvement reflects the absence of a $16 million charge recorded in the fourth quarter of 1997 to accrue the estimated cost to close a European operation. The remainder of the increase in operating income reflects primarily the impact of volume improvement in North America, substantially lower raw material costs, and the acquisition of the melamine and derivatives businesses, all partially offset by substantially lower selling prices, higher general and administrative costs, and unfavorable currency exchange rates. Chemical general and administrative expenses increased approximately $21 million from 1997 to 1998 due primarily to additional expenses from newly acquired businesses, consulting fees, bad debt write-offs, and environmental expenses. Operating income in Latin America was down significantly from the prior year due to poor economic conditions in the region, resulting in late payments by customers and debt write-offs of $2.5 million.

The second quarter sale of the Latin American plastic films business produced a gain of $8.3 million, which was partially offset by a charge of $2.5 million for additional costs related to the closure of the European operation.

Corporate and other
- -------------------
Corporate and other results improved $4.1 million or 34% from a 1997 loss of $12.1 million to a loss of $8.0 million in 1998. The difference is primarily due to a gain of $9.5 million related to the settlement of the majority of the Company's workers compensation liability and a gain of $3.0 million related to the favorable settlement of a note receivable from the sale of the German Bakery in 1996. These gains represented an improvement of $3.9 million from 1997, when similar gains of approximately $8.6 million were recorded.

Businesses held for sale
- ------------------------
The remaining businesses classified as businesses held for sale were divested in 1998, leading to the reported declines in net sales and operating income.

Foods
- -----
Foods' sales during 1998 decreased 60% to $706.1 million from $1,751.7 million in 1997. Of this $1,045.6 decrease, $907.7 million was related to the sales of Foods' Unaligned businesses in late 1997 and early 1998. Sales from ongoing businesses declined $137.9 million as a result of reductions in pasta volume due to management's strategic decisions to exit the unprofitable private label business and unprofitable markets, and to eliminate low margin product lines and brands. The impact of these strategic decisions began to affect sales in the last four months of 1997.

Foods operating income improved $130.9 million or 66% to $329.1 million in 1998 from $198.2 million in 1997. The improvement is primarily due to increased gains on the sale of Foods Unaligned businesses. The $371.7 million recorded gain in 1998 primarily related to the sales of its Signature Flavors and milk powder businesses. Operating results from ongoing businesses declined by $3.2 million or 9% during 1998 to an operating loss of $40.0 million, down from an operating loss of $36.8 million in 1997. Operating income improvements driven by exiting unprofitable private markets and the private label pasta business, reducing production and distribution costs, and lowering administrative costs, were more than offset by reductions of pasta volumes, business realignment charges of $23.3 million and non-capitalizable systems implementation and Year 2000 expenses of $12.5 million. The business realignment charges included $6.1 million recorded in cost of goods sold, and $17.2 million related to the closure of one plant and impairment of assets at two others.

Wise

Wise sales declined $13.5 million or 6% from 1997 to 1998. This sales decline is primarily the result of the sale of the Caribbean based distributorship and increased domestic competitive pressures. Absent the reduced sales due to the divestiture, 1998 sales decreased approximately $1.5 million from 1997.

Operating income fell from $3.6 million in 1997 to a loss of $2.2 million in 1998. The lower sales volume, charges of $1.9 million primarily related to downsizing of Wise's research facility, and a recorded loss of $1.3 million on the sale of the Caribbean business were the primary causes for the operating income decline.

1997 VS. 1996

Chemical

Chemical had a successful year from a sales perspective. Improved sales in 1997 reflected increased consumer demand for products coupled with increased capacity to meet that demand due to plant expansion and an acquisition. Sharply higher raw material costs and intense industry competition, which kept a ceiling on selling prices, contributed to narrower margins and correspondingly lower operating income.

Chemical sales increased $116.6 million or 10% in 1997. Modest selling price increases contributed $6.2 million to this improvement. The remainder was primarily due to volume increases in virtually all product lines. Demand was particularly strong for plywood and oriented strand board due to continued strong U.S. housing starts. Volume also improved for sales of formaldehyde as a result of increased capacity from the start-up of a new formaldehyde plant in 1997 and two other plant expansions. This increased capacity allowed Chemical to meet existing customer demand. Also contributing $7.4 million to the increased sales was the acquisition of Melamine Chemicals in November 1997.

The addition of Melamine Chemicals secured a supply of a crucial raw material for the Company's current business and allowed the Company to expand in the growing specialty business of melamine resins. In February 1998, the Chemical business also acquired a Sun Coast Industries, Inc. division that manufactures melamine-based products, which will further expand the Company's growth in this market.

Operating income for the Chemical business decreased $17.4 million or 14% for 1997, despite 10% sales growth. The decline was mainly the result of a $16.0 million impairment charge related to certain international operations, offset in part by the absence of non-recurring charges and improved business processes in Latin America. The remaining decline was due to lower margins, caused by a steep rise in raw materials costs. Efforts to pass on the cost increase to customers were only partially successful because of intense industry competition coupled with customers' resistance to large price increases because of difficult operating conditions facing them in the forest products industry. Also contributing to the operating income decline were infrastructure costs incurred to implement worldwide information systems and plant consolidation costs. Both investments were made to improve operating efficiency and synergies, allowing Chemical to further its global focus strategy.

Corporate and other

Corporate and other operating results declined $57.0 million in 1997 to a loss of $12.1 million. This change was caused primarily by two large one-time income items in 1996, when the Company recorded a net gain of $62.0 million on the

sales of a) the salty snacks business to Wise Holdings, Inc., an affiliate of the Company's parent, and b) an equity interest in a Spanish food company to a third party. With the effects of these items removed, corporate and other operating loss of $12.1 million shows a $5.0 million improvement from a $17.1 million loss in 1996. This improvement is the result of improvements of approximately $8.6 million related to management and settlement of assets and liabilities retained from business units that were sold in prior years.

Businesses held for sale

Businesses held for sale showed large fluctuations in both sales and operating income from 1996 to 1997. The $1,024.8 million or 91% decrease in sales was the result of several divestitures in late 1996, including the European bakery business, the packaging and plastic films business, and the remaining eastern dairy businesses. Adding to this difference was the inclusion in 1996 of six months of Wise sales, amounting to $126.6 million. Operating income for the businesses held for sale decreased $22.5 million or 93% in 1997. This decline was also the result of the sale of businesses in late 1996.

Foods

Foods sales decreased $198.1 million or 10% from 1996 due to a $84.7 million decline in ongoing business sales and a $113.4 million decline in sales of Unaligned businesses. Sales from ongoing businesses declined as expected due to a reduction in pasta volume caused by management's decision to exit unprofitable markets and the private label pasta business, and by the elimination of low margin product lines. Sales from the Unaligned businesses declined due to softer volumes resulting from reduced trade promotion and couponing in the cheese and non-dairy creamer product lines.

Operating income improved from a $20.3 million operating loss in 1996 to $198.2 million of operating income. Factors contributing to this $218.5 million improvement include improved results in both ongoing and Unaligned businesses and gains on business divestitures. Ongoing business improvement was primarily in the pasta business, where lower raw material costs and elimination of unprofitable sales volume, coupled with improved promotional and trade management, reduced operating losses by $30.4 million or 45% from a $67.2 million operating loss in 1996 to a $36.8 million operating loss in 1997. $3.1 million of the improvement relates to a change in estimate of required trade promotion reserves. Operating income from Unaligned businesses increased $188.1 million from 1996 due to a $122.6 million gain on the sale of divested businesses and higher margins achieved from increases in selling prices, reduced trade promotion spending and a $15.2 million reduction in estimates for required trade promotion reserves as a result of improved trade spending management.

The $122.6 million gain on sale of Unaligned food businesses primarily includes gains related to the sales of the Foods domestic cheese business and Cracker Jack business, each completed in December 1997.

Wise

Wise sales declined $3.4 million or 1% from 1996 to 1997. This sales decline was the result of lower volume due to a program to decrease promotional spending that began in the second half of 1996. Some of the lost volume was regained in the second half of 1997, when sales rose to $122.9 million from $119.3 million in the first half.

Operating income for Wise improved to $3.6 million in 1997 from a loss in 1996. This improvement reflected reductions in trade spending and material costs, offset in part by higher administrative expenses.

SIGNIFICANT OR UNUSUAL ITEMS INCLUDED IN OPERATING INCOME

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1998	1997	1996	1998	1997	1996
Gain on disposal of businesses, net	$ 8.3		$ 62.0	$ 378.7	$ 122.6	$ 81.9
Business redesign	(2.5)	$ (16.0)	-	(27.7)	(16.0)	(26.0)
Changes in estimate	-	-	-	-	18.3	-
	$ 5.8	$ (16.0)	$ 62.0	$ 351.0	$ 124.9	$ 55.9

1998
The Company's gain on disposal of businesses relates to the sale of a non-strategic Chemical business in Latin America. The Combined Companies' gain on disposal of businesses reflects the Chemical gain as well as gains of $371.7 million on the sale of Foods Unaligned businesses and a loss of $1.3 million on the sale of a snacks business.

The Company's business redesign charge of $2.5 million relates to the closure of a European Chemical operation. The Combined Companies' business redesign charges include the Chemical charge as well as charges for the closure of a Foods plant and impairment of assets of two other Foods plants, totaling $23.3 million and charges for the downsizing of Wise's research facility of $1.9 million.

1997
The Company's and Combined Companies' $16.0 million business redesign charge related to the closure of a European Chemical operation. In addition to the $122.6 million net gain on the sale of Foods Unaligned businesses, Foods reduced prior year accruals for trade promotions in the combined financial statements by $18.3 million. Due to better management of trade spending, these redemptions were significantly lower than management had anticipated.

1996
The Company's 1996 gain on disposal of businesses of $62.0 million includes primarily the sale of an equity interest in a Spanish food company, partially offset by a loss of $16.7 million on the sale of Wise.

The Combined Companies' $81.9 million gain on disposal in 1996 reflects the transactions recorded by the Company less the $16.7 million loss on the sale of Wise, which is eliminated in the Combined Companies, and a gain of $3.2 million on the sale of a Foods business late in 1996. In addition, the Combined Companies recognized a $26.0 million charge for the closure of certain domestic Foods plants in 1997.

NON-OPERATING EXPENSES AND INCOME TAX EXPENSE:

NON-OPERATING EXPENSES

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1998	1997	1996	1998	1997	1996
Interest expense	$ 64.4	$ 93.0	$ 112.8	$ 65.5	$ 93.3	$ 116.4
Affiliated interest expense (income)	22.8	(26.5)	(4.0)	5.4	-	-
Interest income and other	(30.9)	(6.4)	(7.7)	(34.8)	(9.1)	(16.7)
Impairment of equity investment	26.7	-	-	26.7	-	-
	$ 83.0	$ 60.1	$ 101.1	$ 62.8	$ 84.2	$ 99.7

1998 vs. 1997

Consolidated non-operating expense for the year ended December 31, 1998, totaled $83.0 million, up $22.9 million from the 1997 total of $60.1 million. The increase is attributable to a $26.7 million charge for the impairment of the Company's equity investment in AEP Industries ("AEPI"). (See Note 9 to the Consolidated and Combined Financial Statements.) Interest expense decreased from $93.0 million to $64.4 million due to the paydown of the Company's line of credit using proceeds from the sale of the Decorative Products business. The interest expense decrease was more than offset by the $49.3 million increase in affiliated interest expense on amounts loaned by Foods and BWHLLC, an affiliate of the Company's parent. Interest income and other increased $24.5 million, primarily from the investment of proceeds from the sale of certain Foods Unaligned businesses in short-term investments.

Combined non-operating expense decreased $21.4 million from $84.2 million to $62.8 million. The decrease is primarily attributable to the $27.8 million decrease in interest expense, augmented by a $25.7 million increase in interest income and other, due to the use and investment of proceeds from the sale of Decorative Products and Foods Unaligned businesses as described above. These improvements were partially offset by a $26.7 million charge for the impairment of the Company's equity investment in AEPI and affiliated interest expense on amounts loaned by BWHLLC.

1997 vs. 1996

Consolidated non-operating expense for the year ended December 31, 1997, totaled $60.1 million, down $41.0 million from the 1996 total of $101.1 million. The decrease is attributable to a reduction in interest expense and an increase in affiliated interest income. Interest expense, as a result of lower debt levels, decreased $19.8 million from the 1996 total and affiliated interest income increased $22.5 million as a note receivable for the Foods operations was outstanding for twelve months in 1997 versus only three months in 1996. Combined non-operating expense decreased by the factors noted above with the exception of affiliated interest income.

INCOME TAX EXPENSE

	CONSOLIDATED			COMBINED		
(Dollars in millions)	1998	1997	1996	1998	1997	1996
Income tax expense	$ 33.8	$ 22.2	$ 50.6	$ 132.4	$ 124.0	$ 51.4
Effective tax rate	59%	56%	53%	33%	57%	53%

Consolidated

Greater income tax expense was incurred by the Company in 1998 when compared to 1997. This was primarily the result of higher earnings before income taxes. The effective rate in 1998 reflects repatriation from foreign countries of earnings that became subject to U.S. taxes.

Significantly lower income tax expense was incurred by the Company in 1997 when compared to 1996. This was primarily the result of lower earnings before taxes. The high effective tax rate in 1997 is primarily due to foreign tax rate differentials caused primarily by an impairment charge recorded for which there was no related tax benefit. The 1996 effective tax rate reflects the write-off of assets with lower tax basis than book basis as well as foreign tax rate differentials.

Combined

Greater income tax expense was incurred by the Combined Companies in 1998 when compared to 1997. This was primarily the result of substantially higher earnings before income taxes. The lower effective rate in 1998 is primarily due to an affiliate's share of gains on the sale of certain Foods Unaligned businesses that are not subject to corporate tax, offset in part by the repatriation of foreign earnings discussed above.

Combined income tax expense increased in 1997 when compared to 1996 primarily as a result of higher earnings before taxes and higher effective tax rate. The effective tax rate in 1997 primarily reflects the write-off of assets with lower tax basis than book basis. The 1996 rate reflects the write-off of assets with lower tax basis than book basis as well as foreign tax rate differentials.

CASH FLOWS:

OPERATING

1998 vs 1997

Operating cash flows generated by the Company were $46.0 million in 1998 compared to cash used of $97.0 million in 1997. Over half of the $143 million improvement was due to the absence in 1998 of a $75.0 million tax settlement payment. Also contributing to the improvement were lower net cash interest payments of $36.9 million and cash generated from higher operating income before divestitures. Cash interest paid was lower as net proceeds from a late 1997 divestiture and early 1998 divestiture were used to repay outstanding debt resulting in lower average debt outstanding when compared to 1997. Higher operating income before divestiture gains resulted primarily from improved gross margins in the Company's Chemical business.

Operating cash flows used by the Combined Companies were $33.6 million in 1998 compared to $52.6 million in 1997. The $19.0 million improvement from 1997 resulted from: the non-recurrence of the $75.0 million tax payment partially offset by a $31.3 million increase in taxes paid related to gains on divested businesses, an improvement in Foods' net working capital occurring in anticipation of and as a result of the divestiture of certain businesses, net working capital improvements in Foods' continuing operations, and lower net cash interest payments of $48.3 million. Partially offsetting these net improvements was a decline in operating income before divestiture gains. This decline was directly attributable to the absence of operating results of the Foods Unaligned businesses in 1998.

1997 vs. 1996

Operating cash flows used by the Company and the Combined Companies were $97.0 million and $52.6 million during 1997 compared to cash provided by the Company and Combined Companies of $92.9 million and $165.6 million during 1996. The decreases from 1996 are attributable to the absence of cash flows from businesses that were divested in 1997 and late in 1996, the payment of certain taxes, and the settlement of various litigation and benefit related liabilities. Divestitures include the packaging and plastic films business, which was divested in the fourth quarter of 1996, and the dairy business, which was sold in the third quarter of 1997. The 1997 cash flows also include a $75.0 million outflow relating to certain taxes and interest reflecting the Company's and the Combined Companies' reduction of claimed capital losses in the 1989 to 1993 tax returns. The Company agreed to an approximate $100.0 million payment, the remainder to be paid in 1998, partially offset by a tax refund owed to Borden by the federal government. The $100.0 million tax liability was fully accrued in a prior year. Also included in the 1997 use of cash was approximately $40.0 million relating to the settlement of various litigation and approximately $23.0 million of payments for self-insured liabilities, primarily workers compensation claims.

INVESTING

1998 vs. 1997

The $336.6 million of cash generated by the Company from investing activities in 1998 was a $94.2 million decline from the $430.8 million generated in 1997. The decline is primarily due to reduced business divestiture proceeds and reduced affiliated debt repayments from Foods, which had repaid most of its outstanding affiliated debt balance in 1997. These 1998 inflow reductions from 1997 levels were partially offset by reduced 1998 capital expenditures and a reduction of 1998 funds used for business purchases.

The $335.9 million in 1998 proceeds from business divestitures of the Company consisted of: $304.8 million from the sale of Decorative Products, $15.5 million from the sale of a Latin American plastic films business and $15.6 from the sale of the commercial and industrial wallcoverings business.

The $972.4 million of cash generated by the Combined Companies from investing activities in 1998 was a $611.5 million improvement over 1997. This improvement is primarily due to increased proceeds from the sale of businesses and reduced expenditures for business purchases.

In addition to the business divestiture proceeds listed above for the Company, the Combined Companies 1998 business divestiture proceeds included $733.2 million from the sale of Foods Unaligned businesses, and $2.1 million from the sale of the Wise Caribbean business.

Capital expenditures in 1998 for the Company and Combined Companies decreased $77.2 million and $70.0 million, respectively, compared to 1997. This is mainly the result of reduced Chemical expenditures of $41.3 million related to reduced plant additions and improvements and reduced capitalized computer system implementation costs, and the absence of capital expenditures in 1998 of businesses divested in late 1997 and early 1998.

The Company's and Combined Companies' planned 1999 capital expenditures are approximately $120.0 million and $192.0 million, respectively. The budgeted capital expenditures include plans to increase capacity in the Chemical operations, improve manufacturing efficiencies and to complete implementation of enterprise-wide system implementations. The capital expenditures will be financed through operations and the available line of credit.

1997 vs. 1996
- -------------
The consolidated investing activities generated cash of $430.8 million in 1997 compared to $312.6 million in 1996. The increase is attributable to a decline in the Company's capital expenditures of $112.8 million, as net acquisition and divestiture activity yielded comparable results from year to year. The decline in capital expenditures relates to businesses divested in 1996. The net acquisition and divestiture activity in 1997 and 1996 totaled $560.5 million and $555.1 million, respectively.

The 1997 net acquisition/divestiture activity reflects the following: total proceeds from the sale of the Company's dairy business of $435.0 million ($405.2 million net of expenses), $40.0 million from the sale of a trademark, $13.4 million from the collection of a receivable on a 1996 divestiture, $186.1 million return of investment in affiliate as Foods repaid affiliated debt using proceeds from sales of two of its Unaligned businesses (see Combined Companies below), partially offset by funds used of $90.9 million (net of approximately $30.0 million of cash acquired) primarily to acquire Melamine Chemicals in the fourth quarter of 1997.

The Combined Companies' investing activities generated cash of $360.9 million in 1997 compared to $235.0 million in 1996. Again, the increase is primarily attributable to a decline in capital expenditures resulting from divested businesses in 1996, while other investing activity remained constant. The Combined Companies investing cash inflows for 1997 reflect the above mentioned factors for the Company and Foods' two divestitures (Cracker Jack and the domestic cheese business) made in late 1997, which generated proceeds of $185.0 million, and the sale of two plants, which generated $10.0 million in cash.

The 1996 investing cash inflow reflects $478.6 million from the divestiture of the Company's packaging and plastic films business, the European bakery business and certain other food and non-food operations, and $76.5 million repayment of affiliate debt from Foods.

The Company's and the Combined Companies' capital expenditures were consistent with 1996, taking into consideration businesses that were divested during 1997 and 1996.

FINANCING

1998 vs. 1997
- -------------
Financing activity for the Company generated cash of $105.9 million while the Combined Companies, financing activities used cash of $441.9 million. In 1998 the Company borrowed a total of $411.8 million from Foods, which Foods had received as proceeds from the sale of its Unaligned businesses, and BWHLLC. The inflow to the Company was partially offset by debt repayment of the $236.0 million. The Company received $60.4 million of interest on a note receivable from the Company's parent, funded by $60.4 million in common stock dividends. The Company also declared and paid preferred stock dividends of $73.7 million.

Combined Companies' financing activities in 1998 included the above with the exception of the affiliated borrowings from Foods which are eliminated. The Combined Companies' financing activities also included a $272.2 million distribution from Foods to an affiliate that is not within the Combined Companies controlled group, but has an ownership interest in the trademarks that were sold with the Foods Unaligned businesses.

1997 vs. 1996

1997 financing activities used $259.7 million on a consolidated basis and $254.4 million on a combined basis. Cash from investing activities was primarily used to repay debt and pay preferred dividends. The Company received $50.8 million of interest on a note receivable from the Company's parent, funded by $50.8 million in common stock dividends.

The Company's and the Combined Companies' 1996 financing cash outflows of $370.2 million and $378.7 million, respectively, reflect debt and dividend payments.

LIQUIDITY AND CAPITAL RESOURCES:

As of December 31, 1998, the Company and the Combined Companies had $895.0 million in contractually committed lines of credit (the "Credit Agreement") of which $764.6 million (net of $130.4 million in letters of credit) was available. The cash held by the Company of $672.1 million and the Combined Companies of $695.5 million as of December 31, 1998, and the cash available under the Credit Agreement may be used for acquisitions and to fund working capital needs and capital expenditures.

As part of the common control exercised over the Company and Combined Companies, procedures are established to enter into borrowings between the business units at market interest rates.

The Company and Combined Companies expect to have enough liquidity to fund working capital requirements, support capital expenditures and pay preferred dividends during 1999 and in future years due to cash from operations and amounts available under the Credit Agreement.

As of December 31, 1998, the Company and the Combined Companies had $162.2 million and $167.5 million, respectively, in deferred tax assets that related to foreign and alternative minimum tax credits as well as net operating loss carryforwards. These credits and carryforwards, net of valuation allowances of $38.4 million and $43.7 million, respectively, are expected to reduce future tax liabilities.

RISK MANAGEMENT:

The Company and Combined Companies enter into various financial instruments, primarily to hedge interest rate risk and foreign currency exchange risk.

FOREIGN EXCHANGE RISK

In 1998, international operations accounted for approximately 33% and 29% of the Company's and Combined Companies' sales, respectively. As a result, there is exposure to foreign exchange risk on transactions that are denominated in a currency other than the business unit's functional currency. Such transactions include foreign currency denominated imports and exports of raw materials and finished goods (both intercompany and third party), and loan payments (both intercompany and third party). In almost all cases, the functional currency is the unit's local currency.

It is the Company's and Combined Companies' policy to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging firmly committed foreign currency transactions wherever economically feasible. The use of forward contracts protects cash flows against unfavorable movements in exchange rates, to the extent of the amount under contracts. The Company and Combined Companies do not hedge foreign currency exposure in a manner that would entirely eliminate the effect of changes in foreign currency exchange rates on net income and cash flow. The Company and Combined Companies do not speculate in foreign currency

and do not hedge foreign currency translation or foreign currency net assets and liabilities. The counterparties to the forward contracts are financial institutions with investment grade credit ratings.

Foreign exchange risk is also mitigated because the Company and Combined Companies operate in many foreign countries, reducing the concentration of risk in any one currency. In addition, foreign operations have limited imports and exports, reducing the potential impact of foreign currency exchange rate fluctuations. With other factors being equal, such as the performance of individual foreign economies, an average 10% foreign exchange increase or decrease in all countries would not materially impact operating results or cash flow. The significant weakening of the Brazilian currency in the first quarter of 1999 is also not expected to have a material impact on 1999 results.

In accordance with current accounting standards, the Company and the Combined Companies defer unrealized gains and losses arising from contracts that hedge existing and identified foreign currency exposure against commitments until the related transactions occur. Gains and losses arising from contracts that hedge existing transactions are offset against gains or losses arising from the transactions being hedged.

A summary of forward currency contracts outstanding as of December 31, 1998, follows. All contracts summarized are entered into by the Combined Companies. Fair values are determined from quoted market prices at December 31, 1998.

	Average Days to Maturity	Average Contract Rate	Forward Position (in millions)	Fair Value Gain/(Loss) (in millions)
Currency to buy with U.S. Dollars				
Canadian Dollars	4	1.55	$ 26.8	$ 0.2
Japanese Yen	96	114.6	1.9	0.0
Currency to sell for U.S. Dollars				
Australian Dollars	57	.61	2.0	0.0
Canadian Dollars	56	1.53	9.0	0.1
Italian Lire	29	1,683	16.1	(0.3)

INTEREST RATE RISK

The Company has historically utilized interest rate swaps to lower funding costs or to alter interest rate exposures between fixed and floating rates on long-term debt. The Company does not enter into speculative swaps or other financial contracts. As of December 31, 1998, two interest rate swaps were outstanding with a combined notional value of $224.3 million. Although originally entered into as a hedge, an interest rate swap having a notional amount of $200 million no longer met the criteria for hedge accounting during the first quarter of 1995. Since then, the swap has been marked to market.

Fair values of the swaps are independently provided using estimated mid-market levels. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between the fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amount. On average, the Company paid 10.4% and received 5.6% on the swaps in 1998. These swaps mature on September 1, 2000, and December 1, 2002. A 1% increase or decrease in market interest rates would result in a $2.2 million increase or decrease, respectively, in the fair value of the interest rate swap agreements. The Company is exposed to credit related losses in the event of nonperformance by the counterparties to these swaps, although no such losses are expected as the counterparties are financial institutions having an investment grade credit rating.

A summary of interest rate swaps for both the Company and Combined Companies as of December 31, 1998, follows.

Notional Amount (in millions)	Trade Date	Termination Date	1998 Fixed Pay Rate	1998 Average Receive Rate	Fair Value (in millions)
$ 24.3	12/1/92	12/1/02	13.7 %	5.9 %	$ (7.3)
200.0	9/17/85	9/1/00	10.0 %	5.5 %	(21.4)

The interest rate on most debt agreements is fixed or essentially fixed through the use of interest rate swaps discussed above. A 10% increase or decrease in the interest rate of the variable debt agreements would have an immaterial effect on the Company's and Combined Companies' net income. A summary of outstanding debt as of December 31, 1998, follows. Fair values are determined from quoted market interest rates at December 31, 1998.

	CONSOLIDATED			COMBINED		
Year	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)	Debt (in millions)	Weighted Average Interest Rate	Fair Value (in millions)
1999	$ 16.1	5.8%	$ 16.1	$ 23.1	6.3%	$ 23.1
2000	10.3	7.2%	10.6	10.3	7.2%	10.6
2001	1.8	9.4%	1.8	2.4	6.9%	2.4
2002	3.9	8.4%	4.1	4.6	7.2%	4.7
2003	-	-	-	0.7	0.0%	0.5
2004 and thereafter	536.0	8.1%	534.4	536.6	8.1%	534.8
	$ 568.1		$ 567.0	$ 577.7		$ 576.1

The Company and Combined Companies do not use derivative financial instruments in investment portfolios. Cash equivalent investments are placed with instruments that meet credit quality standards. These standards are established within the Company's investment policies, which also limit the exposure to any one issue. At December 31, 1998, approximately $661.6 million for the Company and $671.4 million for the Combined Companies was invested primarily in commercial paper and money market funds. At December 31, 1998, the average maturity period of the commercial paper investments was eighteen days, with an average interest rate of 5.3%. The average rate on December 31, 1998 of the money market fund investments was 5.1%. Due to the short maturity of the Company's cash equivalents, the carrying value on these investments approximates fair value and the interest rate risk is not significant. A 10% increase or decrease in interest returns on invested cash would have an immaterial effect on the Company's and Combined Companies' net income and cash flow.

COMMODITY FUTURES RISK

The Combined Companies use commodity futures contracts to hedge the price risks associated with raw materials used in production. The Combined Companies defer the impact of changes in the market value of these contracts until the hedged transaction is completed. Changes in market value of the commodity futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. The Combined Companies do not enter into these contracts for speculative purposes. These contracts generally mature in less than one year. As of December 31, 1998, no commodity futures contracts were outstanding.

EQUITY PRICE RISK

As partial consideration for two divested business units, the Company and Combined Companies received and hold as of December 31, 1998, a 33% equity investment in AEPI and an 11% equity investment in IHDG. As of December 31, 1998, the Company and Combined Companies reduced the carrying amount of the AEPI investment to the closing December 31, 1998, market stock price, as stated on the NASDAQ, to reflect the drop in market price in 1998. The carrying value of the IHDG investment is not material and quoted market prices are not available.

A summary of the AEPI investment as of December 31, 1998, follows.

Description	Date Acquired	Carrying Value (in millions)	Fair Value (in millions)
AEPI common stock	10/11/96	$ 52.5	$ 52.5

Readers are cautioned that forward-looking statements contained under the heading of "Risk Management" should be read in conjunction with the disclosure under the heading: "Forward-Looking and Cautionary Statements."

IMPACT OF THE YEAR 2000 ISSUE:

Overview

The Year 2000 issue is the result of computer programs written using two digits rather than four to define the applicable year. Any of the Company's and Combined Companies' computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. If not addressed, the Year 2000 issue could have a material adverse impact on the business operations and financial results of the Company and Combined Companies.

To address this issue, the Company's and Combined Companies' Year 2000 Program is a risk-based plan divided into three phases that are being executed by both internal and external resources. These phases are: Phase I - an inventory of all systems, assigning a business priority for each system and performing a preliminary assessment of Year 2000 susceptibility; Phase II - completion of a detailed Year 2000 susceptibility analysis and development of remediation plans and contingency plans; and Phase III implementation of the remediation plans and, if necessary, contingency plan(s) and completing final system testing.

The Year 2000 efforts are divided into three areas that include, (1) systems being replaced by new enterprise-wide system implementations; (2) systems that will not be replaced by the new enterprise-wide system implementations, including non-information technology systems such as plant process controls; and (3) external suppliers and customers. A discussion of each area of activity relative to the three phased approach follows.

Enterprise-Wide Systems

The comprehensive new enterprise-wide system implementations being implemented by each of the Company's businesses and the Combined Companies will replace most business and accounting systems. The enterprise-wide system versions are said to be Year 2000 compliant by the vendors and include SAP, PeopleSoft and J.D. Edwards. Due to the relative complexity and importance of the existing business and accounting systems to ongoing operations, the new enterprise-wide system implementations will address the significant majority of the Company's and Combined Companies' internal Year 2000 risk. Implementations of these various new systems are underway with Phase I and II complete, except for the development of certain contingency plans. Phase III has begun and is expected to be substantially completed by June 30, 1999.

Other Systems

For the systems not to be replaced by enterprise-wide implementations, Phase I is complete, Phase II is substantially complete, and Phase III remediation has begun. As of December 31, 1998, the Company and Combined Companies have completed approximately 60% of the needed remediation work for these other systems. The remaining remediation work and all system testing activities are planned to be completed by June 30, 1999.

Suppliers and Customers

The Company and Combined Companies are in Phase I of the plan to assess and address the risks related to third party suppliers and customers. As a result of initial inquiries, supplier and customer responses have been received. These responses are being evaluated and appropriate procedures will be performed to determine the extent to which the Company and Combined Companies may be vulnerable to the failure of third parties to resolve their own Year 2000 issues. Efforts related to suppliers and customers, including development of contingency plans where appropriate, are targeted for completion by June 30, 1999. Although the Company's and Combined Companies' systems do not rely significantly on systems of other companies, the Company and Combined Companies cannot provide assurance that failure of third parties to address the Year 2000 issue will not have an adverse impact on business operations and results.

Costs

Significant investments in enterprise-wide information systems have been made since 1996 that will total approximately $74 million for the Company and $116 million for the Combined Companies by the year 2000. The cost to make the remaining systems Year 2000 compliant is estimated to be $7 million for the Company and $18 million for the Combined Companies. As of December 31, 1998, the Company and Combined Companies had incurred costs of approximately $62 million and $86 million, respectively, for enterprise-wide systems and approximately $3 million and $8 million, respectively, for other systems and efforts.

Risks

Due to the general uncertainty inherent in the Year 2000 problem, including the uncertainty associated with suppliers and customers, the potential effect of the Year 2000 issue on the financial results and condition of the Company and Combined Companies has not been measured. The Company and Combined Companies intend the Year 2000 Program, as described above, to be completed on a timely basis so as to significantly reduce the level of uncertainty and the impact on business operations and financial results. Contingency plans have been and will continue to be developed and implemented to mitigate Year 2000 risks and the effect of Year 2000 issues. These contingency plans generally include remediation of existing business systems in the event the enterprise-wide implementations are delayed. To date, several of these contingency plans have been implemented to reduce the risk of potential delays in enterprise-wide system implementations.

Readers are cautioned that forward-looking statements contained in the Year 2000 Update should be read in conjunction with the disclosure under the heading: "Forward-Looking and Cautionary Statements".

RECENTLY ISSUED ACCOUNTING STANDARDS:

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". The Company and Combined Companies elected to defer implementation of this pronouncement until January 1, 1999. When implemented, reported financial results will not be significantly impacted.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives be measured at fair value and recorded on a company's balance sheet as an asset or liability, depending upon the company's underlying rights or obligations associated with the derivative instrument. The Company is investigating the impact of this pronouncement, but does not expect it to have a material impact on the Company's results of operations, financial position or cash flows.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

The Company, Combined Companies and their officers may, from time to time, make written or oral statements regarding the future performance of the Company or Combined Companies including statements contained in the filings with the Securities and Exchange Commission. Investors should be aware that these statements are based on currently available financial, economic and competitive data and on current business plans. Such statements are inherently uncertain and investors should recognize that events could cause the Company's and/or Combined Companies' actual results to differ materially from those projected in forward-looking statements made by or on behalf of the Company and/or Combined Companies. Such risks and uncertainties are primarily in the areas of results of operations by business unit, liquidity, legal, environmental liabilities, Year 2000 compliance and risk management.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the "Risk Management" section included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS OF OPERATIONS
BORDEN, INC.

(In millions, except per share data)	Year ended December 31, 1998	1997	1996
Net sales	$ 1,399.7	$ 1,487.7	$ 2,388.0
Cost of goods sold	1,008.2	1,124.5	1,728.1
Gross margin	391.5	363.2	659.9
Distribution expense	51.0	52.8	111.9
Marketing expense	78.9	87.2	272.0
General & administrative expense	127.0	107.7	141.6
Business realignment	2.5	16.0	-
Gain on divestiture, net	(8.3)	-	(62.0)
Operating income	140.4	99.5	196.4
Interest expense	64.4	93.0	112.8
Affiliated interest expense (income), net of affiliated interest income of $2.2, $27.1 and $7.8, respectively	22.8	(26.5)	(4.0)
Interest income and other	(30.9)	(6.4)	(7.7)
Impairment of equity investment	26.7	-	-
Income from continuing operations before income tax	57.4	39.4	95.3
Income tax expense	33.8	22.2	50.6
Income from continuing operations	23.6	17.2	44.7
Discontinued operations:			
Income from operations, net of tax	2.3	30.7	29.7
Gain (loss) on disposal, net of tax	36.7	173.4	(330.7)
Net income (loss)	62.6	221.3	(256.3)
Preferred stock dividends	(73.7)	(73.7)	(76.8)
Net (loss) income applicable to common stock	$ (11.1)	$ 147.6	$ (333.1)

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
(continued)
BORDEN, INC.

(In millions, except per share data)	Year ended December 31, 1998	1997	1996
Basic and Diluted Per Share Data			
Income from continuing operations	$ 0.12	$ 0.09	$ 0.23
Discontinued operations:			
Income from operations	0.01	0.15	0.15
Gain (loss) on disposal, net of tax	0.18	0.87	(1.66)
Net income (loss)	0.31	1.11	(1.28)
Preferred stock dividends	(0.37)	(0.37)	(0.39)
Net (loss) income applicable to common stock	$ (0.06)	$ 0.74	$(1.67)
Dividends per common share	$ 0.30	$ 0.26	$ 0.08
Dividends per preferred share	$ 3.00	$ 3.00	$ 3.13
Average number of common shares outstanding during the period	199.0	199.0	199.0

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions)

ASSETS	December 31, 1998	December 31, 1997
Current Assets		
Cash and equivalents	$ 672.1	$ 183.6
Accounts receivable (less allowance for doubtful accounts of $10.4 and $9.4)	210.7	242.2
Inventories:		
Finished and in-process goods	61.9	74.8
Raw materials and supplies	50.6	54.3
Deferred income taxes	73.3	106.1
Other current assets	18.4	34.9
Net assets of discontinued operations (See Note 6)	-	165.2
	1,087.0	861.1
Investments and Other Assets		
Investments	81.3	109.5
Deferred income taxes	89.4	139.8
Prepaid pension assets	133.3	140.2
Other assets	38.0	34.3
Assets sold under contractual arrangement (net of allowance of $62.6 and $609.6) (See Note 4)	46.0	302.1
	388.0	725.9
Property and Equipment		
Land	25.7	23.5
Buildings	93.2	106.8
Machinery and equipment	676.0	738.4
	794.9	868.7
Less accumulated depreciation	(324.0)	(360.8)
	470.9	507.9
Intangibles		
Net of accumulated amortization of $24.6 and $16.9	66.3	80.4
Total Assets	$ 2,012.2	$ 2,175.3

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED BALANCE SHEETS
BORDEN, INC.

(In millions, except share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1998	December 31, 1997
CURRENT LIABILITIES		
Debt payable within one year	$ 16.1	$ 6.9
Accounts and drafts payable	113.5	137.3
Income taxes payable	284.7	279.0
Loans payable with affiliates	415.8	4.0
Other current liabilities	208.2	328.8
	1,038.3	756.0
OTHER LIABILITIES		
Liabilities sold under contractual arrangement	41.6	230.1
Long-term debt	552.0	788.3
Non-pension post-employment benefit obligations	197.3	226.3
Other long-term liabilities	93.7	94.9
	884.6	1,339.6
Commitments and contingencies (See Note 20)		
SHAREHOLDERS' EQUITY		
Preferred stock - Issued 24,574,751 shares	614.4	614.4
Common stock - $0.01 par value: authorized 300,000,000 shares, Issued 198,974,994 shares	2.0	2.0
Paid in capital	358.9	384.0
Receivable from parent	(415.3)	(464.1)
Accumulated other comprehensive income	(51.0)	(48.0)
Accumulated deficit	(419.7)	(408.6)
	89.3	79.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,012.2	$2,175.3

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS
BORDEN, INC.

(In millions)	Year ended December 31, 1998	1997	1996
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income (loss)	$ 62.6	$ 221.3	$ (256.3)
Adjustments to reconcile net income (loss) to net cash from (used in) operating activities:			
(Gain) loss on disposal of discontinued operations	(111.6)	(308.2)	263.5
Gain on divestiture of business, net	(8.3)	-	(62.0)
Deferred tax provision	84.5	70.8	3.1
Depreciation and amortization	50.9	38.9	81.3
Unrealized gain on interest rate swap	(4.1)	(4.1)	(12.1)
Business realignment	2.5	16.0	-
Impairment of equity investment	26.7	-	-
Net change in assets and liabilities:			
Trade receivables	(0.9)	(9.4)	(25.0)
Inventories	(5.8)	1.8	(7.0)
Trade payables	(8.9)	(14.2)	18.0
Income taxes	27.3	(50.8)	22.4
Other assets	44.8	12.0	(1.9)
Other liabilities	(116.7)	(132.4)	(69.3)
Discontinued operations working capital	3.0	61.3	138.2
	46.0	(97.0)	92.9
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(52.5)	(129.7)	(242.5)
Proceeds from the divestiture of businesses	335.9	458.6	478.6
Purchase of businesses, net of cash acquired	(14.4)	(90.9)	-
Proceeds from the sale of fixed assets	-	6.7	-
Return of investment in affiliate	67.6	186.1	76.5
	336.6	430.8	312.6
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Net short-term debt borrowings	3.8	2.8	(11.6)
Borrowings of long-term debt	-	235.0	-
Repayment of long-term debt	(236.0)	(423.8)	(274.7)
Increase in minority interest	-	-	9.0
Purchase of TMI interest	-	-	(19.2)
Affiliated borrowings	411.8	-	-
Interest received from parent	60.4	50.8	3.8
Common stock dividends paid	(60.4)	(50.8)	(3.8)
Preferred stock dividends paid	(73.7)	(73.7)	(73.7)
	105.9	(259.7)	(370.2)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
BORDEN, INC.

(In millions)	Year ended December 31, 1998	1997	1996
Increase in cash and equivalents	$ 488.5	$ 74.1	$ 35.3
Cash and equivalents at beginning of year	183.6	109.5	74.2
Cash and equivalents at end of year	$ 672.1	$ 183.6	$ 109.5
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest, net	$ 47.6	$ 84.5	$ 82.3
Taxes	21.2	111.6	25.8
Non-cash activity:			
Distribution of note receivable from Company's parent to cancel options	39.2	-	-
Investment in AEPI common stock	-	-	80.0
Investment retained in IHDG	10.5	-	-
Capital contribution by parent	42.9	24.5	31.0
Reclassification of note from long-term to short-term	-	-	305.3
Non-cash proceeds relating to the Foods sale	-	20.0	521.8
Non-cash proceeds relating to the Wise sale	-	-	44.3
Non-cash proceeds from the sale of options recorded in equity	-	-	44.0
Proceeds from the sale of European bakery	-	-	30.1
Reclassification of minimum pension liability adjustment (to)/from shareholders' equity	(3.6)	109.2	(1.3)

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC.

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1995	$ 614.4	$ 2.0	$ 312.7	$ -	$ (237.5)	$ (223.1)	$ 468.5
Net loss						(256.3)	(256.3)
Translation adjustments and other					102.4		102.4
Minimum pension liability (net of $0.8 tax)					(1.3)		(1.3)
COMPREHENSIVE INCOME							(155.2)
Preferred stock dividends						(76.8)	(76.8)
Common stock dividends			(16.5)				(16.5)
Note receivable from Wise for stock issuance				(34.2)			(34.2)
Options sold to parent			44.0	(44.0)			-
Notes receivable from Foods transaction				(345.9)			(345.9)
Interest accrued on notes from parent			8.7	(19.5)			(10.8)
Capital contribution from parent			31.0				31.0
Balance, December 31, 1996	$ 614.4	$ 2.0	$ 379.9	$ (443.6)	$ (136.4)	$ (556.2)	$ (139.9)
Net income						221.3	221.3
Translation adjustments and other					(20.8)		(20.8)
Minimum pension liability (net of $69.8 tax)					109.2		109.2
COMPREHENSIVE INCOME							309.7
Preferred stock dividends						(73.7)	(73.7)
Common stock dividends			(51.4)				(51.4)
Interest accrued on notes from parent			31.0	(0.5)			30.5
Capital contribution from parent			24.5				24.5
Additional note from Foods transaction				(20.0)			(20.0)
Balance, December 31, 1997	$ 614.4	$ 2.0	$ 384.0	$ (464.1)	$ (48.0)	$ (408.6)	$ 79.7

See Notes to Consolidated and Combined Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC.

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1997	$ 614.4	$ 2.0	$ 384.0	$ (464.1)	$ (48.0)	$ (408.6)	$ 79.7
Net income						62.6	62.6
Translation adjustments and other					0.6		0.6
Minimum pension liability (net of $2.0 tax)					(3.6)		(3.6)
COMPREHENSIVE INCOME							59.6
Preferred stock dividends						(73.7)	(73.7)
Common stock dividends			(59.5)				(59.5)
Interest accrued on notes from parent			30.7	9.6			40.3
Capital contribution from parent			42.9				42.9
Cancel option on Decorative Products			(39.2)	39.2			-
Balance, December 31, 1998	$ 614.4	$ 2.0	$ 358.9	$ (415.3)	$ (51.0)	$ (419.7)	$ 89.3

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF OPERATIONS
BORDEN, INC. AND AFFILIATES

(In millions)	1998	1997	1996
	Year ended December 31,		
Net sales	$ 2,334.5	$ 3,481.6	$ 4,456.8
Cost of goods sold	1,548.6	2,302.1	3,001.6
Gross margin	785.9	1,179.5	1,455.2
Distribution expense	124.3	175.7	231.4
Marketing expense	327.1	557.6	837.0
General & administrative expense	225.1	251.5	246.6
Business realignment	21.6	16.0	26.0
Gain on divestiture of businesses, net	(378.7)	(122.6)	(81.9)
Operating income	466.5	301.3	196.1
Interest expense	65.5	93.3	116.4
Affiliated interest expense	5.4	-	-
Interest income and other	(34.8)	(9.1)	(16.7)
Impairment of equity investment	26.7	-	-
Income from continuing operations before income tax	403.7	217.1	96.4
Income tax expense	132.4	124.0	51.4
Income from continuing operations	271.3	93.1	45.0
Discontinued operations:			
Income from operations, net of tax	2.3	30.7	36.9
Gain on disposal, net of tax	36.7	154.4	-
Net income	310.3	278.2	81.9
Affiliate's share of income	(142.0)	(73.4)	-
Preferred stock dividends	(73.7)	(73.7)	(76.8)
Net income applicable to common stock	$ 94.6	$ 131.1	$ 5.1

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions)

ASSETS	December 31, 1998	December 31, 1997
CURRENT ASSETS		
Cash and equivalents	$ 695.5	$ 198.6
Accounts receivable (less allowance for doubtful accounts of $13.8 and $16.7)	291.7	425.6
Inventories:		
Finished and in-process goods	108.9	192.1
Raw materials and supplies	81.3	101.2
Deferred income taxes	99.2	149.3
Other current assets	33.3	67.1
Net assets of discontinued operation (See Note 6)	-	165.2
	1,309.9	1,299.1
INVESTMENTS AND OTHER ASSETS		
Investments	81.3	109.5
Deferred income taxes	89.4	193.1
Prepaid pension assets	140.8	151.2
Other assets	34.8	38.7
	346.3	492.5
PROPERTY AND EQUIPMENT		
Land	39.4	42.2
Buildings	194.3	255.1
Machinery and equipment	1,000.4	1,227.9
	1,234.1	1,525.2
Less accumulated depreciation	(554.6)	(731.8)
	679.5	793.4
INTANGIBLES		
Net of accumulated amortization of $144.3 and $120.6	386.2	434.2
TOTAL ASSETS	$ 2,721.9	$ 3,019.2

See Notes to Consolidated and Combined Financial Statements

COMBINED BALANCE SHEETS
BORDEN, INC. AND AFFILIATES

(In millions)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1998	December 31, 1997
CURRENT LIABILITIES		
Debt payable within one year	$ 23.1	$ 28.0
Accounts and drafts payable	185.4	248.6
Income taxes payable	279.8	322.5
Loans with affiliates	138.2	4.0
Other current liabilities	362.6	486.5
	989.1	1,089.6
OTHER LIABILITIES		
Long-term debt	554.6	794.9
Non-pension post-employment benefit obligations	214.6	245.5
Other long-term liabilities	129.7	135.2
	898.9	1,175.6
Commitments and contingencies (See Note 20)		
SHAREHOLDERS' EQUITY		
Preferred stock	614.4	614.4
Common stock	2.0	2.0
Paid in capital	653.5	666.5
Receivable from parent	(415.3)	(464.1)
Affiliate's interest in subsidiary	60.8	203.3
Accumulated other comprehensive income	(89.2)	(181.2)
Retained earnings (deficit)	7.7	(86.9)
	833.9	754.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,721.9	$ 3,019.2

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF CASH FLOWS
BORDEN, INC. AND AFFILIATES

(In millions)	Year ended December 31, 1998	1997	1996
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income	$ 310.3	$ 278.2	$ 81.9
Adjustments to reconcile net income to net cash from (used in) operating activities:			
(Gain) on disposal of discontinued operations	(111.6)	(248.2)	-
(Gain) on divestiture of businesses	(378.7)	(122.6)	(81.9)
Deferred tax provision (benefit)	157.0	30.3	(75.9)
Depreciation and amortization	86.6	96.3	134.0
Unrealized (gain) on interest rate swap	(4.1)	(4.1)	(12.1)
Business realignment	27.7	17.0	26.0
Impairment of equity investment	26.7	-	-
Net change in assets and liabilities:			
Trade receivables	51.8	4.9	(12.9)
Inventories	15.7	24.1	(25.7)
Trade payables	(29.8)	(61.7)	8.4
Income taxes	(21.4)	48.4	110.8
Other assets	75.7	(35.6)	36.8
Other liabilities	(242.5)	(115.9)	(86.0)
Discontinued operations working capital	3.0	36.3	62.2
	(33.6)	(52.6)	165.6
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES			
Capital expenditures	(100.2)	(170.2)	(265.2)
Proceeds from the divestiture of businesses	1,071.2	603.6	500.2
Proceeds from the sale of fixed assets	15.8	19.4	-
Purchase of business	(14.4)	(91.9)	-
	972.4	360.9	235.0
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Net short-term debt borrowings	6.4	15.9	(19.7)
Borrowings of long-term debt	-	235.0	-
Repayment of long-term debt	(236.7)	(431.6)	(281.1)
Increase in minority interest	-	-	15.0
Purchase of TMI interest	-	-	(19.2)
Affiliated borrowings	134.3	-	-
Distribution to affiliate	(272.2)	-	-
Interest received from parent	60.4	50.8	3.8
Common stock dividends paid	(60.4)	(50.8)	(3.8)
Preferred stock dividends paid	(73.7)	(73.7)	(73.7)
	(441.9)	(254.4)	(378.7)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
BORDEN, INC. AND AFFILIATES

(In millions)	Year ended December 31, 1998	1997	1996
Increase in cash and equivalents	$ 496.9	$ 53.9	$ 21.9
Cash and equivalents at beginning of year	198.6	144.7	122.8
Cash and equivalents at end of year	$ 695.5	$ 198.6	$ 144.7
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest, net	$ 32.0	$ 80.3	$ 83.1
Taxes	89.0	132.7	37.2
Non-cash activity:			
Distribution of note receivable from Company's parent to cancel options	39.2	-	-
Reclassification of note from long-term to short-term	-	-	305.3
Proceeds relating to the Wise stock sale	-	-	34.2
Proceeds relating to the Foods stock sale	-	20.0	264.9
Proceeds from the sale of interest in subsidiary to affiliate	-	-	109.4
Non-cash proceeds from the sale of options recorded in equity	-	-	44.0
Investment in AEPI common stock	-	-	80.0
Investment retained in IHDG	10.5	-	-
Capital contribution by parent	42.9	44.5	31.0
Proceeds from the sale of European bakery	-	-	30.1
Affiliate's share of income	142.0	73.4	
Reclassification of minimum pension liability adjustment (to)/from shareholders' equity	(5.4)	109.2	(1.3)

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC. AND AFFILIATES

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Affiliate's Interest in Subsidiary	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance, December 31, 1995	$ 614.4	$ 2.0	$ 312.7	$ -	$ -	$ (237.5)	$ (223.1)	$ 468.5
Net income							81.9	81.9
Translation adjustments and other						8.4		8.4
Minimum pension liability (net of $0.8 tax)						(1.3)		(1.3)
COMPREHENSIVE INCOME								89.0
Preferred stock dividends							(76.8)	(76.8)
Common stock dividends			(16.5)					(16.5)
Note receivable from Wise for stock issuance			34.2	(34.2)				-
Options sold to parent			44.0	(44.0)				-
Notes receivable from Foods transaction				(345.9)				(345.9)
Issuance of Foods common stock			264.9					264.9
Interest accrued on notes from parent			12.8	(19.5)				(6.7)
Capital contribution from parent			31.0					31.0
Affiliate's interest in subsidiary					87.9			87.9
Balance, December 31, 1996	$ 614.4	$ 2.0	$ 683.1	$ (443.6)	$ 87.9	$ (230.4)	$ (218.0)	$ 495.4
Net income							278.2	278.2
Translation adjustments and other						(60.0)		(60.0)
Minimum pension liability (net of $69.8 tax)						109.2		109.2
COMPREHENSIVE INCOME								327.4
Preferred stock dividends							(73.7)	(73.7)
Common stock dividends			(51.4)					(51.4)
Interest accrued on notes from parent			31.0	(0.5)				30.5
Additional note from Foods transaction				(20.0)				(20.0)
Capital contribution from parent			44.5					44.5
Affiliate's interest in subsidiary			(40.7)		115.4		(73.4)	1.3
Balance, December 31, 1997	$ 614.4	$ 2.0	$ 666.5	$ (464.1)	$ 203.3	$ (181.2)	$ (86.9)	$ 754.0

See Notes to Consolidated and Combined Financial Statements

COMBINED STATEMENTS OF SHAREHOLDERS' EQUITY
BORDEN, INC. AND AFFILIATES

(In millions)

	Preferred Stock	Common Stock	Paid-in Capital	Receivable from Parent	Affiliate's Interest in Subsidiary	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance, December 31, 1997	$ 614.4	$ 2.0	$ 666.5	$ (464.1)	$ 203.3	$ (181.2)	$ (86.9)	$ 754.0
Net income							310.3	310.3
Translation adjustments and other			(0.2)			97.4		97.2
Minimum pension liability (net of $3.0 tax)						(5.4)		(5.4)
COMPREHENSIVE INCOME								402.1
Preferred stock dividends							(73.7)	(73.7)
Common stock dividends			(59.5)					(59.5)
Interest accrued on notes from parent			30.7	9.6				40.3
Cancel option on Decorative Products			(39.2)	39.2				-
Capital contribution from parent			42.9					42.9
Affiliate's interest in subsidiary			12.3		(142.5)		(142.0)	(272.2)
Balance, December 31, 1998	$ 614.4	$ 2.0	$ 653.5	$ (415.3)	$ 60.8	$ (89.2)	$ 7.7	$ 833.9

See Notes to Consolidated and Combined Financial Statements

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS
(Dollars in millions except per share data)

1. BACKGROUND

In September 1994, Borden, Inc. (the "Company", the "Registrant") entered into a merger agreement providing for the acquisition ("the Acquisition") of all of the Company's outstanding common stock by an affiliate of Kohlberg Kravis Roberts & Co. ("KKR"). The Acquisition was completed on March 14, 1995. An affiliate of KKR owns 100% of the Company's outstanding common stock. The Company is a Registrant under the Securities and Exchange Commission Rules and Regulations as a result of public debt outstanding prior to the Acquisition and therefore elected not to apply push-down accounting in its consolidated financial statements.

At the time of the Acquisition, the Company's principal lines of business included international and domestic food operations ("Foods") and a salty snacks business ("Wise"), as well as those described in Note 2, below, under Nature of Operations. Subsidiaries of BW Holdings, LLC ("BWHLLC"), Wise Holdings, Inc. ("Wise Holdings") and Borden Foods Holdings Corporation ("Foods Holdings"), purchased Wise and Foods on July 2, 1996, and October 1, 1996, respectively (See Notes 4 and 6 respectively). As a result of these sales, Wise and Foods, as of their respective sales dates, are no longer legally part of the Company on a consolidated basis. However, management of the Company continues to exercise significant operating and financial control over Wise and Foods. In addition, Wise Holdings and Foods Holdings provide financial guarantees to obligations under the Company's credit facility and all of the Company's outstanding publicly held debt. Because of the aforementioned control and guarantees, the Company has included, supplementally in this filing, combined financial statements of Borden, Inc. and Affiliates (the "Combined Companies") which present the financial condition and results of operations and cash flows of the Company combined with the financial condition and results of operations and cash flows of Wise and Foods. The Combined Companies' financial statements do not reflect push-down accounting and therefore present financial information on a basis consistent with that upon which credit was originally extended to the Company.

2. NATURE OF OPERATIONS

The Company is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products worldwide. The Company's principal line of business is chemicals, including formaldehyde, melamine, resins, coatings and other specialty and industrial chemicals. The Company also produces and sells consumer adhesives and provides infrastructure management services. Prior to 1998, the Company also engaged in a decorative products business, a dairy business, a foods business and a salty snacks business. These businesses were sold on March 13, 1998, September 4, 1997, October 1, 1996, and July 2, 1996, respectively. The operating results for each of these business units, except the salty snacks business, are included in the Company's discontinued operations for all periods presented, consistent with the Company's ownership.

In addition to the Company's businesses, the Combined Companies includes the Foods and Wise businesses, which are engaged primarily in manufacturing, processing and distributing food products.

Domestic products for the chemical business are sold throughout the United States to industrial users. To the extent practicable, international distribution techniques parallel those used in the United States and are concentrated in Canada, Western Europe, Latin America and the Far East. The Foods and Wise products included in the Combined Companies are marketed primarily through food brokers and distributors.

Approximately half of the Company's and the Combined Companies' manufacturing and processing facilities are located in the United States and the other half are located in foreign countries. The majority of the long-lived assets of the Company and the Combined Companies are located in the United States.

Information about the Company's operating and geographic segments is provided in Item 1 on pages 6 to 8 and is an integral part of the Consolidated and Combined Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles. The Combined Companies' policies are consistent with those of the Company.

PRINCIPLES OF CONSOLIDATION AND COMBINATION - The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of intercompany accounts and transactions. The combined financial statements include the accounts of Borden, Inc., Foods and Wise, after the elimination of intercompany accounts and transactions. The Company's share of the net earnings of 20% to 50% owned companies is included in income on an equity basis. The carrying value in excess of the applicable reporting entity's interest in the companies' underlying net assets is amortized to reduce its proportionate share of net earnings.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the financial statements include valuation of the Foods and Wise businesses, reserves for expenses used to determine gains and losses on disposals of certain operations, valuation allowances for deferred tax assets and general insurance liabilities. Other significant estimates include accruals for trade promotion, litigation and environmental remediation. Actual results could differ from those estimates.

CASH AND EQUIVALENTS - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Included in the Company's cash equivalents are interest bearing time deposits of $16.8 in 1998 and $138.7 in 1997. The Combined Companies' cash equivalents included interest bearing time deposits of $26.5 in 1998 and $142.3 in 1997. The effect of exchange rate changes on cash is not material.

INVENTORIES - Inventories are stated at 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 expense at rates based on estimated useful lives of properties (average rates for buildings 3%; machinery and equipment 5%). Major renewals and betterments are capitalized. Capitalized interest costs for the Company aggregated $0.8 ($1.1 for the Combined Companies) and $1.7 for the years ended December 31, 1997 and 1996, respectively. The Combined Companies had capitalized interest costs of $0.2 in 1998. Capitalized interest costs relate to the purchase and construction of long-term assets and are amortized over the respective useful lives of the related assets. Maintenance, repairs and minor renewals are expensed as incurred.

INTANGIBLES - The excess of purchase price over net tangible assets of businesses acquired ("goodwill") is carried as intangibles in the consolidated and combined balance sheets. It is the Company's and Combined Companies' policy to carry goodwill arising prior to November 1, 1970, at cost, while goodwill arising after that date is amortized on a straight-line basis over not more than 40 years. Also, included in intangibles are certain trademarks, patents and other intangible assets used in the operations of the businesses which amounted to $9.3 and $11.4 for the Company ($26.6 and $29.6 for the Combined Companies) at December 31, 1998 and 1997, respectively. These intangibles are amortized on a straight-line basis over the shorter of the legal or useful life of the asset.

IMPAIRMENT - The Company and Combined Companies periodically evaluate the recoverability of property, equipment and intangibles by assessing whether the carrying value can be recovered over its remaining useful life through the expected future undiscounted operating cash flows of the underlying business. Any impairment loss required is determined by comparing the carrying value of the asset to operating cash flows on a discounted basis. (See Notes 4 and 9.)

REVENUE RECOGNITION - Revenues are recognized when products are shipped.

ADVERTISING AND PROMOTION EXPENSE - Production costs of future media advertising are deferred until the advertising first occurs. All other advertising costs are expensed when incurred. Promotional expenses are generally expensed ratably over the year in relation to revenues or other performance measures.

FOREIGN CURRENCY TRANSLATIONS - Assets and liabilities of foreign affiliates, other than those located in highly inflationary economies, are translated at the exchange rates in effect at the balance sheet date, and the related translation adjustments are reported as a component of shareholders' equity. Income and expenses are translated at average exchange rates prevailing during the year

The Company and the Combined Companies incurred realized and unrealized net foreign exchange (gains) losses aggregating ($0.3) and $1.5, respectively, in 1998, $1.0 and $3.4 in 1997, and $1.4 and $2.0 in 1996.

INCOME TAXES - Income tax is based on reported results of operations before income taxes. Deferred income taxes reflect the temporary difference between amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. Deferred tax balances are adjusted to reflect tax rates, based on current tax laws, that will be in effect in the years in which temporary differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

DERIVATIVE FINANCIAL INSTRUMENTS - The Company uses two principal types of derivatives: interest rate swaps (which effectively convert a portion of the Company's variable rate obligations to fixed) and forward exchange contracts (which reduce the Company's cash flow exposure to changes in foreign exchange rates). The Company enters into interest rate swaps to lower funding costs or to alter interest rate exposures between fixed and floating rates on long-term debt. Under interest rate swaps, the Company agrees with other parties to exchange, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Interest rate swaps that are in excess of outstanding obligations are marked to market through other income and expense. The fair values of forward exchange contracts that hedge firm third party commitments are deferred and recognized as part of the underlying transactions as they occur, those that hedge existing transactions are recognized in income currently, and offset gains and losses of transactions being hedged.

In addition to the above, the Combined Companies use commodity futures contracts to hedge the price risks associated with raw materials used in production. The Combined Companies defer the impact of changes in the market value of these contracts until the hedged transaction is completed. Changes in market value of the commodity futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. The Combined Companies do not enter into these contracts for speculative purposes. These contracts generally mature in less than one year.

EARNINGS PER SHARE - Basic and diluted net income attributable to common stock is computed by dividing net income by the weighted average number of common shares outstanding during the period. Options issued by subsidiaries that enable the holder to obtain stock of the subsidiary were assumed to be exercised if they were dilutive.

At December 31, 1998, there were 5.6 million options to purchase subsidiary stock outstanding, of which none were considered dilutive to EPS. At December 31, 1997, there were 6.9 million options to purchase subsidiary stock outstanding, of which 1.3 million were considered dilutive to EPS. At December 31, 1996, there were 7.1 million options to purchase subsidiary common stock outstanding, of which 2.3 million were considered dilutive to EPS.

The Company's diluted earnings per share is calculated as follows:

	1998	1997	1996
Net income available to common shareholders	$ (11.1)	$ 147.6	$ (333.1)
Effect of dilutive options in subsidiary stock	-	(0.6)	(0.1)
Diluted EPS - Numerator	$ (11.1)	$ 147.0	$ (333.2)
Weighted average shares - Denominator	199.0	199.0	199.0
Diluted EPS	$ (0.06)	$ 0.74	$ (1.67)

CONCENTRATIONS OF CREDIT RISK - Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its temporary cash investments with high quality institutions and, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising the Company's customer base and their dispersion across many different industries and geographies. The Company generally does not require collateral or other security to support customer receivables.

RECENTLY ISSUED ACCOUNTING STANDARDS - In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The Company and Combined Companies elected to defer implementation of this pronouncement until January 1, 1999. When implemented, reported financial results will not be significantly impacted.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives be measured at fair value and recorded on a company's balance sheet as an asset or liability, depending upon the company's underlying rights or obligations associated with the derivative instrument. The Company is investigating the impact of this pronouncement, but does not expect it to have a material impact on the Company's results of operations, financial position or cash flows. The Company plans to implement this standard January 1, 2000.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform with the 1998 presentation.

4. BUSINESS REDESIGN

In 1995, the Company began the process of redesigning its operating structure. As a result of this redesign, the Company and the Combined Companies proceeded to divest certain businesses that did not fit into management's long-term strategic plan. While management intends to continue building its core businesses through strategic acquisitions and investments in the existing businesses, the divestiture phase of this redesign was substantially complete by year-end 1998.

Acquisitions

On February 6, 1998, the Company acquired the resins and compounds division ("PMC") of Sun Coast Industries, Inc. for $14.4 in cash. The acquisition of this business further expanded the Company's growth in the melamine market. The acquisition was accounted for using the purchase method and accordingly its results of operations have been included from the date of acquisition.

On November 14, 1997, the Company completed the acquisition of Melamine Chemicals, Inc. in a cash tender offer for $20.50 per share, totaling approximately $120.0 including cash acquired of $30.0. Melamine Chemicals produces and markets melamine crystal, which is used to make resins for various adhesive, laminate, and coatings applications, and is a complementary material to the existing range of products. The acquisition was accounted for using the purchase method and, accordingly, its results of operations have been included from the date of acquisition.

Divestitures

The Company's business realignment began in 1996 with the divestiture of the salty snacks and Foods businesses to an affiliate of the Company's parent. Also divested in 1996 was the packaging and plastic films business, the European bakery operation and an equity interest in a Spanish foods company. The Company's realignment continued through 1997 and 1998 with the sale of the Dairy, Decorative Products, commercial and industrial wallcovering, and Latin American films businesses.

In addition to cash proceeds, consideration received on the sale of the packaging and plastic films and Decorative Products businesses included a retained equity interest in the buyer. See Note 9.

Foods began divesting businesses in 1996 with the sale of the Maple Syrups businesses. In late 1997, CrackerJack and the domestic cheese business were sold. Foods substantially completed its realignment with the divestiture of the KLIM operations and the Signature Flavors businesses and the sale of two international Foods operations in 1998.

The following schedule summarizes the cash proceeds and pre-tax gains associated with these business realignment activities over the last three years.

	NET CASH PROCEEDS			PRE-TAX GAIN/(LOSS)		
	1998	1997	1996	1998	1997	1996
CONTINUING OPERATIONS						
Commercial & industrial wallcoverings (1)	$ 15.6					
Latin America films	15.5			$ 8.3		
Packaging and plastic films (1)			$254.8			
Wise salty snacks						$ (16.7)
European bakery			93.6			2.0
Spanish food company		$ 13.4	125.5			82.9
Other			4.7			(6.2)
TOTAL CONSOLIDATED	31.1	13.4	478.6	8.3	-	62.0
KLIM	339.9			55.9	$ 1.5	
Signature flavors	376.5			304.5		
CrackerJack&Domestic cheese		185.0		5.7	121.1	
Other (2)	18.9		21.6	4.3		19.9
TOTAL COMBINED	$ 766.4	$ 198.4	$500.2	$378.7	$122.6	$ 81.9
DISCONTINUED OPERATIONS (NOTE 6)						
Decorative Products	$ 304.8			$102.7		
Dairy		$ 405.2		8.9	$248.2	
TOTAL COMBINED	304.8	405.2	-	111.6	248.2	-
Borden Foods (3)		40.0			60.0	$(263.5)
TOTAL CONSOLIDATED	$ 304.8	$ 445.2	-	$111.6	$308.2	$(263.5)
COMBINED AFTER-TAX GAIN				$ 36.7	$154.4	-
CONSOLIDATED AFTER-TAX GAIN/(LOSS)				$ 36.7	$173.4	$(330.7)

(1) Losses on the sales of these businesses were accrued in a period prior to January 1, 1996.
(2) Includes a combining adjustment in 1996 to eliminate the $16.7 loss on the sale of the salty snacks business in the combined financial statements.
(3) See discussion of the Borden Foods transactions in the section titled "Foods and Wise Transactions" below.

The Foods and Wise Transactions
- ------------------------------

Sale of Borden Foods

On October 1, 1996, the Company sold the Foods business to Foods Holdings (an affiliate of the Company's parent) for $550.0 less assets transferred plus liabilities assumed. The purchase price of the business was determined by an independent valuation, subject to adjustment based on a valuation associated with Foods management's intent to realign its then current portfolio of businesses. A loss on disposal of $330.7 ($263.5 pre-tax) was recorded as a loss on discontinued operations in the consolidated financial statements in the third quarter of 1996. Upon finalization of the independent valuation in September 1997, additional proceeds of $20.0 consisting of receivables from the Company's parent previously held by Foods Holdings were transferred to the Company and recorded as additional income from disposals. Tax expense of $25.0 was provided to adjust for the additional proceeds and the estimated impact on the tax provision related to the sales of the Foods Unaligned businesses.

Because management of the Company exercises significant control over Foods, the assets and liabilities, at the date of sale, were classified as "sold under contractual arrangement" in the consolidated financial statements to the extent of the Company's net investment in Foods, which was $65.5 at December 31, 1997. During 1998, Foods Holdings repaid its note receivable to the Company that stemmed from its October 1, 1996, purchase of Foods. As a result, the Company has eliminated the assets and liabilities held under contractual arrangements in the December 31, 1998, consolidated balance sheet. See Note 19 for additional information on the Company's transactions with Foods.

On December 31, 1997, the Company sold a trademark right that it had previously licensed to Foods Holdings for five years to a third party ad infinitum. This was done in connection with the Combined Companies sale of its domestic cheese business. As a result, the Company recorded a pre-tax gain of $40.0 ($24.0 after-tax), in discontinued operations. For the Combined Companies, the $40.0 is recorded as proceeds and gains related to continuing operations.

Sale of Wise Salty Snacks

On July 2, 1996, the Company sold the Wise salty snacks business to Wise Holdings (an affiliate of the Company's parent) for $45.0. The purchase price of the business was determined based upon an independent valuation by an investment banking firm. The excess of the book value over the proceeds of $16.7 was recorded as a loss on divestiture in the consolidated financial statements.

Because management of the Company exercises significant control over Wise and a continued creditor relationship exists, the assets and liabilities, as of the sale date, were classified as "sold under contractual arrangement" in the consolidated financial statements to the extent of the Company's net investment in Wise. The Company's net investment in Wise was $4.4 and $6.5 as of December 31, 1998 and 1997. See Note 19.

Other Business Redesign

In September 1998, the Combined Companies approved the closure of a domestic pasta plant in order to reduce manufacturing capacity. In September 1998, the Combined Companies recorded a $17.2 charge related to the closure of the plant and an additional charge of $6.1 to cost of goods sold for the write-down of inventory. The plant ceased operations in the fourth quarter of 1998.

In December 1997, the Company committed to exit a European Chemical operation and accrued an impairment charge on this business in 1997 of $16.0. During 1998, the exit of this business was completed, and a pre-tax charge of $2.5 was recorded in 1998 for additional expenses incurred to exit this business, primarily severance.

In December 1996, the Combined Companies approved the closure of five domestic pasta plants in order to reduce product line complexity and manufacturing capacity. During 1997 three of these plants ceased operations, and the other two facilities were sold for aggregate proceeds of approximately $10.0. During 1996 the Combined Companies took a $26.0 impairment charge related to the closure of these plants.

5. AFFILIATE'S SHARE OF INCOME

In association with the sale of trademarks of Foods Unaligned businesses, an affiliate of the Company's parent (the "Affiliate") was allocated income of $142.0 and $73.4 in 1998 and 1997, respectively (see accompanying combined statements of operations), in accordance with the limited partnership agreement between Foods and the Affiliate. In addition, a $272.2 cash distribution of a portion of the sale proceeds was made to the Affiliate in 1998.

6. DISCONTINUED OPERATIONS

The Decorative Products, Dairy and Foods operations were separate segments of the Company's business as defined by generally accepted accounting principles and have been reclassified to discontinued operations in the 1998, 1997 and 1996 statements of operations and cash flows. In addition, net assets relating to these businesses of $165.2 were reclassified to discontinued operations in the 1997 balance sheet. Net assets of discontinued operations included $77.6 of current net assets in 1997.

The results indicated below for Decorative Products, Dairy and Foods are reported separately as discontinued operations in the consolidated statements of operations. Decorative Products is included in the 1998, 1997 and 1996 results, Dairy is included in 1997 and 1996 results, and Foods is included in the 1996 results only.

CONSOLIDATED	1998	1997	1996
Net sales	$73.2	$910.0	$ 2,652.5
Income before income taxes	3.5	51.9	40.9
Income tax expense	1.2	21.2	11.2
Income from discontinued operations	2.3	30.7	29.7

The results indicated below for Dairy and Decorative Products are reported separately as discontinued operations in the combined statements of operations.

COMBINED	1998	1997	1996
Net sales	$73.2	$910.0	$1,275.9
Income before income taxes	3.5	51.9	60.4
Income tax expense	1.2	21.2	23.5
Income from discontinued operations	2.3	30.7	36.9

7. COMPREHENSIVE INCOME

Comprehensive income included the following reclassifications:

	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
Foreign currency translation adjustments	$ 0.6	$(20.8)	$ (3.1)	$(11.0)	$(60.0)	$ (0.1)
Reclassification adjustments	--	--	105.5	108.4	--	8.5
	$ 0.6	$(20.8)	$102.4	$ 97.4	$(60.0)	$ 8.4

The reclassification adjustment in 1998 reflects the accumulated translation adjustment recognized on the sale of the Combined Companies' KLIM business. The Company's reclassification adjustment of $105.5 in 1996 reflects the accumulated translation adjustment recognized on the sale of Foods to Foods Holdings and the sales of the European bakery business, the equity interest in the Spanish food company and the packaging and plastic films business. The Combined Companies' reclassification adjustment of $8.5 relates to the sales of the European bakery business, the equity interest in the Spanish food company, and the packaging and plastic films business.

During the first quarter of 1999, the Company recorded a foreign currency translation adjustment of approximately $22 to reflect the devaluation of the Brazil currency. The adjustment was recorded as a reduction of equity and comprehensive income. The need for future translation adjustments related to the Brazil currency is unknown.

8. CHANGE IN ACCOUNTING ESTIMATE

In 1997, Foods reduced accruals and marketing expense for trade promotions in the Combined financial statements by $18.3. These accruals had been provided in earlier years for anticipated customer redemptions in the ordinary course of business. Due to a concerted effort to better manage trade spending, these redemptions were significantly lower than management had previously estimated. This change in estimate has no effect on the consolidated statements of operations.

9. INVESTMENTS

On October 11, 1996, the Company completed the sale of its packaging and plastic films business to AEP Industries Inc. ("AEPI"). AEPI is a manufacturer of a wide range of plastic film products that are used in a number of industrial, commercial and agricultural operations and sold throughout the United States, Europe and the Far East. The packaging and plastic films purchase price included 2,412,818 shares of newly issued AEPI common stock valued at $80.0, (approximately 33% of AEPI) its value at June 30, 1996, the date of the definitive agreement. The carrying value of this investment at December 31, 1997, was $81.7. In December 1998, the Company recorded a $26.7 impairment loss on this investment. A significant decline in the quoted market price of the AEPI investment was judged by Company management to be "other than temporary." At December 31, 1998 and 1997, the unamortized excess of the Company's investments over its equity in the underlying net assets of AEPI was $17.0 and $44.9, respectively.

As a portion of the proceeds from the Decorative Products sale (discussed in Note 4) the Company retained an 11% interest, accounted for using the cost method, in Imperial Home Decor Group ("IHDG"). The Company's investments also include certain other partnership and subsidiary interests.

10. DEBT, LEASE OBLIGATIONS AND RELATED COMMITMENTS

Debt outstanding at December 31, 1998 and 1997 is as follows:

	1998		1997	
	LONG-TERM	DUE WITHIN ONE YEAR	LONG-TERM	DUE WITHIN ONE YEAR
Borrowings under credit line (at an average rate of 7.0%)			$ 235.0	
9.2% Debentures due 2021	$ 117.1		117.1	
7.875% Debentures due 2023	250.0		250.0	
Sinking fund debentures:				
8-3/8% due 2016	78.5		78.5	
9-1/4% due 2019	48.7		48.7	
Industrial Revenue Bonds (at an average rate of 8.5% and 8.4%, respectively)	53.5		53.9	$ 0.3
Other (at an average rate of 4.5% and 10.0%, respectively)	4.2	$ 4.9	5.1	
Total current maturities of long-term debt		4.9		0.3
Short-term debt (primarily foreign bank loans at an average rate of 8.3% for both years)		11.2		6.6
Total debt - Consolidated	$ 552.0	$ 16.1	$ 788.3	$ 6.9
Other Foods debt (at an average rate of 3.0% and 8.2%, respectively)	2.6	1.7	6.6	0.1
Foods and Wise short-term debt (primarily foreign bank loans at an average rate of 7.3% and 6.1%, respectively)		5.3		21.0
Total debt - Combined	$ 554.6	$ 23.1	$ 794.9	$ 28.0

As of December 31, 1998, the Company and Combined Companies had contractually committed lines of credit (the "Credit Agreement"). In the second quarter of 1998, the Credit Agreement was reduced as a result of the sales of certain Foods Unaligned businesses in accordance with the terms of the Credit Agreement. The $950.0 five year revolver (maturing July 13, 2002) was reduced to $895.0, and the $50.0 364-day convertible revolver was canceled. Current pricing under the LIBOR based borrowing option is LIBOR plus 25 basis points. In 1997, pricing was LIBOR plus 60 basis points. The commitment fee on the unused portion of the facility is 10 basis points.

The Credit Agreement, as amended, contains covenants that significantly limit or prohibit, among other things, the Company's and its subsidiaries' ability to incur indebtedness, make prepayments of certain indebtedness, pay dividends, engage in transactions with affiliates, create liens, make changes in its businesses or control of the Company, sell assets, engage in mergers and consolidations, and use proceeds from asset sales and certain debt and equity issuances. In addition, the Credit Agreement requires that the Combined Companies limit its capital expenditures to certain specified amounts and maintain other financial ratios, including a minimum ratio of

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense and a maximum ratio of total debt to EBITDA.

At December 31, 1998, there was no outstanding debt balance under the Credit Agreement. Provisions under the Credit Agreement require Foods Holdings and Wise Holdings to guarantee the Company's obligations under the Credit Agreement.

Aggregate maturities of total debt and minimum annual rentals under operating leases at December 31, 1998, for the Company and the Combined Companies are as follows:

	CONSOLIDATED		COMBINED	
	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES	DEBT	MINIMUM RENTALS UNDER OPERATING LEASES
1999	$ 16.1	$ 21.8	$ 23.1	$ 29.0
2000	10.3	20.8	10.3	27.1
2001	1.8	19.5	2.4	24.4
2002	3.9	18.0	4.6	22.3
2003	--	15.3	0.7	17.7
2004 and thereafter	536.0	2.1	536.6	2.6
	$568.1		$577.7	

The Company had $764.6 (net of $130.4 in letters of credit) available for borrowing under its Credit Agreement at December 31, 1998, and incurred $0.9 of commitment fees during 1998. Consolidated rental expense amounted to $17.3, $16.8 and $37.1 in 1998, 1997 and 1996. Combined rental expense amounted to $26.1, $27.0 and $44.7 in 1998, 1997 and 1996.

11. INCOME TAXES

Comparative analysis of the Company's provision (benefit) for income taxes from continuing operations follows:

	CURRENT			DEFERRED		
	1998	1997	1996	1998	1997	1996
Federal	$ (58.3)	$ (58.2)	$ (6.3)	$75.2	$ 62.6	$ 26.7
State and Local	1.6	(7.6)	1.5	1.2	11.3	4.7
Foreign	6.0	17.2	52.3	8.1	(3.1)	(28.3)
	$ (50.7)	$ (48.6)	$ 47.5	$84.5	$ 70.8	$ 3.1

The Company's income tax expense from discontinued operations' operating results was $1.2, $21.2, and $11.2 in 1998, 1997 and 1996. The income tax expense from discontinued operations' loss on disposal was $74.9, $134.8 and $67.2 in 1998, 1997 and 1996.

The Combined Companies' provision (benefit) for income taxes from continuing operations is as follows:

	CURRENT			DEFERRED		
	1998	1997	1996	1998	1997	1996
Federal	$(40.6)	$ 57.7	$ 66.5	$137.7	$ 25.1	$(50.3)
State and Local	5.8	8.5	0.5	12.6	4.3	4.7
Foreign	9.8	27.5	60.3	7.1	0.9	(30.3)
	$(25.0)	$ 93.7	$127.3	$157.4	$ 30.3	$(75.9)

The Combined Companies' income tax expense from discontinued operations' operating results was $1.2, $21.2 and $23.5 in 1998, 1997 and 1996. The income tax expense from discontinued operations' loss on disposal was $74.9 and $93.8 in 1998 and 1997.

Reconciliations of the Company's and the Combined Companies' differences between income taxes computed at Federal statutory tax rates and provisions for income taxes are as follows:

	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
Income taxes computed at Federal statutory tax rate	$ 20.1	$ 13.8	$ 33.3	$141.3	$ 76.0	$ 33.8
State tax provision, net of Federal benefits	2.3	2.4	4.8	12.4	8.3	3.5
Foreign tax differentials	(2.5)	6.6	4.5	1.6	6.9	3.8
Foreign source income subject to U.S. taxation	8.8	-	-	8.8	-	-
Write-offs of assets with lower tax bases and differences in tax rates	-	0.8	14.3	-	38.7	10.2
Gains not subject to corporate tax	-	-	-	(35.7)	(8.0)	-
Losses and other expenses not deductible for tax	2.1	0.5	0.6	5.1	0.9	0.9
Adjustment of prior estimates	3.0	(1.9)	(6.9)	(1.1)	1.2	(0.8)
Provision for income taxes	$ 33.8	$ 22.2	$ 50.6	$132.4	$124.0	$ 51.4

The domestic and foreign components of the Company's and the Combined Companies' income from continuing operations before income taxes are as follows:

	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
Domestic	$ 35.4	$ 10.6	$ 38.3	$385.2	$149.5	$ 15.9
Foreign	22.0	28.8	57.0	18.5	67.6	80.5
	$ 57.4	$ 39.4	$ 95.3	$403.7	$217.1	$ 96.4

The net current and non-current components of the Company's and the Combined Companies' deferred income taxes recognized in the balance sheets at December 31, 1998 and 1997, follow:

	CONSOLIDATED		COMBINED	
(Dollars in millions)	1998	1997	1998	1997
Net current asset	$ 70.7	$ 72.8	$ 96.7	$ 116.0
Net non-current asset	82.8	163.3	53.4	188.6
Net asset	$ 153.5	$ 236.1	$ 150.1	$ 304.6

The tax effects of the Company's and the Combined Companies' significant temporary differences, and loss and credit carryforwards, which comprise the deferred tax assets and liabilities at December 31, 1998 and 1997, follow:

	CONSOLIDATED		COMBINED	
	1998	1997	1998	1997
ASSETS				
Non-pension postemployment benefit obligations	$ 65.2	$ 88.6	$ 72.6	$ 97.0
Divestiture reserve	17.8	33.8	41.9	39.7
Accrued expenses and other expenses	68.9	120.6	76.7	158.7
Foreign property, plant and equipment	0.9	6.3	0.9	6.5
Loss and credit carryforwards	162.2	190.8	167.5	196.0
Gross deferred tax assets	315.0	440.1	359.6	497.9
Valuation allowance	(38.4)	(34.8)	(43.7)	(40.0)
	276.6	405.3	315.9	457.9
LIABILITIES				
Property, plant, equipment, and intangibles	63.4	75.1	87.2	44.9
Foreign property, plant, equipment/other	6.8	18.2	20.9	33.7
Certain foreign intangibles	(1.2)	8.2	(1.2)	8.5
Pension liability	45.8	50.1	45.8	48.6
Deferred gain on sale of partnership interest	8.1	17.6	8.1	17.6
Other prepaids	0.2	-	5.0	-
Gross deferred tax liabilities	123.1	169.2	165.8	153.3
Net asset	$153.5	$236.1	$150.1	$304.6

The Company's net change of $3.6 in valuation allowance in 1998 is primarily related to current year losses from foreign operations, which are not likely to be utilized in the future.

The Combined Companies' net change in valuation allowance of $3.7 in 1998 is primarily related to current year losses from foreign operations, which are not likely to be utilized in the future.

The Company's net deferred tax asset at December 31, 1998, was $153.5. Of this amount, $161.0 represents net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $6.8 of net operating loss carryforward for U.S. federal tax purposes, which begins expiring in 2013. Realization of the domestic net operating loss is dependent upon generation of approximately $19.6 of future income before the expiration date of 2013. Realization of the entire domestic deferred tax asset is dependent upon generation of approximately $460.0 of future income. Also included within the domestic deferred tax asset is $67.5 of foreign tax credits generated in 1998, which begin expiring in 2004.

The Combined Companies' net deferred tax asset at December 31, 1998, was $150.1. Of this amount, $185.1 represents net domestic deferred tax assets related to future tax benefits. Included in the domestic deferred tax asset is $6.8 of net operating loss carryforward for U.S. federal tax purposes, which begin expiring in 2013. Realization of the domestic net operating loss is dependent upon generation of approximately $19.6 of future income before the expiration date of 2013. Realization of the entire net domestic deferred tax asset is dependent on generation of approximately $528.9 of future taxable income. Also included within the domestic deferred tax asset is $67.5 of foreign tax credits generated in 1998, which begin expiring in 2004.

Management believes that it is more likely than not that sufficient additional income will be earned to fully realize this benefit. This belief is based on the analysis of the future plans of the Company's and the Combined Companies' owners and management, the expected future benefits resulting from the 1995 and earlier restructuring programs, the effect of the divestitures of unprofitable operations and various cost reduction plans. Management has considered the limitations on loss carryforwards resulting from the change in ownership of the Company in reaching this conclusion.

The Company has not recorded income taxes applicable to undistributed earnings of foreign subsidiaries that are indefinitely reinvested in foreign operations. Undistributed earnings indefinitely reinvested amounted to $138.2 at December 31, 1998. The determination of the tax effect relating to such earnings is not practicable.

12. PENSION AND RETIREMENT SAVINGS PLANS

Most U.S. employees of the Company and the Combined Companies are covered under a non-contributory defined benefit plan ("the Borden, Inc. Plan"). The Borden, Inc. Plan provides benefits for salaried employees based on eligible compensation and years of credited service and for hourly employees based on years of credited service. Certain employees in other countries are covered under contributory and non-contributory defined benefit foreign plans. Additionally, eligible salaried and hourly employees may contribute up to 5% of their pay (7% for certain longer service salaried employees), which is currently matched by the Company at a range of 50-75%. The Company has the option to match up to 100% of this amount and in certain cases the Company may match up to 125%, based on financial performance. Charges to operations for matching contributions under the Company's retirement savings plans in 1998, 1997 and 1996 amounted to $5.3, $7.3 and $7.6, respectively. Charges for matching contributions under the Combined Companies retirement savings plans in 1998, 1997, and 1996 amounted to $7.4, $10.3 and $10.5, respectively.

1998 and 1997 Foods and Wise domestic plan pension expense was $3.2 in both years. 1998 and 1997 Foods foreign plan pension expense (income) was ($0.6) and $0.5, respectively. Foods and Wise reimbursed the Company for these expenses. There were no material differences in the domestic and foreign net pension expense between the Company and the Combined Companies during 1996.

The weighted average rates used to determine net pension expense for both the Company and the Combined Companies were as follows:

	DOMESTIC			FOREIGN		
	1998	1997	1996	1998	1997	1996
Discount rate	7.3%	7.5%	6.8%	7.7%	8.3%	8.4%
Rate of increase in future compensation levels	4.4%	4.5%	4.3%	4.1%	4.7%	4.9%
Expected long-term rate of return on plan assets	8.3%	8.5%	7.8%	8.7%	9.3%	9.6%

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation for consolidated and combined domestic plans were 6.8% and 4.3%, respectively, as of December 31, 1998, and 7.3% and 4.4% as of December 31, 1997. The foreign plans' weighted average discount rates and rates of increase in future compensation levels were 6.1% and 3.1%, respectively as of December 31, 1998 and 7.7% and 4.1% as December 31, 1997. These rates were the same for both consolidated and combined reporting.

The combined funded status of the foreign plans represents the combined plans including Foods foreign plans. The funded status of these plans was as follows:

FOREIGN PLANS	CONSOLIDATED 1998	CONSOLIDATED 1997	COMBINED 1998	COMBINED 1997
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$145.0	$127.0	$171.7	$153.2
Service cost	3.2	3.6	3.8	4.3
Interest cost	10.1	10.2	11.7	12.2
Contributions by plan participants	0.3	1.8	0.3	1.8
Actuarial losses	1.1	15.5	2.4	17.5
Foreign currency exchange rate changes	(1.5)	(4.2)	(2.8)	(6.8)
Benefits paid	(2.5)	(9.3)	(4.3)	(10.9)
Plan amendments	--	0.4	--	0.4
Settlements	(149.7)	--	(155.9)	--
	$ 6.0	$145.0	$ 26.9	$171.7
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$150.8	$128.5	$181.1	$160.4
Actual return on plan assets	4.6	29.3	6.1	31.6
Foreign currency exchange rate changes	(0.9)	(5.2)	(2.6)	(7.8)
Employer contribution	3.1	5.7	3.3	6.0
Contributions by plan participants	0.3	1.8	0.3	1.8
Benefits paid	(2.5)	(9.3)	(4.3)	(10.9)
Settlements	(150.3)	--	(155.3)	--
Fair value of plan assets at end of year	$ 5.1	$150.8	$ 28.6	$181.1
Funded Status	(0.9)	5.8	1.7	9.4
Unrecognized net actuarial loss	2.1	16.5	8.8	20.1
Unrecognized initial transition loss	--	0.1	--	0.3
Unrecognized prior service cost	--	0.6	0.1	0.6
Prepaid pension asset	$ 1.2	$ 23.0	$ 10.6	$ 30.4

AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF:	CONSOLIDATED 1998	CONSOLIDATED 1997	COMBINED 1998	COMBINED 1997
Prepaid benefit cost	$ 0.1	$26.4	$ 7.6	$37.4
Accrued benefit liability	(0.7)	(3.4)	(1.6)	(7.0)
Accumulated other comprehensive income	1.8	--	4.6	--
	$ 1.2	$23.0	$10.6	$30.4

At December 31, 1997, a prepaid pension asset of $18.8 was included in net assets of discontinued operations.

Following are the components of foreign net pension expense recognized by the Company and Combined Companies.

	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
Service cost	$ 3.2	$ 3.6	$ 3.9	$ 3.8	$ 4.3	$ 4.0
Interest cost on projected benefit obligation	10.0	10.2	11.1	11.7	12.2	11.9
Expected return on assets	(8.2)	(11.4)	(11.7)	(10.3)	(13.9)	(13.0)
Amortization of prior service cost	(2.1)	0.1	0.1	(2.1)	0.1	0.1
Amortization of initial transition asset	(0.1)	(0.2)	(0.3)	(0.1)	(0.2)	(0.3)
Recognized actuarial loss	1.3	1.2	2.4	1.5	1.5	2.7
Settlement/curtailment loss (gain)	25.7	--	(0.2)	23.6	--	(0.2)
Net pension expense	$29.8	$ 3.5	$ 5.3	$28.1	$ 4.0	$ 5.2

The projected benefit obligation and fair value of plan assets for the Company's foreign pension plans with accumulated benefit obligations in excess of plan assets were $5.5 and $4.0 respectively, as of December 31, 1998, and $26.1 and $21.1, respectively, as of December 31, 1997.

The projected benefit obligation and fair value of plan assets for the Combined Companies' foreign plans with accumulated benefit obligations in excess of plan assets were $13.0 and $10.9, respectively, as of December 31, 1998, and $28.8 and $21.5, respectively, as of December 31, 1997.

Most employees not covered by the Company's plans are covered by collectively bargained agreements, which are generally effective for five 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 consolidated financial statements include charges of $1.0, $1.2, and $7.0 in 1998, 1997, and 1996 for payments to pension trusts on behalf of employees not covered by the Company's plans. The Combined financial statements include charges of $1.9, $2.7, and $7.3 in 1998, 1997, and 1996.

The Company's and the Combined Companies' funding of their pension plans equals or exceeds the minimum funding requirements imposed by Federal and foreign laws and regulations. There were no material differences in the domestic plans' funded status between the Company and the Combined Companies. The funded status of the domestic plans was as follows:

DOMESTIC PLANS	1998	1997
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 352.2	$ 408.8
Service cost	5.5	7.0
Interest cost	24.6	27.7
Actuarial losses	6.4	17.3
Benefits paid	(44.2)	(51.5)
Plan amendments	1.6	0.5
Divestitures	--	(58.0)
Curtailments	--	0.4
Benefit obligation end of year	346.1	352.2
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	385.2	393.6
Actual return on plan assets	(12.7)	100.7
Employer contribution	14.4	0.4
Benefits paid	(44.2)	(51.5)
Divestitures	--	(58.0)
Fair value of plan assets at end of year	342.7	385.2
Funded status	(3.4)	33.0
Unrecognized net actuarial loss	129.5	91.0
Unrecognized initial transition gain	(0.8)	(3.0)
Unrecognized prior service cost	5.0	4.4
Prepaid pension asset	$ 130.3	$ 125.4

DOMESTIC AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF:	1998	1997
Prepaid benefit cost	$ 133.2	$ 132.6
Accrued benefit liability	(6.7)	(7.2)
Accumulated other comprehensive income	3.8	--
	$ 130.3	$ 125.4

Following are the components of domestic net pension expense recognized by the Combined Companies.

	1998	1997	1996
Service cost	$ 5.5	$ 7.0	$ 7.9
Interest cost on projected benefit obligation	24.6	27.7	27.6
Expected return on assets	(26.7)	(30.9)	(32.6)
Amortization of prior service cost	--	(1.9)	(2.1)
Amortization of initial transition asset	(2.2)	(2.8)	(2.9)
Recognized actuarial loss	10.0	11.8	9.5
Settlement/curtailment loss	0.6	25.5	--
	$11.8	$36.4	$ 7.4

Plan assets consist primarily of equity securities and corporate obligations.

13. NON-PENSION POSTRETIREMENT BENEFIT

The Company provides certain health and life insurance benefits for eligible domestic retirees and their dependents. The cost of postretirement benefits is accrued during employees' working careers. Participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. The postretirement medical benefits are contributory; the postretirement life insurance benefit is noncontributory. Benefits are funded on a pay-as-you-go basis.

	CONSOLIDATED		COMBINED	
(In millions)	1998	1997	1998	1997
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$131.8	$157.9	$147.7	$177.3
Service cost	--	0.1	0.1	0.2
Interest cost	9.2	10.9	10.5	12.3
Contributions by plan participants	1.6	2.2	2.0	2.4
Actuarial gains	(13.8)	--	(15.3)	(1.2)
Benefits paid	(12.4)	(16.3)	(14.9)	(17.7)
Divestitures	(9.4)	(23.0)	(9.4)	(25.6)
Benefits obligation end of year	107.0	131.8	120.7	147.7
Unrecognized net actuarial gain	44.8	38.2	45.4	38.2
Unrecognized prior service benefit	31.1	42.1	31.1	42.1
Accrued postretirement obligation at end of year	$182.9	$212.1	$197.2	$228.0

The discount rate used in determining the accumulated postretirement benefit at December 31, 1998 and 1997, was 6.8% and 7.3%, respectively. For measurement purposes, health care costs are assumed to increase 7.7% in 1999 grading down gradually to a constant 4.8% annual increase for both pre-65 and post-65 benefits by the year 2004. The comparable assumptions for the prior year were 8.8% and 5.3% by the year 2004.

Following are the components of net postretirement benefit recognized for 1998, 1997 and 1996.

	CONSOLIDATED			COMBINED		
(In millions)	1998	1997	1996	1998	1997	1996
Service cost		$ 0.1	$ 0.2	$ 0.1	$ 0.2	$ 0.2
Interest cost on projected benefit obligation	$ 9.2	10.9	11.3	10.5	12.3	11.8
Amortization of prior service benefit	(9.5)	(11.1)	(10.9)	(9.5)	(11.1)	(11.0)
Recognized actuarial gain	(1.8)	(2.1)	(2.8)	(2.1)	(2.4)	(2.8)
Settlement/curtailment gain	(6.1)	(15.2)	--	(6.6)	(15.2)	--
Net postretirement benefit	$(8.2)	$(17.4)	$(2.2)	$(7.6)	$(16.2)	$(1.8)

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1% INCREASE	1% DECREASE
Effect on total service cost and interest cost components	$ 0.8	$ (0.7)
Effect on postretirement benefit obligation	10.2	(9.1)

14. SHAREHOLDERS' EQUITY

Preferred Stock

The Company has 24,574,751 shares of series A Cumulative Preferred Stock ("Preferred Stock") outstanding with a total of 100,000,000 shares authorized. Each share has a liquidation preference of $25 and is entitled to cumulative dividends at an annual rate of 12% payable quarterly in arrears. These shares are redeemable, in whole or in part, at the Company's discretion at any date after June 26, 1998. The redemption price is 107% of the issuance price in the first twelve months after such date, declining ratably in each year to par at June 26, 2005. At this time, the Company has no plans to redeem these shares.

Common Stock

The Company has 198,974,994 shares of $0.01 par value common stock issued and outstanding and 300,000,000 total shares authorized. Foods Holdings and Wise Holdings are capitalized with 100 and 70 shares of $.01 par value common stock, respectively.

Other Shareholders' Equity

At December 31, 1998, the Company held $404.9 of notes receivable from its parent, which accrue interest at 12% per year, payable quarterly. The notes were received from an affiliate of the Company's parent as proceeds from the sales of Wise ($34.2) and Foods ($365.9) and the issuance of options on the common stock of Elmer's Holdings, Inc. and Borden Decorative Products Holdings, Inc. ($44.0). As described below, notes totaling $39.2 were transferred to BWHLLC in 1998. Interest is received quarterly at 12%, and the notes mature on September 29, 2005. At December 31, 1998, Other Shareholders' Equity included accrued interest of $10.4. See Notes 4 and 6 for additional information on the sale of Wise and Foods.

During 1996 the Company sold options to BWHLLC on all of the common stock of Elmer's Holdings, Inc. and Borden Decorative Products Holdings, Inc. for 110% of the August 16, 1996, fair market value of the common stock. The options were issued at fair value with a five-year expiration. The exercise price of the option for Elmer's Holdings, Inc is $54.1. The option on the common stock of Borden Decorative Products Holdings, Inc. was cancelled prior to the March 13, 1998, sale of the business. In settlement of this early cancellation, the Company transferred $39.2 of notes receivable from the Company's parent to BWHLLC, representing the fair value of the options at March 13, 1998.

The Combined Companies' equity includes $62.0 and $203.3 of affiliate's interest in subsidiary at December 31, 1998 and 1997, respectively, representing the 30% interest held by an affiliate in a consolidated subsidiary of Foods. See Note 5 for additional information.

The Company declared common stock dividends of $59.5, $51.4 and $16.5 during 1998, 1997, and 1996 respectively. The dividends were recorded as a charge to paid-in capital to reflect a return of capital to the Company's parent.

In addition, $42.9 and $24.5 were recorded during 1998 and 1997, respectively, as a credit to paid-in capital representing tax benefits contributed to the Company by its parent. The Company is included in its parent's tax return and a portion of the interest expense on the parent's notes payable reduces the Company's tax liability.

During 1998, the Company recorded a minimum pension liability adjustment of $3.6 ($5.4 for the Combined Companies) relating to underfunded pension plans, which is reflected in accumulated other comprehensive income.

15. STOCK OPTION PLANS AND OTHER STOCK BASED COMPENSATION

Unit Appreciation Rights

Effective January 1, 1996, key employees of Foods and Borden, Inc. were offered units and unit appreciation rights ("UAR's") in their respective holding companies. During 1997, as part of the UAR Plan, additional employees of Borden, Inc. were offered UAR's in BWHLLC. They vest over 5 years, and any compensation expense incurred in conjunction with the UAR's will be charged to the Company or the Combined Companies. During 1998, 1997 and 1996, there was no compensation expense attributable to the UAR's. There were 18,197,220 UAR's outstanding in the aggregate at December 31, 1998, and 6,653,220 UAR's available for future grants.

Stock Options

Subsidiaries and affiliates of the Company and Combined Companies have issued stock options under their individual stock option plans. Under these plans, equity in the Dairy, Wise, Elmer's, Decorative Products and Chemical business units was sold to key management personnel. Fixed stock options were granted to purchase additional shares at exercise prices of $5 and $10. The options were issued at or above fair value, vest over five years and expire ten years from the date of the grant. There are 5,624,155 options currently outstanding among the companies and 740,845 options available for future grants.

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation". Under the provisions of APB 25, "Accounting for Stock Issued to Employees," compensation cost of $2.3, of which $1.6 relates to the sale of Decorative Products, has been recognized for the stock option plan in 1998. Compensation cost of $16.6 was recorded in 1997 in conjunction with the Dairy sale. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net income (loss) and basic and diluted net income (loss) per share would have been the amounts presented below:

	1998	1997	1996
Net income (loss) applicable to common stock- as reported	$ (11.1)	$ 147.6	$ (333.1)
Net income (loss) - applicable to common stock-pro forma	(10.7)	156.2	(332.0)
Basic and diluted net income (loss) per share - as reported	(.06)	0.74	(1.67)
Basic and diluted net income (loss) per share - pro forma	(.05)	0.78	(1.67)

Pro forma net income applicable to common stock for the Combined Companies is $95.0 in 1998, $139.7 in 1997 and $4.0 in 1996.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with risk free interest rates of 4.7% and expected lives ranging from five to ten years.

Information regarding the management stock option plans is as follows:

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	6,912,405	$ 5.18	7,082,034	$ 5.18		
Options exercised	(1,306,250)	5.00	(1,047,284)	5.00		
Options granted	1,203,000	5.00	1,242,655	5.15	7,177,034	$ 5.18
Options forfeited	(1,185,000)	5.92	(365,000)	5.00	(95,000)	5.00
Options outstanding end of year	5,624,155	5.07	6,912,405	5.18	7,082,034	5.18

Most of the options exercised in 1997 were in conjunction with the September 4, 1997, sale of the dairy business. The options exercised in 1998 related to the sale of the Decorative Products business.

The following table summarizes information about fixed-price stock options at December 31, 1998:

Average Exercise Price	Weighted Average Fair Value At Grant	OPTIONS OUTSTANDING Number Outstanding	Weighted Average Remaining Life	Weighted Average Exercise Price	OPTIONS EXERCISABLE Number Exercisable	Weighted Exercise Price
$ 5.00	$ 1.13	5,542,155	4 years	$ 5.00	1,512,131	$ 5.00
10.00	0.01	82,000	3 years	10.00	26,400	10.00

There were 1,133,950 options exercisable at December 31, 1997 with a weighted average exercise price of $5.23, and no options exercisable at December 31, 1996.

16. DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps

The Company enters into interest rate swaps to lower funding costs or to alter interest rate exposures between fixed and floating rates on long-term debt. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. The notional amount of interest rate swaps was $224.3 at December 31, 1998 and 1997. These swaps have maturities ranging from 2000 to 2002. The net impact of interest rate swaps was an increase for the Company's and the Combined Companies' interest expense of $10.7 in 1998, $10.5 in 1997 and $10.7 in 1996.

The following table indicates the types of swaps used by the Company and their weighted average interest rates. Variable rates change with market conditions and may vary significantly in the future. A 1% increase in market interest rates would result in a $2.2 increase in the fair value of the interest rate swap agreements. A 1% decline in the interest rates would result in a $2.2 decrease in the fair value of the interest rate swap agreements.

	1998	1997	1996
Receive fixed swaps			
Average rate received	N/A	N/A	8.0%
Average rate paid	N/A	N/A	5.7%
Pay fixed swaps			
Average rate paid	10.4%	10.4%	10.4%
Average rate received	5.6%	5.7%	5.5%

An interest rate swap, having a notional amount of $200.0, no longer met the criteria for hedge accounting and was marked to market during the first quarter of 1995. The unrealized gains on this instrument of $4.1, $4.1 and $12.1 in 1998, 1997 and 1996, respectively, were included in the consolidated and combined statements of operations and other long-term liabilities. The remaining swap is not marked to market, as it meets the requirements of hedge accounting. The year-end fair value of the interest rate swaps was a loss of $28.7 in 1998 and $33.3 in 1997. The Company does not hold or issue derivative financial instruments for trading purposes.

Foreign Exchange Contracts

International operations account for a significant portion of the Company's revenue and operating income. With the divestiture of almost all Foods Unaligned international businesses in 1997 and 1998, the portion of the Combined Companies' revenue and operating income derived from the international operations is reduced. The Company is exposed to foreign exchange risk on transactions that are denominated in a currency other than the operating unit's functional currency. It is the Company's policy to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging anticipated and firmly committed transactions wherever economically feasible (within the risk limits established in the Company's policy).

The Company closely monitors its foreign currency cash flow transactions and enters into forward contracts to buy and sell foreign currencies only to reduce its foreign exchange exposure and protect the U.S. dollar value of such transactions to the extent of the amount under contract.

In accordance with current accounting standards, gains and losses arising from contracts that hedge future transactions are deferred until the related transactions occur. Those arising from contracts that hedge existing transactions (i.e., outstanding payables denominated in foreign currency) are recorded currently in income and offset the gains and losses that occur as exchange rates change. The cash flows from forward contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transaction being hedged.

At December 31, 1998 and 1997, the Company had $39.7 and $33.5 of notional value respectively, of forward foreign currency exchange contracts outstanding. The Combined Companies had $55.8 and $129.5 of notional value of forward foreign exchange contracts outstanding at December 31, 1998 and 1997, respectively. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts mature within 12 months and are principally with banks. The Company is exposed to credit loss in the event of non-performance by the other parties to the contracts. The Company evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

Commodity Futures

The Company and Combined Companies are exposed to risk from fluctuating prices for commodities used primarily to produce specialty resins, pasta and salty snacks. Some risk is hedged by the Combined Companies through commodity futures executed over the counter with various brokers. These commodity futures are used to effectively fix the prices over the life of the contract, which is generally less than one year. Cost of products sold reflects the commodity cost including the effects of the commodity futures. The maturity of the contracts highly correlates to the actual purchases of the commodity. As of December 31, 1998, no commodity futures were outstanding, and $0.9 of commodity futures were outstanding as of December 31, 1997. The fair value of commodity futures as of December 31, 1997 was unfavorable $0.1 based on dealer quotes. The Combined Companies defer the impact of changes in the market value of these contracts until the hedge transaction is completed.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying or notional amounts and fair values of the Company's financial instruments at December 31, 1998 and 1997. The fair value of a financial instrument is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair values are determined from quoted market prices where available or other independent valuation methods. The fair value and carrying value of the 11% equity interest retained with the sale of the Decorative Products business are not material, and quoted market prices are not available.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other accruals are considered reasonable estimates of their fair values.

	1998		1997	
NONDERIVATIVES	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Investment securities	$ 52.5	$ 52.5	$ 81.7	$ 74.5
Liabilities				
Debt	568.1	567.0	795.2	808.7
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gain	$ 32.3	$ 0.3	$ 20.8	$ 0.5
Foreign currency contracts - loss	7.4	--	12.7	(0.1)
Interest rate swap - loss	224.3	(28.7)	224.3	(33.3)

The carrying or notional amounts of the Combined Companies' financial instruments and their related fair values based on dealer quotes are as follows:

	1998		1997	
NONDERIVATIVES	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Investment securities	$ 52.5	$ 52.5	$ 81.7	$ 74.5
Liabilities				
Debt	577.7	576.1	822.9	836.5
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gain	$ 32.3	$ 0.3	$ 62.3	$ 2.6
Foreign currency contracts - loss	23.5	(0.3)	67.2	(3.2)
Interest rate swap - loss	224.3	(28.7)	224.3	(33.3)
Commodity futures - loss			0.9	(0.1)

18. SUPPLEMENTAL INFORMATION

	CONSOLIDATED			COMBINED		
	1998	1997	1996	1998	1997	1996
Depreciation	$ 47.5	$ 35.8	$ 79.3	$ 72.4	$ 81.9	$116.5
Amortization	3.4	3.1	2.0	14.2	14.4	17.5
Advertising	2.9	4.4	10.3	13.6	48.9	67.3
Promotions	21.1	20.7	59.2	195.6	318.3	422.5
Research and development	18.7	24.9	26.5	39.0	44.4	49.2

Other current liabilities include the following amounts:

	CONSOLIDATED		COMBINED	
	1998	1997	1998	1997
General insurance accruals	$ 20.7	$ 52.4	$ 34.9	$ 71.1
Reserves for sale of businesses	28.0	83.6	99.7	98.8

19. RELATED PARTY TRANSACTIONS

Foods and Wise

Wise and Foods were sold to affiliates of the Company during 1996. Because of the Company's continuing control over Wise and Foods, their assets and liabilities, at the date of sale, are classified as "sold under contractual arrangements" in the consolidated financial statements, as long as the Company has a net affiliated receivable from Wise or Foods. The Company's net investment balance in Wise was $4.4 and $6.5 at December 31, 1998 and 1997, respectively. The Company's net investment balance in Foods was $65.5 at December 31, 1997. In 1998, Foods repaid their term loan with the Company. This repayment ended the Company's remaining financial interest in Foods and therefore, at December 31, 1998, transactions with Foods are reflected as unconsolidated affiliated balances, not as an investment. See Notes 1, 4 and 6 for additional information.

The net investment in Wise included a term loan receivable of $5.0 and $7.0 at December 31, 1998 and 1997, respectively, at an interest rate of 11%, maturing November 30, 2000. The Foods investment included a $47.6 term loan receivable at December 31, 1997, at an interest rate of 10.25%, which was repaid during 1998. Affiliated interest income of $0.6, $1.0 and $0.6, net of amounts paid for overnight investments, was accrued related to Wise during 1998, 1997 and 1996, respectively. The Company recorded affiliated interest (expense) / income of ($18.0), $25.5 and $3.4 related to Foods during 1998, 1997 and 1996, respectively. Foods also had a net loan outstanding from other international affiliates of the Company of $27.9 at December 31, 1997.

The Loan Agreement with Foods and Wise provides a revolving loan feature. During 1997, the revolving loan facility for Foods was $100.0. Effective December 30, 1997, the revolving loan facility was reduced to $50.0 with a maturity date of December 31, 1998. As of December 31, 1998, this facility has been extended to November 30, 1999. The Wise revolving loan facility provides for borrowings up to $5.0 maturing November 30, 1999. The Foods and Wise variable interest rate is equal to the Company's cost of funds for 30 day LIBOR borrowings plus 0.25%. Neither Foods nor Wise had any borrowings outstanding under these facilities at December 31, 1998.

Foods and Wise invest cash overnight at an interest rate set by the Company, which generally approximates money market rates. Foods had $277.6 invested at December 31, 1998, which is included in loans payable with affiliates, and $15.0 invested at December 31, 1997, which is included in assets sold under contractual arrangements. Wise had $1.7 and $2.3 invested at December 31, 1998 and 1997, respectively, and classified in assets sold under contractual arrangements.

The Company provides infrastructure management services to Foods and Wise. Fees received for these services are offset against the Company's general and administrative expenses, and totaled $15.1 and $20.1 for the years ended December 31, 1998 and 1997, respectively.

Included in consolidated accounts receivable at December 31, 1998, is a $1.0 net receivable from Foods primarily related to the infrastructure management services provided by the Company. Included in other assets is a $7.9 receivable from Foods for its portion of the Combined Companies' pension liability. The effects of transactions among Wise, Foods and the Company have been eliminated in the Combined financial statements.

Other Related Parties

BWHLLC's invested cash with the Company was $138.2 and $4.0 at December 31, 1998 and 1997, which accrues interest at rates that generally approximate market. The Company recorded $5.4 of interest expense on amounts invested by BWHLLC during 1998. Included in other current liabilities at December 31, 1998, was $1.7 of affiliated interest payable related to these amounts.

During 1998, an affiliate of the Company's parent acquired a controlling interest in Corning Consumer Products Company ("CCPC") from Corning Incorporated in a recapitalization transaction valued at approximately $603. In connection with this transaction, the Company loaned $346.0 to CCPC on a short-term basis at rates, which approximated market conditions. The Company recorded $1.2 of interest income related to this loan, which is reflected in interest income and other in the 1998 consolidated and combined Statements of Operations. CCPC repaid the loan in 1998.

The Company renders management, consulting and financial services to CCPC for an annual fee of $1.5, payable monthly in arrears.

KKR renders management, consulting and financial services to the Company and its businesses for an annual fee of $10.0, payable quarterly in arrears.

During 1998, 1997 and 1996, the Company purchased $66.4, $108.9 and $109.9 of raw materials from Borden Chemicals and Plastics Limited Partnership, of which the Company is the general partner.

20. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL MATTERS - The Company, like others in similar businesses, is subject to extensive Federal, state and local environmental laws and regulations. Although Company environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments and increasingly stringent regulation could require the Company to make additional unforeseen environmental expenditures.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Environmental accruals are routinely reviewed on an interim basis as events and developments warrant and are subjected to a comprehensive review annually during the fiscal fourth quarter. The Company and the Combined Companies have each accrued approximately $20 at December 31, 1998, for probable environmental remediation and restoration liabilities. These liabilities at December 31, 1997, totaled approximately $23. This is management's best estimate of these liabilities. Based on currently available information and analysis, the Company believes that it is reasonably possible that costs associated with such liabilities may exceed current reserves by amounts that may prove insignificant, or by amounts, in the aggregate, of up to approximately $11.0.

LEGAL MATTERS - The Company and Combined Companies have recorded $17.6 and $32.1 in liabilities at December 31, 1998, for legal costs in amounts that management believes are probable and reasonably estimable. These liabilities at December 31, 1997, totaled $21.0 on a consolidated basis and $35.8 on a combined basis. Actual costs are not expected to exceed these amounts. During the third quarter of 1997, the Company settled a lawsuit with Quaker Oats Company ("Quaker") in connection with the 1994 sale to Quaker of the Company's Brazilian pasta business. The settlement amount was fully accrued in a prior year. In addition, the Company may be held responsible for certain environmental liabilities incurred at Borden Chemicals and Plastics Limited Partnership facilities, which were previously owned by the Company. The Company has resolved litigation with the Internal Revenue Service on proposed adjustments to the utilization of certain capital losses in the Company's tax returns for the period 1989 to 1993. The Company has agreed to the payment of certain taxes and interest of approximately $100.0 resulting from the reduction of capital losses on such tax returns. During 1997, $75.0 was paid. The settlement was fully accrued by the Company in a prior year. The Company believes, based upon the information it currently possesses, and taking into account its established reserves for estimated liability and its

insurance coverage, that the ultimate outcome of the foregoing proceedings and actions is unlikely to have a material adverse effect on the Company's financial position or operating results.

OTHER COMMITMENTS - A wholly owned subsidiary serving as general partner of Borden Chemicals and Plastics Limited Partnership ("BCP") has certain fiduciary responsibilities to BCP's unitholders. The Company believes that such responsibilities will not have a material adverse effect on its financial statements.

21. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following represents Quarterly Financial Data for the Company:

1998 QUARTERS	FIRST	SECOND	THIRD	FOURTH (1)
Net sales	$ 367.1	$ 368.4	$ 335.6	$ 328.6
Gross profit(3)	80.0	94.2	85.9	80.4
Gain on sale of business	-	8.3	-	-
Income (loss) from continuing operations	5.8	14.4	11.7	(8.3)
Discontinued operations:				
Income from operations	2.3	-	-	-
Income from disposal	26.0	-	5.3	5.4
Net income (loss)	34.1	14.4	17.0	(2.9)
Preferred stock dividends	18.4	18.4	18.4	18.5
Net income (loss) applicable to common stock	15.7	(4.0)	(1.4)	(21.4)
Basic and diluted, per share of common stock:				
Income (loss) from continuing operations	0.03	0.07	0.05	(0.03)
Discontinued operations:				
Income from operations	0.01	-	-	-
Gain on disposal	0.13	-	0.03	0.02
Net income (loss) applicable to common stock	0.08	(0.02)	(0.01)	(0.11)
Dividends per common share	0.07	0.10	0.06	0.07
Dividends per preferred share	0.75	0.75	0.75	0.75
Average number of common shares outstanding	199.0	199.0	199.0	199.0

1997 QUARTERS	FIRST	SECOND	THIRD	FOURTH (2)
Net sales	$ 361.8	$ 387.0	$ 371.5	$ 367.4
Gross profit(3)	74.2	82.8	78.2	75.2
(Loss) income from continuing operations	(1.8)	9.6	11.6	(2.2)
Discontinued operations:				
Income from operations	7.1	12.5	6.9	4.2
Income from disposal	-	-	154.4	19.0
Net income	5.3	22.1	172.9	21.0
Preferred stock dividends	18.4	18.4	18.4	18.5
Net (loss) income applicable to common stock	(13.1)	3.7	154.5	2.5
Basic and diluted, per share of common stock:				
(Loss) income from continuing operations	(0.01)	0.05	0.06	(0.01)
Discontinued operations:				
Income from operations	0.04	0.06	0.03	0.02
Gain on disposal	-	-	0.78	0.09
Net (loss) income applicable to common stock	(0.07)	0.02	0.78	0.01
Dividends per common share	0.06	0.06	0.06	0.08
Dividends per preferred share	0.75	0.75	0.75	0.75
Average number of common shares outstanding	199.0	199.0	199.0	199.0

(1) - As discussed in Note 9, the Company's fourth quarter 1998 results reflect a $26.7 impairment charge on an investment.

(2) - As discussed in Note 4, the Company's fourth quarter results reflect a $40.0 pre tax gain on the sale of a trademark, $20.0 of income from disposals relating to the finalization of the Foods valuation, $25.0 of additional expense for the estimated impact on the tax provision relating to the sales of certain Foods businesses and the finalization of the Foods valuation, and a $16.0 impairment charge for the closure of a European Chemical operation.

(3) - Gross profit is defined as gross margin less distribution expense.

The following represents Quarterly Financial Data for the Combined Companies:

1998 QUARTERS	FIRST	SECOND	THIRD	FOURTH (1)
Net sales	$ 643.6	$ 582.5	$ 536.2	$ 572.2
Gross profit(3)	167.7	159.0	155.5	179.4
Gain on sale of businesses	301.4	9.4	18.6	49.3
Income (loss) from continuing operations	242.8	(5.9)	11.1	23.3
Discontinued operations:				
Income from operations	2.3	-	-	-
Gain on disposal	26.0	-	5.3	5.4
Net income (loss)	271.1	(5.9)	16.4	28.7
Affiliate's share of income	128.7	1.3	1.0	11.0
Preferred stock dividends	18.4	18.4	18.4	18.5
Net income (loss) applicable to common stock	$ 124.0	$ (25.6)	$ (3.0)	$ (0.8)

1997 QUARTERS	FIRST	SECOND	THIRD	FOURTH (2)
Net sales	$ 836.8	$ 884.8	$ 835.6	$ 924.4
Gross profit(3)	226.0	248.0	235.4	294.4
Gain on sale of businesses	-	-	-	122.6
(Loss) income from continuing operations	(1.2)	7.8	10.4	76.1
Discontinued operations:				
Income from operations	7.1	12.5	6.9	4.2
Gain on disposal	-	-	154.4	-
Net income	5.9	20.3	171.7	80.3
Affiliate's share of income	-	-	-	73.4
Preferred stock dividends	18.4	18.4	18.4	18.5
Net (loss) income applicable to common stock	$ (12.5)	$ 1.9	$ 153.3	$ (11.6)

(1) - The Combined Companies' fourth quarter 1998 results reflect a pre-tax gain of $21.0 for additional proceeds on the sale of a business, a change in estimate of $28.3 for costs related to certain divestitures, and a $26.7 impairment charge on an investment.

(2) - As discussed in Note 4, the Combined Companies' fourth quarter results reflect a $122.6 pre-tax gain on the sale of certain Foods businesses, $25.0 of additional expense for the estimated impact on the tax provision relating to the sales of certain Foods businesses, and a $16.0 impairment charge for the closure of a European Chemical operation.

(3) - Gross profit is defined as gross margin less distribution expense.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of Borden, Inc.

We have audited the accompanying consolidated balance sheets of Borden, Inc. and subsidiaries (a wholly owned subsidiary of Borden Holdings, Inc.) as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Borden, Inc. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 12, 1999

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholders of Borden, Inc.

We have audited the accompanying combined balance sheets of Borden, Inc. and subsidiaries, Borden Foods Holdings Corporation and subsidiaries and Wise Holdings, Inc. and subsidiaries (affiliated corporations), all of which are under common ownership and common management, as of December 31, 1998 and 1997, and the related combined statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the companies' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the combined financial position of Borden, Inc., Borden Foods Holdings Corporation and Wise Holdings, Inc. (affiliated corporations) at December 31, 1998 and 1997, and the combined results of their operations and their combined cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 12, 1999

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below are the names and ages of the Directors and Executive Officers of the Company as of December 31, 1998, and the positions and offices with the Company held by each of them. Their terms of office extend to the next Annual Meeting of the Board of Directors or until their earlier resignation or replacement.

Name	Position & Office	Age on Dec. 31, 1998	Served in Present Position Since
C.R. Kidder	Chairman of the Board, Director Chief Executive Officer and President	54	1995
H.R. Kravis	Director	54	1995
A. Navab	Director	33	1995
C.S. Robbins	Director	40	1995
G.R. Roberts	Director	55	1995
S. M. Stuart	Director	39	1995
W.H. Carter	Executive Vice President and Chief Financial Officer	45	1995
N.A. Reardon	Senior Vice President-Human Resources and Corporate Affairs	46	1997
J.M. Saggese	Executive Vice President	67	1990
R.P. Starkman	Senior Vice President and Treasurer	44	1995
W.F. Stoll, Jr.	Senior Vice President and General Counsel	50	1996

C. Robert Kidder was elected a Director, Chairman of the Board and Chief Executive Officer of the Company on January 10, 1995. He was Chairman of the Board of Duracell International, Inc. and Duracell, Inc. from August 1991 through October 1995 and served as Chairman of the Board and Chief Executive Officer of both companies from April 1992 through September 30, 1995, Chairman of the Board, President and Chief Executive Officer of both companies from August 1991 until April 1992, and President and Chief Executive Officer of both companies from June 1988 until August 1991. He is also a director of Electronic Data Systems Corporation, AEP Industries Inc. and Morgan Stanley Dean Witter & Co. He is a member of the Executive and Compensation Committees of the Borden Board.

Henry R. Kravis acted as Chairman of the Board of the Company from December 21, 1994, to January 10, 1995. He has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. from its establishment through 1995 and has been a General Partner of KKR Associates, L.P. since its establishment. He is also a Director of Accuride Corporation, Amphenol Corporation, Bruno's, Inc., The Boyds Collection, Ltd., Evenflo Company Inc., The Gillette Company, IDEX Corporation, KinderCare Learning Centers, Inc. KSL Recreation Corporation, Newsquest PLC, Owens-Illinois, Inc., PRIMEDIA Inc., Randall's Food Markets, Inc., Regal Cinemas, Inc., RELTEC Corporation, Safeway, Inc., Sotheby's Holdings, Inc., and Spalding Holdings Corporation. He is a member of the Executive Committee of the Borden Board. Messrs. Kravis and Roberts are first cousins.

Alexander Navab has been an Executive of Kohlberg Kravis Roberts & Co. since June 1993. He was employed by James D. Wolfensohn Incorporated, an investment banking firm, from September 1991 to June 1993. He is also a Director of KAMAZ, Inc., KSL Recreation Corporation, Newsquest PLC, Regal Cinemas, Inc., RELTEC Corporation, and World Color Press, Inc. He is a member of the Audit Committee of the Borden Board.

Clifton S. Robbins has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. and has been a General Partner of KKR Associates, L.P. since January 1995. He began as an Executive with Kohlberg Kravis Roberts & Co. in 1987. He is also a Director of AEP Industries, Inc., IDEX Corporation, KinderCare Learning Centers, Inc., Newsquest PLC, and Regal Cinemas, Inc. He is Chairman of the Compensation Committee and a member of the Executive Committee of the Borden Board.

George R. Roberts has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. from its establishment through 1995, and has been a General Partner of KKR Associates, L.P. since its establishment. He is also a Director of Accuride Corporation, Amphenol Corporation, Bruno's Inc., The Boyds Collection, Ltd., Evenflo Company Inc., IDEX Corporation, KinderCare Learning Centers, Inc., KSL Recreation Corporation, Owens-Illinois, Inc., PRIMEDIA Inc., Randall's Food Markets, Inc., Regal Cinemas, Inc., RELTEC Corporation, Safeway, Inc., and Spalding Holdings Corporation. Messrs. Kravis and Roberts are first cousins.

Scott M. Stuart has been a member of KKR & Co., LLC since 1996, was a General Partner of Kohlberg Kravis Roberts & Co. and has been a General Partner of KKR Associates, L.P. since January 1995. He began as an Executive with Kohlberg Kravis Roberts & Co. in 1986. He is also a Director of AEP Industries, Inc., The Boyds Collection, Ltd., KSL Recreation Corporation, Newsquest PLC, and World Color Press, Inc. He is Chairman of the Audit Committee and a member of the Executive and Compensation Committees of the Borden Board.

William H. Carter was elected Executive Vice President and Chief Financial Officer effective April 3, 1995. Prior to that, since 1987, he was a partner in Price Waterhouse LLP.

Nancy A. Reardon was elected Senior Vice President, Human Resources and Corporate Affairs effective March 3, 1997. Previously she was Senior Vice President-Human Resources and Communications for Duracell International, Inc. from 1991 through February 1997.

Joseph M. Saggese has served since July 1990 as Chairman, President and Chief Executive Officer of BCP Management, Inc., a wholly owned subsidiary of the Company and General Partner of Borden Chemicals and Plastics Limited Partnership. He was, through December 31, 1998, an Executive Vice President of the Company and Chairman and Chief Executive Officer of Borden Chemical, Inc. Previously he served as President of the Worldwide Packaging and Industrial Products division of the Company since July 1, 1990.

Ronald P. Starkman was elected Senior Vice President and Treasurer of the Company effective November 20, 1995. He was Senior Managing Director of Claremont Capital Group, Inc. from December 1994 to November 1995. Prior to that he was Senior Vice President-Investment Banking for Lehman Brothers from 1993 to 1994, and Vice President and Assistant Treasurer at American Express from 1986 to 1993.

William F. Stoll, Jr. was elected Senior Vice President and General Counsel effective July 1, 1996. Prior to joining the Company, he was a Vice President of Westinghouse Electric Corporation since 1993, and served as its Deputy General Counsel from 1988 to 1996.

ITEM 11. EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation of the Company's Chief Executive Officer and the four other most highly compensated Executive Officers as of December 31, 1998 (the "Named Executive Officers") for the periods indicated.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM COMPENSATION			
					AWARDS		PAYOUTS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION ($)	RESTRICTED STOCK AWARD(S) ($)	SECURITIES UNDERLYING OPTIONS/LSAR (#)	LONG TERM INCENTIVE PLAN (LTIP) PAYOUTS($)	(1)ALL OTHER COMPENSATION ($)
C.R. Kidder	1998	1,100,000	547,470	(1) 92,467	NONE	(5)	NONE	96,731
Chairman, President &	1997	1,000,000	742,500	(2)121,900	NONE	(5)	NONE	87,255
Chief Executive Officer	1996	950,000	912,000	(3)160,655	NONE	(5)	NONE	199,576
W.H. Carter	1998	415,000	150,000	0	NONE	(5)	NONE	31,238
Executive Vice President &	1997	395,667	180,000	0	NONE	(5)	NONE	28,589
Chief Financial Officer	1996	370,000	250,137	(6) 5,753	NONE	(5)	NONE	16,319
N.A. Reardon	1998	345,250	107,973	0	NONE	(5)	NONE	17,747
Senior Vice President Human Resources and Corporate Affairs	1997	277,750	128,000	(6) 31,223	NONE	(5)	NONE	40,262
J.M. Saggese	1998	496,461	240,210	0	NONE	(5)	NONE	(4)247,223
Executive Vice President	1997	476,667	0	0	NONE	(5)	NONE	18,958
Chairman & Chief Executive Officer, Borden Chemical	1996	450,000	25,000	(7) 59,006	NONE	(5)	NONE	29,640
W.F. Stoll, Jr.	1998	335,500	106,453	0	NONE	(5)	NONE	17,906
Senior Vice President and	1997	310,500	142,000	(6) 1,200	NONE	(5)	NONE	45,623
General Counsel	1996	150,000	(8)168,863	(6) 82,624	NONE	(5)	NONE	9,422

(1) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $31,842 not paid to Mr. Kidder but allocable to his personal use of company aircraft.

(2) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan and $61,900 not paid to Mr. Kidder but allocable to his personal use of company aircraft.

(3) Includes $60,000 pursuant to the Executive Perquisite Benefit Plan, $36,800 not paid to Mr. Kidder but allocable to his personal use of Company aircraft, and $59,355 in tax gross-ups.

(4) All other compensation is identified and quantified in the table below and in footnote (9):

(a) RSP and ESP refer to the Company's Retirement Savings Plan and the executive supplemental benefit plans.

	YEAR	MATCHING CONTRIBUTIONS (RSP AND ESP)(a)	RELOCATION EXPENSE	TOTAL
C.R. Kidder	1998	96,731	0	96,731
	1997	87,255	0	87,255
	1996	45,850	153,726	199,576
W.H. Carter	1998	31,238	N/A	31,238
	1997	28,589		28,589
	1996	16,319		16,319
N.A. Reardon	1998	17,747	0	17,747
	1997	10,415	29,849	40,262
J.M. Saggese	1998	24,823	N/A	(9)247,223
	1997	18,958		18,958
	1996	29,640		29,640
W.F. Stoll	1998	17,906	0	17,906
	1997	11,873	33,750	45,623
	1996	750	8,672	9,422

(5) No Executive Officer of the Company owns any stock of Borden, Inc., or options to acquire stock in Borden, Inc. For information on equity securities of Borden's parent or subsidiary entities owned by management, see Item 12.

(6) Tax gross-up payments.

(7) Includes $40,000 pursuant to the Executive Perquisite Benefit Plan, $17,000 as compensation for discontinued perquisites, and $1,006 in tax gross-ups.

(8) Includes $82,500 paid pursuant to terms of employment.

(9) In addition to amounts identified in footnote (4) for Mr. Saggese, all other compensation also includes a $222,400 cash payment to Mr. Saggese for his sale of stock and exercise of options in Borden Decorative Products Holdings in connection with the sale of the Decorative Products business, based upon his investment of $100,000.

The following table provides information on option/SAR exercises during 1998 by the Named Executive Officers and the value of their unexercised options/SARS at December 31, 1998.

AGGREGATED OPTION/SAR EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION/SAR VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	# OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT FISCAL YEAR END ($)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
C. R. KIDDER	N/A		0	7,391,380(4)	0	0
W. H. CARTER	N/A		0	1,686,740(4)	0	0
N. A. REARDON	N/A		0	1,686,740(4)	0	0
J. M. SAGGESE	100,000(1)	102,000(1)	240,000(2)	160,000(2)	50,400(3)	33,600(3)
W. F. STOLL	N/A		0	1,204,800(3)	0	0

(1) Represents options on shares of Borden Decorative Products Holdings, Inc. exercised in connection with the sale of the Borden Decorative Products Business.

(2) Represents options on shares of Borden Chemical Holdings, Inc.

(3) Based on book value of $5.21 at 12/31/98 for options in Borden Chemical Holdings, Inc. with exercise price of $5.00.

(4) Represents unit appreciation rights in BW Holdings, LLC.

The Long-Term Incentive Plans-Awards In Last Fiscal Year table has been eliminated since the Registrant has no long-term incentive plan.

The Option/SAR Grants In Last Fiscal Year table has been omitted since there were no grants of options to acquire stock of Borden, Inc. or its subsidiaries during 1998 to the Named Executive Officers.

Retirement Benefits
- -------------------

The Borden Employees Retirement Income Plan ("ERIP") for salaried employees was amended as of January 1, 1987, to provide benefit credits of 3% of earnings which are less than the Social Security wage base. Earnings include annual incentive awards paid currently but exclude any long-term incentive awards. Benefits for service through December 31, 1986, are based on the plan formula then in effect and have been converted to opening balances under the plan. Both opening balances and benefit credits receive interest credits at one-year Treasury bill rates until the participant commences receiving benefit payments. For the year 1998, the interest rate was 5.46%. Benefits vest after completion of five years of employment for employees hired on or after July 1, 1990.

The Company's supplemental pension plan provides for a grandfathering of benefits for certain key employees as of January 1, 1983, including certain Executive Officers, that, generally speaking, provides for the payment of any shortfall if the sum of (a) the pension actually payable on retirement under the ERIP (and any excess or supplemental plans), together with (b) the amount (converted to a pension equivalent) attributable to Company contributions that would be standing to the employee's credit at retirement under the Company's Retirement Savings Plan if the employee had contributed at the maximum permitted rate eligible for Company matching from December 31, 1983, until retirement, does not equal or exceed the sum of (c) the retirement income calculated on the basis of the December 31, 1982, ERIP pension formula (with certain adjustments), and (d) the amount (converted to a pension equivalent) attributable to company contributions (equal to 3.3% of compensation) that would be standing to the employee's credit at retirement had the Company's Retirement Savings Plan as in effect on January 1, 1983, been in effect continuously to retirement. The projected pension figure for J.M. Saggese appearing at the end of this section includes the effect of the foregoing grandfathering.

The Company has supplemental plans which will provide those benefits which are otherwise produced by application of the ERIP formula, but which, under Section 415 or Section 401 (a)(17) of the Internal Revenue Code, are not permitted to be paid through a qualified plan and its related trust. The supplemental plan also provides a pension benefit using the ERIP formula based on deferred incentive compensation awards and certain other deferred compensation, which are not considered as part of compensation under the ERIP.

The total projected annual benefits payable under the formulas of the ERIP at age 65 without regard to the Section 415 or 401(a)(17) limits and recognizing supplemental pensions as described above, are as follows for the Named Executive Officers of the Company in 1998: W. H. Carter - $110,327, C. R. Kidder - $158,042, N. A. Reardon-$38,096, J. M. Saggese $343,026 (as of 12/31/99), and W.F. Stoll - $53,005.

In addition, certain Executive Officers receive Company matching contributions on the first 7% of contributions to the Retirement Savings Plan. Company matching contributions on employee contributions in excess of 5% are provided under the supplemental plans. This benefit is not provided if the executive has any other pension benefit guarantee.

Compensation of Directors

Each director who is not currently an employee of the Company receives an annual retainer of $45,000. Directors who are also employees of the Company receive no remuneration for serving as directors.

Former directors who were not employees of the Company are provided, upon attaining age 70, annual benefits through a funded grantor trust equal to their final annual retainer if they served in at least three plan years. Such benefits can continue for up to fifteen years.

Employment, Termination and Change in Control Arrangements

Pursuant to a separation agreement dated November 7, 1997, with Douglas A. Smith, Former Chairman and CEO of Borden Foods Corporation and Executive Vice President of the Company, Mr. Smith continues to receive monthly payments until November 1, 1999, outplacement services, and the continuation of executive and other employee benefits and perquisites.

The Company has a special retirement arrangement with William F. Stoll, Jr., Senior VP and General Counsel. Under this arrangement the Company will calculate the benefit Mr. Stoll would have received from his former employer, using predetermined assumptions, and deduct from this amount the retirement benefits accrued under the Borden Retirement Programs. Any shortfall in benefits will be paid by the Company as a non-qualified benefit. Special provisions also apply in the event of death or disability.

Compensation Committee Interlocks and Insider Participation

Messrs. Robbins and Stuart are members of the Company's Compensation Committee. Both are general partners of KKR Associates, L.P. See "Certain Relationships and Related Transactions". Mr. Kidder, Chairman and Chief Executive Officer of the Company, is also a member of the Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Registrant's Common Stock and other equity securities issued by affiliated entities, as of March 12, 1999, by (a) persons known to the Registrant to be the beneficial owners of more than five percent of the outstanding voting stock of the Registrant, (b) each director of the Registrant, (c) each of the Named Executive Officers of the Registrant during the 1998 fiscal year of the Registrant and (d) all directors and executive officers of the Registrant as a group. Except as otherwise noted, the persons named in the table below have sole voting and investment power with respect to all securities shown as beneficially owned by them.

Name of Beneficial Owner	Beneficial Ownership of Equity Securities	
	Shares/Units	Percent
KKR Associates (1) 9 West 57th Street New York, New York 10019	198,974,994	100.0
C. Robert Kidder	(2)	*
Henry R. Kravis (1)	--	*
George R. Roberts (1)	--	*
Clifton R. Robbins (1)	--	*
Scott M. Stuart (1)	--	*
Alexander Navab	--	*
William H. Carter	(2)	*
Nancy A. Reardon	(2)	*
Joseph M. Saggese	(3)	*
William F. Stoll, Jr.	(2)	*
All Directors and Executive Officers as a group (4)	See (4)	*

* Beneficial ownership does not exceed 1.0% of the respective class of securities.

(1) The Borden Common Stock shown as beneficially owned by KKR Associates is directly held by Borden Holdings, Inc., a Delaware corporation which is wholly owned by BW Holdings, LLC, a Delaware limited liability company, the managing member of which is a limited partnership, of which KKR Associates is the sole general partner and as to which it possesses sole voting and investment power. KKR Associates is also the beneficial owner of 632,000,000 units of BW Holdings, LLC. KKR Associates is a limited partnership of which Messrs. Edward A. Gilhuly, Perry Golkin, James H. Greene, Jr., Henry R. Kravis, Robert I. MacDonnell, Michael W. Michelson, Paul E. Raether, Clifton S. Robbins, George R. Roberts, Scott M. Stuart and Michael T. Tokarz are the general partners. Such persons may be deemed to share beneficial ownership of the shares shown as owned by KKR Associates. The foregoing persons disclaim beneficial ownership of any such shares.

(2) Units of BW Holdings, LLC are beneficially owned by these executive officers as follows: C.R. Kidder-369,569, W.H. Carter-84,337, N.A. Reardon-84,337, W.F. Stoll-60,240.

(3) Mr. Saggese beneficially owns 320,000 common shares of Borden Chemical Holdings, Inc. including 240,000 shares subject to currently exercisable options.

(4) Equity securities beneficially owned by all directors and executive officers as a group consist of: 634,627 units of BW Holdings, LLC; and 320,000 shares of Borden Chemical Holdings, Inc. including 240,000 shares subject to currently exercisable options. No director or executive officer owns directly any stock of the Registrant or options to acquire such stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

All of the Company's common stock is owned by a holding company which is owned by an affiliate of KKR Associates, a New York limited partnership of which Messrs. Edward A. Gilhuly, Perry Golkin, James H. Greene, Henry R. Kravis, Robert I. MacDonnell, Michael W. Michelson, Paul E. Raether, Clifton S. Robbins, George R. Roberts, Scott M. Stuart and Michael T. Tokarz are the general partners. KKR Associates has sole voting and investment power with respect to such shares. Messrs. Kravis, Robbins, Roberts and Stuart are directors of the Company.

KKR renders management, consulting and financial services to the Company and its businesses for an annual fee of $10 million, payable quarterly in arrears. Messrs. Kravis, Roberts, Robbins and Stuart are general partners of KKR, and Mr. Navab, a director of the Company, is an executive of KKR.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) List of documents filed as part of this report

1. Financial Statements

   All financial statements of the registrant are set forth under Item 8 of this Report on Form 10-K.

2. Financial Statement Schedules

   Report of Independent auditors (page 84)

   For the two years ended December 31, 1988: Schedule II-

   Valuation and Qualifying Accounts (page 85)

3. Exhibits (page 86)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Borden, Inc.

We have audited the consolidated financial statements of Borden, Inc. and subsidiaries (a wholly owned subsidiary of Borden Holdings, Inc.) as of December 31, 1998 and 1997, and for each of the three years in the period ended December 31, 1998, and have issued our report thereon dated February 12, 1999; such report is included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedule of Borden, Inc. and subsidiaries, listed in Item 14. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 12, 1999

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS:

	Balance December 31, 1997	Charged to Expense	Write-offs	Balance December 31, 1998
Allowance for doubtful accounts	$ 9.4	$ 2.9	$ (1.9)	$ 10.4

	Balance December 31, 1996	Charged to Expense	Write-offs	Balance December 31, 1997
Allowance for doubtful accounts	$11.7	$ 1.0	$ (3.3)	$ 9.4

EXHIBITS

Management contracts, compensatory plans and arrangements are listed herein at Exhibits (10)(vii) through (10) (xvii).

(3)(i) Restated Certificate of Incorporation dated March 14, 1995, and Certificate of Amendment of Restated Certificate of Incorporation dated June 23, 1995, both incorporated herein by reference from Exhibit (3) to the June 30, 1995 Form 10-Q.

(ii) By-Laws incorporated herein by reference from Exhibit (3)(ii) to the September 30, 1996, Form 10-Q.

(4)(i) Form of Indenture dated as of January 15, 1983, as supplemented by the First Supplemental Indenture dated as of March 31, 1986, and the Second Supplemental Indenture, dated as of June 26, 1996, relating to the $200,000,000 8-3/8% Sinking Fund Debentures due 2016, incorporated herein by reference from Exhibits 4(a) and (b) to Amendment No. 1 to Registration Statement on Form S-3, File No. 33-4381 and Exhibit 4(iv) to the June 30, 1996, Form 10-Q.

(ii) Form of Indenture dated as of December 15, 1987, as supplemented by the First Supplemental Indenture dated as of December 15, 1987, and the Second Supplemental Indenture dated as of February 1, 1993, and the Third Supplemental Indenture dated as of June 26, 1996, incorporated herein by reference from Exhibits 4(a) through (d) to Registration Statement on Form S-3, File No. 33-45770, and Exhibit 4(iii) to the June 30, 1996, Form 10-Q, relating to the following Debentures and Notes:

(a) The $150,000,000 9-1/4% Sinking Fund Debentures due 2019.

(b) The $200,000,000 9-1/5% Debentures due 2021.

(c) The $250,000,000 7-7/8% Debentures due 2023.

(iii) Form of Indenture relating to Senior Securities, incorporated herein by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-3, File No. 33-57577.

(iv) Form of Indenture relating to Subordinated Securities incorporated herein by reference from Exhibit 4.2 to the Company's Registration Statement on Form S-3, File No. 33-57577.

(10)(i) Recapitalization Agreement, dated as of October 14, 1997, among Borden, Inc., a New Jersey corporation, Borden Decorative Products Holdings, Inc., a Delaware Corporation and an indirect wholly owned subsidiary of Borden, and BDPI Holdings Corporation, a Delaware corporation, incorporated herein by reference from Exhibit 10(i) to the 1997 Form 10-K Annual Report.

(ii) Credit Agreement dated as of December 15, 1994 amended and restated as of July 14, 1997, incorporated herein by reference to Exhibit 10(ii) to the June 30, 1997, Form 10-Q.

(iii) 364-Day Credit Agreement dated as of July 14, 1997, incorporated herein by reference to Exhibit 10(iii) to the June 30, 1997, Form 10-Q.

(iv) Stock Purchase and Merger Agreement dated as of May 22, 1997, among Mid-America Dairymen, Inc., BDH Two, Inc. and Borden, Inc. incorporated herein by reference to Exhibit 10(i) to the June 30, 1997, Form 10-Q.

(v) Stockholders Agreement, dated as of June 20, 1996, by and among Borden, Inc. and J. Brendan Barba, Paul M. Feeny, David MacFarland, Robert Cron, Kenneth J. Avia, Melanie K. Barba, John Powers, Lauren Powers, Carolyn Vegliante and Lawrence Noll, incorporated herein by reference to Exhibit 2 to Schedule 13D, dated July 1, 1996. File No. 005-37385.

(vi) Governance Agreement, dated as of June 20, 1996, between Borden, Inc. and AEP Industries Inc., incorporated herein by reference to Exhibit 5 to Schedule 13D, dated July 1, 1996, File No. 005-37385.

(vii) Amended and Restated 1996 Unit Incentive Plan for Key Employees of Borden, Inc. and Associated Persons.

(viii) Descriptions of 1997 Management Incentive Plans for (a) BCMP; (b) Borden Foods; and (c) Borden Chemical, incorporated by reference to Exhibit 10(xiv) to the 1997 Form 10-K Annual Report.

(ix) Descriptions of 1998 Management Incentive Plans for BCMP and Borden Chemical.

(x) 1994 Management Incentive Plan incorporated by reference to Exhibit 10(iv) to the 1993 Form 10-K Annual Report.

(xi) Amendment to 1994 Management Incentive Plan, incorporated by reference to Exhibit 10(xii) to the Company's 1995 Form 10-K Annual Report.

(xii) 1994 Stock Option Plan incorporated by reference to Exhibit 10(v) to the 1993 Form 10-K Annual Report.

(xiii) Executive Supplemental Pension Plan Amended and Restated as of January, 1996.

(xiv) Advisory Directors Plan, incorporated herein by reference from Exhibit 10(viii) to the 1989 Form 10-K Annual Report.

(xv) Advisory Directors Plan Trust Agreement, incorporated herein by reference from Exhibit 10(ix) to the 1988 Form 10-K Annual Report.

(xvi) MANAGEMENT AGREEMENTS

(a) Agreement with R. L. de Ney, incorporated herein by reference to Exhibit 10 to the June 30, 1998 Form 10-Q.

(b) Employment Agreement with W. F. Stoll, Jr., dated June 6, 1996, incorporated by reference to Exhibit 10(vi) to the June 30, 1996 Form 10-Q.

(c) Summary of Terms of Employment for D.A. Smith, incorporated by reference to Exhibit 10(xx)(i) to the 1996 Form 10-K Annual Report.

(d) Agreement with D.A. Smith dated November 6, 1997, incorporated by reference to Exhibit 10(xxiii)(k) to the 1997 Form 10-K Annual Report.

(xvii) Executive Perquisite Benefits Plan dated January 1, 1996, incorporated by reference to Exhibit 10(xxiv) to the 1995 Form 10-K Annual Report.

(xviii) Consulting Agreement dated August 21, 1995, incorporated herein by reference to Exhibit 10 to the September 30, 1995, Form 10-Q.

(21) Subsidiaries of Registrant.

(23) (i) Accountants' Consent.

(27) Financial Data Schedule

FINANCIAL STATEMENT SCHEDULES

The following are the separate financial statements of Foods Holdings and Wise Holdings filed in accordance with rule 3-10 of Regulation S-X. Foods Holdings and Wise Holdings are guarantors of the Company's credit facility and all of the Company's outstanding publicly held debt.

(b) Reports on Form 8-K

No reports on Form 8-K were filed by the Company during the fourth quarter of 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BORDEN, INC.

By /s/ William H. Carter

William H. Carter, Executive Vice President
and Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

Date: March 30, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities indicated, on the date set forth above.

Signature	Title
/s/ C. Robert Kidder (C. Robert Kidder)	Chairman of the Board and Chief Executive Officer
/s/ Henry R. Kravis (Henry R. Kravis)	Director
/s/ George R. Roberts (George R. Roberts)	Director
/s/ Clifton S. Robbins (Clifton S. Robbins)	Director
/s/ Scott M. Stuart (Scott M. Stuart)	Director
/s/ Alexander Navab (Alexander Navab)	Director

BORDEN FOODS HOLDINGS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS IN THE PERIOD ENDED
DECEMBER 31, 1998

BFHI

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
And Shareholder of Borden Foods Holdings Corporation

We have audited the accompanying consolidated balance sheets of Borden Foods Holdings Corporation and subsidiaries (a wholly owned subsidiary of Borden Foods Holdings, LLC) as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholder's equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Borden Foods Holdings Corporation and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 12, 1999

CONSOLIDATED STATEMENTS OF OPERATIONS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands, except per share and share amounts)	Year ended December 31, 1998	1997	1996
Net sales	$ 706,088	$ 1,751,683	$ 1,949,841
Cost of goods sold	393,062	1,026,214	1,195,672
Gross margin	313,026	725,469	754,169
Distribution expense	44,947	96,760	106,612
Marketing expense	211,430	430,938	546,360
General & administrative expense	69,185	116,208	93,157
Gain on divestiture of businesses	(243,845)	(68,067)	--
Business realignment	9,003	3,794	27,817
Operating income (loss)	222,306	145,836	(19,777)
Interest expense	2,475	26,065	34,359
Interest income	(20,293)	(3,409)	(23,407)
Other expense, net	2,013	3,458	851
Income (loss) before income tax	238,111	119,722	(31,580)
Income tax expense (benefit)	54,175	59,453	(16,347)
Net income (loss)	183,936	60,269	(15,233)
Affiliate's share of income	(142,033)	(73,446)	--
Net income (loss) applicable to common shares	$ 41,903	$ (13,177)	$ (15,233)
Basic and diluted earnings (loss) per common share	$ 419,030	$ (131,770)	$ (152,330)
Average number of common shares outstanding during the year	100	100	100

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)

ASSETS	December 31, 1998	1997
CURRENT ASSETS		
Cash and equivalents	$ 300,104	$ 28,736
Accounts receivable (less allowance for doubtful accounts of $1,391 and $4,821, respectively)	47,339	138,751
Other receivables	12,513	21,526
Inventories:		
Finished and in-process goods	42,933	112,669
Raw materials and supplies	26,853	43,112
Deferred income taxes	24,181	41,290
Amounts due from affiliates	2,130	8,768
Other current assets	11,076	41,282
	467,129	436,134
OTHER ASSETS	9,138	9,477
PROPERTY AND EQUIPMENT		
Land	10,879	19,199
Buildings	44,094	64,908
Machinery and equipment	147,720	208,504
	202,693	292,611
Less accumulated depreciation	(59,535)	(50,878)
	143,158	241,733
INTANGIBLES		
Goodwill	15,658	85,297
Trademarks and other intangibles	110,987	221,478
	126,645	306,775
TOTAL ASSETS	$ 746,070	$ 994,119

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands, except per share and share amounts)

LIABILITIES AND SHAREHOLDER'S EQUITY	December 31, 1998	1997
CURRENT LIABILITIES		
Debt payable within one year	$ 6,824	$ 22,087
Loans due to affiliates	--	27,914
Accounts and drafts payable	55,847	98,718
Income tax payable	5,418	30,158
Other amounts due to affiliates	2,948	6,020
Accrued customer allowances	19,600	32,106
Other current liabilities	116,349	123,706
	206,986	340,709
OTHER LIABILITIES		
Long-term debt payable to affiliates	--	47,616
Other long-term debt	2,602	5,438
Deferred income taxes	38,823	20,317
Other long-term liabilities	22,899	30,173
	64,324	103,544
Commitments and Contingencies (See Note 18)		
SHAREHOLDER'S EQUITY		
Common stock - $0.01 par value; 100 shares authorized, issued, and outstanding	--	--
Shareholder's investment in affiliates	60,824	203,297
Paid in capital	390,988	401,057
Accumulated translation adjustments	(8,106)	(43,639)
Retained earnings (deficit)	31,054	(10,849)
	474,760	549,866
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 746,070	$ 994,119

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)	Year ended December 31, 1998	1997	1996
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES			
Net income (loss)	$ 183,936	$ 60,269	$ (15,233)
Adjustments to reconcile net income (loss) to net cash (used in) from operating activities:			
Depreciation	13,422	37,342	36,351
Amortization	3,887	9,644	9,724
Deferred tax provision	11,301	22,442	--
Gain on divestiture of businesses	(243,845)	(68,067)	--
Business realignment	9,003	(1,000)	27,817
Net change in assets and liabilities:			
Trade receivables	49,564	13,672	6,607
Other receivables	8,054	(2,963)	3,021
Inventories	21,394	44,194	(15,738)
Trade payables	(16,600)	(46,645)	(6,136)
Accrued customer allowances	(11,006)	(40,341)	903
Current tax payable	(24,912)	17,022	12,383
Other current assets and liabilities	(78,707)	(21,954)	4,274
Other long-term assets and liabilities	(6,927)	(2,774)	5,614
Other, net	7,248	(13,778)	(15,944)
	(74,188)	7,063	53,643
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(37,952)	(35,153)	(49,901)
Proceeds from the sale of fixed assets	15,852	11,915	--
Proceeds from the divestiture of businesses	733,226	145,067	13,480
Acquisition of assets from Borden	--	--	(5,323)
	711,126	121,829	(41,744)
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Net short-term debt payments	(15,263)	6,380	(7,818)
Repayment of loans due to affiliates	(27,914)	(19,133)	--
Repayment of long-term debt payable to affiliates	(47,616)	(119,374)	--
Repayment of other long-term debt	(2,572)	(1,263)	(3,929)
Distribution to affiliate	(272,205)	--	--
Management contribution	--	--	5,323
Other changes in Shareholder's Equity / Owner's Investment	--	--	(21,776)
	(365,570)	(133,390)	(28,200)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	271,368	(4,498)	(16,304)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	28,736	33,234	49,538
CASH AND EQUIVALENTS AT END OF YEAR	$ 300,104	$ 28,736	$ 33,234

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)	For the year ended December 31, 1998	1997	1996
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid:			
Interest	$ 3,619	$45,640	$ 13,510
Income Taxes	67,614	19,989	6,525
Non-cash activity:			
Issuance of Class B units in exchange for notes of principal unitholder (See Note 1)		$20,000	$ 345,900
Interest on notes of principal unitholder (See Note 8)			8,878
Issuance of notes payable to finance purchase of Foods' assets (See Note 1)			166,990
Management contribution (See Note 1)			5,323
Acquisition of Foods' net assets (See Note 1)		(20,000)	(345,900)
Minority interest (See Note 6)	$ (142,033)	(73,446)	
Affiliate's share of income (See Note 6)	142,033	73,446	

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

BORDEN FOODS HOLDINGS CORPORATION

(In thousands)

	Owner's Investment						
	Intercompany Balances	Intercompany Loans	Paid in Capital	Shareholder's Investment in Affiliate	Retained Earnings (Deficit)	Accumulated Translation Adjustments	Total
Balance at January 1, 1996	$ 876,713	$ (130,950)	$ -	$ -	$ -	$ 921	$ 746,684
Net loss prior to September 30, 1996	(17,561)						(17,561)
Net income subsequent to October 1, 1996					2,328		2,328
Foreign currency translation adjustments						(5,312)	(5,312)
COMPREHENSIVE INCOME							(20,545)
Net collections made by Borden on Foods behalf	8,604						8,604
Net transfer of balances to Foods from Borden and affiliates	(76,242)						- (76,242)
Translation adjustments and other							-
Short-term borrowings from Borden	307,500						307,500
Repayments of short-term borrowings	(224,600)						(224,600)
Other intercompany changes	(33,000)						(33,000)
Intercompany dividend to affiliate	(89,016)	89,016					-
Recapitalization:							
Management contribution	(5,323)			5,323			-
Issuance of Class B units in exchange for notes of principal unitholder	(345,900)		264,900	81,000			-
Excess of owner's investment over recapitalization	(114,022)		114,022				-
Equity income in affiliate	(1,536)			1,536			-
Issuance of notes payable to finance purchase of Foods' net assets	(166,990)						(166,990)
Amounts due to/from affiliate	(81,930)	41,934					(39,996)
Deferred taxes	(36,697)						(36,697)
Balance at December 31, 1996	$ -	$ -	$378,922	$ 87,859	$ 2,328	$ (4,391)	$ 464,718
Net income					60,269		60,269
Foreign currency translation adjustments						(39,248)	(39,248)
COMPREHENSIVE INCOME							21,021
Reallocation of consideration from BFC to Investment LP			(40,710)	40,710			-
Affiliate's share of income				74,728	(73,446)		1,282
Increase in tax basis related to adjustment of purchase price allocation			67,383				- 67,383
Other			(4,538)				(4,538)
Balance at December 31, 1997	$ -	$ -	$401,057	$ 203,297	$ (10,849)	$(43,639)	$ 549,866
Net income					183,936		183,936
Foreign currency translation adjustments						(4,409)	(4,409)
Reclassification adjustment						39,942	39,942
COMPREHENSIVE INCOME							219,469
Reallocation of consideration to BFC from Investment LP			12,301	(12,301)			-
Affiliate's share of income				142,033	(142,033)		-
Distribution to affiliate				(272,205)			(272,205)
Decrease in tax basis related to finalization of purchase price allocation			(24,314)				(24,314)
Contribution from affiliate			1,944				1,944
Balance at December 31, 1998	$ -	$ -	$390,988	$ 60,824	$ 31,054	$ (8,106)	$ 474,760

See accompanying Notes to the Consolidated Financial Statements.

1. BACKGROUND

In September 1994, Borden, Inc. ("Borden") entered into a merger agreement providing for the acquisition ("Acquisition") of all of Borden's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR"). The Acquisition was completed on March 14, 1995. Borden, a public registrant as a result of public debt that was outstanding prior to the Acquisition, elected not to apply push down accounting in its consolidated financial statements and as such Borden's financial statements (including Borden Foods through October 1, 1996) are reported on Borden's historical cost basis. As discussed in the basis of presentation, the accompanying financial statements have been prepared on a purchase accounting basis from the date of KKR's acquisition of Borden.

In 1996, Borden Foods Corporation ("BFC") was formed for the purposes of acquiring and operating certain of Borden's food businesses ("Foods"). Borden Foods Holdings Corporation ("Foods Holdings"), a wholly owned subsidiary of Borden Foods Holdings, LLC ("LLC"), owns approximately 98% of BFC; the remaining interest in BFC is owned directly by the LLC. LLC is controlled by BW Holdings, LLC. BFC Investments LP (the "Investment LP"), which is owned by BFC and LLC, was formed for the purposes of acquiring, holding, and sub-licensing certain trademarks associated with the operation of Foods. In certain circumstances (see Note 6), allocation of income and gains may differ from the ownership percentages indicated.

In connection with the formation of Foods Holdings, LLC issued approximately 73.6 million Class B units in exchange for $368,100 of notes from BW Holdings, LLC. In addition, LLC issued approximately 1.1 million Class A units to certain management employees of BFC in exchange for cash of $5,323. LLC transferred notes of $256,345 to Foods Holdings in exchange for 100 shares of common stock. Foods Holdings used the notes to acquire a 98% interest in BFC. LLC contributed $5,323 of cash to BFC in exchange for the remaining 2% interest in BFC.

Effective October 1, 1996, Borden, in a taxable transaction, sold Foods and certain trademarks to BFC and Investment LP, respectively, for $570,000 less assets transferred plus liabilities assumed. The purchase price was based on an independent valuation of Foods. There was no change in the book basis of Foods' assets and liabilities as of October 1, 1996 because the sale was between related parties and Borden's principal stockholders will continue to control BFC. BFC issued $166,990 of long-term debt (see Note 10) along with nominal cash and interest to finance the purchase of Foods' net assets (excluding trademarks). As a result of the sale, Foods Holdings has fully and unconditionally guaranteed obligations under Borden's Credit Agreement and all of Borden's publicly held debt on a pari passu basis (see Note 10).

In a series of transactions in 1996 and 1997, BFC used $255,288 of consideration to purchase a 70% interest in Investment LP and LLC used $109,409 of consideration to acquire a 30% interest in Investment LP. Investment LP transferred $371,447 of consideration to Borden in exchange for Foods' trademarks. As a result of transactions concluded in 1998, including a transfer of tax basis from BFC to Investment LP, shareholder's investment in affiliate was increased $28,409.

2. NATURE OF OPERATIONS

BFC is a manufacturer and distributor of a variety of food products worldwide, including pasta, pasta sauce, soups and bouillon. At December 31, 1998, BFC's operations included 11 production facilities, 4 of which are located in the United States. The remaining facilities are located primarily in Canada and Europe.

3. BASIS OF PRESENTATION

As a result of the financial guarantee and in accordance with Regulation S-X rule 3-10, Borden is required to include in its filings with the Securities and Exchange Commission separate financial statements for Foods Holdings as if it were a registrant. The accompanying financial statements were prepared on a purchase accounting basis, which allocates approximately $750,000, plus cash retained, less debt assumed, of the KKR purchase price to Foods. The purchase price has been allocated to tangible and intangible assets and liabilities of Foods based on independent appraisals and management estimates.

Prior to October 1, 1996, Foods was managed as a division of Borden. Under this structure, Borden incurred various costs related to Foods, which included corporate and administrative expenses (see Note 8). The allocation of these costs, as well as intercompany purchases and sales, cash infusions and withdrawals, and other transactions are reflected in Shareholder's Equity/Owner's Investment through September 30, 1996. In connection with the formation of Foods Holdings and the October 1, 1996 sale, the net assets of Foods Holdings have been recapitalized to reflect the resulting capital structure.

The financial statements include the accounts of Foods Holdings after elimination of material intercompany accounts and transactions. Minority interest reflects the consolidation of international operations in which BFC owns more than a 50% interest but less than a 100% interest. Minority interest is included in other long-term liabilities in the accompanying balance sheet. The portion of BFC and Investment LP directly owned by LLC is recorded in Shareholder's Investment in Affiliates.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in the accompanying financial statements are the accruals for trade and consumer promotions, reserves for expenses on businesses sold, allocation of tax basis between Investment LP and BFC, litigation, general insurance liabilities, and corporate allocations. Actual results could differ from those estimates.

REVENUE RECOGNITION - Net sales are generally recognized when products are shipped to customers. Reserves for estimated returns, allowances and consumer and trade discounts are established when revenues are recognized.

ADVERTISING AND PROMOTION COSTS - Production costs of future media advertising are expensed on the first air-date or print release date of the advertising. All other advertising costs are charged to marketing expense as incurred. Advertising costs were $10,130, $42,648 and $56,411 in 1998, 1997 and 1996, respectively. Promotion expenses are generally expensed ratably over the year in relation to revenues or other performance measures. Promotion costs were $152,037, $277,032 and $354,060 in 1998, 1997 and 1996, respectively.

RESEARCH AND DEVELOPMENT COSTS - Significant funds are committed to the research and development of new, innovative products that are expected to contribute to operating profits in future years. All cost associated with research and development are charged to expense as incurred. Research and development costs were $18,643, $17,704 and $21,867 in 1998, 1997 and 1996, respectively.

CASH AND EQUIVALENTS - Cash and equivalents consist of highly liquid investments purchased with an original maturity of three months or less. Included in cash equivalents are overnight investments with Borden (see Note 8).

INVENTORIES - Finished goods inventories are stated at the lower of cost or market with cost being determined using the average cost and first-in, first-out methods. Raw materials are stated at actual costs.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost and, where appropriate, include capitalized interest during construction. Depreciation is recorded on the straight-line basis over useful lives ranging from 3 to 10 years for machinery and equipment and 30 years for buildings and improvements. Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed when incurred.

INTANGIBLES - The excess of purchase price over the value of net tangible assets of Foods is carried as intangibles in the balance sheet. Trademarks and patents are amortized on a straight-line basis over the shorter of their legal or useful lives; goodwill is amortized on a straight-line basis over 40 years. Accumulated amortization of intangibles was $14,672 and $29,092 at December 31, 1998 and 1997, respectively.

IMPAIRMENT - BFC periodically evaluates the recoverability of property, equipment and intangibles by assessing whether the net book value of the assets can be recovered through expected future cash flows (undiscounted and before interest) of the underlying business. The amount of impairment loss is measured as the difference between the net book value of the assets and the estimated fair value of the related assets.

INCOME TAXES - Income taxes are accounted for using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes". Prior to October 1, 1996 the domestic operations of Foods were included in Borden's consolidated tax return. Subsequent to October 1, 1996 Foods is not included in the domestic consolidated tax return for Borden and deferred income taxes are recorded to recognize the future effects of temporary differences which arise between financial statement assets and liabilities and their bases for income tax reporting purposes. Taxes related to foreign operations have been provided for in accordance with SFAS No. 109.

FOREIGN CURRENCY TRANSLATIONS - The local currency is the functional currency for international subsidiaries and, as such, assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Income and expenses are translated at average exchange rates prevailing during the year. Translation adjustments resulting from changes in exchange rates are reported as a separate component of shareholder's equity. BFC realized net foreign exchange losses of $1,773, $2,442 and $622 in 1998, 1997 and 1996, respectively.

RECLASSIFICATION ADJUSTMENTS WITHIN COMPREHENSIVE INCOME - Adjustments shall be made to reflect comprehensive income items that are included in net income during the current period. The reclassification adjustment in 1998 represents the accumulated translation adjustment recognized on the sale of the KLIM and Belgium Foods businesses.

DERIVATIVE FINANCIAL INSTRUMENTS - BFC uses forward exchange contracts which reduce BFC's cash flow exposure to changes in foreign exchange rates. The fair values of forward exchange contracts that hedge firm third party commitments are deferred and recognized as part of the underlying transactions as they occur, those that hedge existing transactions are recognized in income currently, and offset gains and losses of hedged transactions.

CONCENTRATION OF CREDIT RISK - Financial instruments which potentially subject BFC to concentrations of credit risk consist principally of temporary cash investments, marketable securities, and accounts receivable. BFC places its temporary cash investments with Borden and its affiliates. Concentrations of credit risk with respect to accounts receivable are limited, due to the large number of customers comprising BFC's customer base and their dispersion across many different industries and geographies. BFC generally does not require collateral or other security to support customer receivables.

UNITS AND UNIT APPRECIATION RIGHTS ("UAR") - The Financial Accounting Standards Board ("FASB") issued SFAS No. 123, Accounting for Stock-Based Compensation, which was adopted for disclosure only by Foods Holdings, effective January 1, 1996. As permitted by SFAS No. 123, Foods Holdings will continue to apply its current accounting policy of the intrinsic value method under Accounting Principles Board Opinion No. 25 and will include the additional disclosures required by SFAS No. 123.

PER SHARE INFORMATION - Basic and diluted earnings or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding for the year ended December 31, 1998 and 1997 and the period from October 1, 1996 to December 31, 1996, and assuming these shares were outstanding for the nine month period ended September 30, 1996.

RECENTLY ISSUED ACCOUNTING STATEMENTS - Recently, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. SFAS No. 133 is effective for both interim and annual periods beginning after June 15, 1999. Foods Holdings is currently considering the impact of this pronouncement.

In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance on the capitalization of costs incurred for computer software developed or obtained for internal use. BFC has adopted SOP 98-1 as of January 1, 1999, with an estimated impact of approximately $1,325 in costs being capitalized that would have been expensed prior to adoption.

RECLASSIFICATION - Certain prior year amounts have been reclassified to conform with the 1998 presentation.

5. BUSINESS REALIGNMENT

RESTRUCTURING OF ALIGNED BUSINESSES

In December 1996, management approved the closure of five domestic pasta plants in order to reduce its SKU complexity and manufacturing capacity. A pre-tax charge of $27,817 had been provided in 1996 to write down the facilities to their net realizable value, based upon third-party estimates of fair value. Additional pre-tax charges of $3,794, primarily for severance, pension settlements and other employee related benefits, were recorded in 1997. In 1998, the loss was decreased by $2,646, as net proceeds from the sale of facilities were greater than previously estimated. During 1997, three facilities were sold for proceeds of approximately $10,000. Another facility, as well as the machinery and equipment at the remaining facility, was sold for proceeds of approximately $15,892 in 1998. The remaining facility was sold on January 5, 1999 for proceeds of $2,424.

On September 17, 1998, BFC announced the closing of the Tolleson, Arizona pasta plant due to the consolidation of production into other pasta facilities and recorded pre-tax charges of $16,300. These charges included (a) $8,195 non-cash charge to write down the facility to its net realizable value, (b) $6,118 fair market value adjustment of an inventory purchase commitment (recorded in cost of goods sold), and (c) $1,987 for severance, pension settlements and other employee related benefits.

As of December 31, 1998 and 1997, reserves related to the restructuring of aligned businesses of $7,570, primarily for an inventory purchase commitment, and $1,487, respectively, remained in other current liabilities. It is anticipated that the remaining balance will be disbursed by the end of fiscal 1999.

DIVESTED BUSINESSES

In March 1997, BFC announced its intention to sell certain businesses from its current portfolio, which were not considered to be aligned with its grain-based meal solution strategy. Among the unaligned businesses were the milk powder, sweetened condensed milk, reconstituted lemon juice, candy popcorn and processed cheese businesses.

On December 31, 1997, BFC and Investment LP completed the sale of the domestic Cracker Jack candy popcorn business to Recot, Inc., a subsidiary of Frito-Lay which is a Texas based unit of PepsiCo, Inc., and the domestic FunCheese business to Mid-America Dairymen, Inc., a dairy marketing co-op headquartered in Missouri.

On January 24, 1998, BFC and Investment LP completed the sale of the Signature Flavor business to Eagle Family Foods, Inc. a newly formed entity managed by GE Investments and Warburg, Pincus & Co. LLC. Signature Flavor grocery brands included Eagle Brand, Cremora, ReaLemon, Kava, and None Such.

On February 12, 1998, BFC and Investment LP completed the sale of the KLIM business, including the KLIM milk powder business in Latin America and Asia, the non-dairy coffee creamer operations in South Africa and the ice cream business in Puerto Rico, to Nestle, S.A. An estimated after tax loss from the sale was recorded in 1997.

On May 22, 1998, BFC completed the sale of Borden Foods Puerto Rico, Inc., a Puerto Rican foods distributor. BFC and Investment LP also completed the sale of Belgium Foods to Meroso Invest N.V. on November 13, 1998.

The proceeds, gains and taxes related to the divestitures in 1998 and 1997 were as follows:

DIVESTED BUSINESS	PROCEEDS 1998	PROCEEDS 1997	PRE-TAX GAIN (LOSS) 1998	PRE-TAX GAIN (LOSS) 1997
Cracker Jack & FunCheese		$ 145,067	$ 7,385	$ 52,972
Signature Flavor	$ 376,500		209,447	
KLIM	339,882		32,700	15,095
Borden Foods Puerto Rico	8,844		(683)	
Belgium Foods	8,000		(5,004)	
TOTAL	$ 733,226	$ 145,067	$ 243,845	$ 68,067
		TAX EXPENSE	(55,247)	(34,821)
		AFTER TAX GAIN	$ 188,598	$ 33,246

The unaligned businesses generated a combined operating loss of $323 from net trade sales of $119,802 in 1998 and combined operating income of $115,218 and $50,390 from net sales of $1,027,542 and $1,140,921 in 1997 and 1996, respectively.

During 1998 and 1997, BFC established reserves of $134,811 and $15,210, respectively, for work-force reductions, closure of facilities, selling and legal fees, contract terminations, transition services and other costs related to the divestiture of unaligned businesses. Of the 1998 amount, $19,317 related to non-cash charges associated with remaining assets to be sold.

Activities related to divestiture reserves during 1998 and 1997, which were recorded as other current liabilities, were as follows:

	Work-Force Reductions(1)	Business & Contractual Obligations(2)	Selling, Legal & Other(3)	TOTAL
Provided on December 31, 1997	$ 1,515	$ 2,867	$ 10,828	$ 15,210
Provided	23,682	47,430	44,382	115,494
Utilized	(17,087)	(13,426)	(33,406)	(63,919)
Other(4)	(1,000)	(1,800)	(2,093)	(4,893)
Balance at December 31, 1998	$ 7,110	$ 35,071	$ 19,711	$ 61,892

(1) Includes severance and other employee related benefits.
(2) Includes charges related to the termination of leases, distributor arrangements, and other contractual agreements.
(3) Includes selling and legal fees, facility closings, and other miscellaneous costs.
(4) Changes in estimates.

6. AFFILIATE'S SHARE OF INCOME

In accordance with Investment LP's limited partnership agreement with BFC and LLC, the first allocation of a trademark gain is to BFC's priority return, which is a return of 10% per annum, cumulative and compounded annually on BFC's net capital contributions. The allocation of the remaining gain, computed on a tax basis, is 10% to BFC and 90% to LLC.

Primarily in association with the divestitures of the candy popcorn, domestic processed cheese, Signature Flavor and KLIM businesses, LLC was allocated an affiliate's share of income (see accompanying consolidated statements of operations) of $142,033 and $73,446 in 1998 and 1997, respectively. During the second quarter of 1998, a $272,205 distribution of a portion of the sale proceeds was made to LLC.

7. CHANGE IN ACCOUNTING ESTIMATE

BFC reduced accruals corresponding to trade spending by approximately $5,700 and $18,300 during 1998 and 1997, respectively. These accruals had been provided in earlier years for anticipated customer settlements in the ordinary course of business. Due to a concerted effort to improve the management of trade spending, the settlements have been significantly lower than management had previously estimated.

Of the adjusted amounts, approximately $1,500 in 1998 and $15,200 in 1997 related to BFC's divested businesses, which were sold at the end of 1997 and during the first quarter of 1998. The remaining $4,200 in 1998 and $3,100 in 1997 relate to ongoing operations. The income recognized for the change in estimates is included in marketing expense.

8. RELATED PARTIES

Borden and a subsidiary of Borden provide certain administrative services to BFC at negotiated fees. These services include processing of payroll, active and retiree group insurance claims, administration of workers' compensation claims (through June 1997), securing insurance coverage for catastrophic claims, and information systems support. BFC reimburses the Borden subsidiary for payments for general disbursements, group insurance (through June 1997), and post-employment benefit claims. The amount owed by BFC for reimbursement of payments, services, and other liabilities was $2,935 and $4,746 as of December 31, 1998 and 1997, respectively.

Effective July 1, 1997, BFC procured its own group insurance coverage. By agreement, Borden has retained the obligation for active group insurance claims incurred in 1996 and paid in 1997. Subsequent to January 1, 1997, BFC is funding all group insurance claims incurred.

Eligible U.S. employees are provided employee pension benefits under the Borden domestic pension plan to which BFC contributes, and can participate in the Borden retirement savings plan. BFC has recognized expenses associated with these benefits, certain of which are determined by Borden's actuary. The liabilities for these obligations are included in BFC's financial statements.

The following summarizes the affiliate charges in 1998, 1997 and 1996:

	Year ended December 31,		
	1998	1997	1996
Employee benefits	$ 3,365	$ 8,385	$ 4,931
Group and general insurance	4,688	3,875	12,947
Administrative services	12,984	16,363	16,728
	$ 21,037	$ 28,623	$ 34,606

BFC performs certain administrative services on behalf of other Borden affiliates. These services include sales administration, promotion, purchasing and research and development. BFC charged these affiliates $1,122, $1,749 and $2,105 for such services in 1998, 1997 and 1996, respectively. BFC also sold certain merchandise to Borden affiliates totaling $119, $4,506 and $7,625 in 1998, 1997 and 1996, respectively. The receivable for services, merchandise sales, and other transactions related to the purchase of Foods' assets was $505 and $8,768 at December 31, 1998 and 1997, respectively.

BFC invests cash not used in operations with Borden. BFC's investment balance was $277,591 and $15,043 at December 31, 1998 and 1997, respectively. The funds are invested overnight earning a rate set by Borden that generally approximates money market rates. BFC earned interest income of $19,423, $516 and $7,318 on these funds during 1998, 1997 and 1996, respectively. Amounts receivable for interest were $1,625 and $0 at December 31, 1998 and 1997, respectively.

Gross interest of $8,878 was recorded in the 1996 statement of operations relating to notes due from BW Holdings, an LLC affiliate which were contributed to Foods Holdings on July 2, 1996, and which were contributed to Borden in connection with purchase of Foods on October 1, 1996.

Borden continues to provide executive, financial and strategic management to BFC for which it charges an annual fee of $1,000.

9. DEBT

Debt outstanding at December 31, 1998 and 1997 consisted of the following:

	1998		1997	
	Long-term	Due within one year	Long-term	Due within one year
Borrowings under loan agreement with Borden, Inc. (see Note 10)			$ 47,616	
Loans due to affiliates (see Note 10)				$ 27,914
Domestic bank loans				537
Foreign bank loans		$ 6,824	2,639	21,550
Industrial Revenue Bonds	$ 2,602		2,799	
Total debt	$ 2,602	$ 6,824	$ 53,054	$ 50,001

The foreign bank loans bear interest at rates ranging from 3% to 14.4%. Fixed assets with a net book value of $7,314 and $8,040 at December 31, 1998 and 1997, respectively, have been pledged as collateral on these loans. The Industrial Revenue Bonds do not bear interest.

Maturities of debt for the next five years are as follows:

1999	$ 6,824
2000	-
2001	325
2002	325
2003	650
Thereafter	1,302
	$ 9,426

10. AFFILIATED CREDIT FACILITIES

As a result of the October 1, 1996 transaction, BFC issued $166,990 in long-term notes to Borden. Effective January 1, 1997, the interest rate on the long-term notes to Borden was changed from 12% to 10.3%. The loan principal outstanding on the long-term notes was $47,616 at December 31, 1997 and was paid off in February 1998. Interest expense on the long term notes was $575, $19,558 and $19,621 in 1998, 1997 and 1996, respectively.

During 1996, BFC entered into a loan agreement to borrow funds from Borden under a revolving loan facility. The revolving loan facility provided for borrowings up to $250,000 at a variable interest rate equal to prime. Effective December 30, 1997, the revolving loan facility was reduced to $50,000 with a maturity date of December 31, 1998. The loan agreement was renewed through November 30, 1999. Borrowings with three days notice and outstanding at least 30 days incurred interest at Borden's cost of funds for 30 day LIBOR plus 0.25%. Same day borrowings incurred interest at the prime rate. There was no outstanding balance under the revolving loan facility as of December 31, 1998 and 1997. A commitment fee based on a variable rate tied to Borden's leverage is charged on the unused portion of the revolving loan facility. Commitment fees charged on the unused portion of the revolving facility were $52, $416 and $816 for 1998, 1997 and 1996, respectively. By agreement with Borden, 1996 interest and commitment fees under the notes were calculated as if the notes were outstanding as of January 1, 1996. Amounts payable for such charges were $13 and $1,274 as of December 31, 1998 and 1997 respectively.

Cash balances in international businesses, which are not repatriated to the U.S., can be loaned to other Borden affiliates at a variable rate for generally a 90 day period. Net lendings or borrowings by international businesses are included in loans due from or to affiliates. At December 31, 1997 net short term loans due to international affiliates were $27,914 at a weighted average variable rate of 6.7%. BFC did not have any short term loans due from or to international affiliates as of December 31, 1998. Interest expense on these short term loans was $807, $6,022 and $10,319 in 1998, 1997 and 1996, respectively.

During 1998, Borden's Credit Agreement was restructured, as a result of sales of certain businesses in accordance with the terms of the Credit Agreement. The $950,000 five-year revolver (maturing July 13, 2002) was reduced to $895,000, of which $764,600 (net of $130,400 in lines of credit) was available as of December 31, 1998, and the $50,000 364-day convertible revolver was canceled. Foods Holdings has fully and unconditionally guaranteed obligations under Borden's

Credit Agreement and all of Borden's publicly held debt on a pari passu basis. As an affiliated guarantor, Foods Holdings' liability shall not exceed the greater of its outstanding affiliated borrowings or 95% of its adjusted net assets while Borden or any other obligated parties have obligations outstanding. Borden's outstanding credit facility and public borrowings amounted to approximately $547,745 and $783,480 at December 31, 1998 and 1997, respectively. In connection with this guarantee, Foods Holdings charges Borden an annual fee of $1,050.

The Credit Agreement, as amended, contains covenants that significantly limit or prohibit, among other things, Foods Holdings and its subsidiaries' ability to incur indebtedness, make prepayments of certain indebtedness, pay dividends, engage in transactions with affiliates, create liens, make changes in its business or control of Foods Holdings, sell assets, engage in mergers and consolidations, and use proceeds from asset sales and certain debt and equity issuances. In addition, the Credit Agreement requires that Food Holdings limit its capital expenditures to certain specified amounts and maintain other financial ratios, including a minimum ratio of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to interest expense and a maximum ratio of total debt to EBITDA.

11. LEASES

BFC leases warehouse space, production facilities, office space and vehicles. The future minimum lease payments under these operating lease agreements for the years ending December 31 are as follows:

	Affiliated	Non-Affiliated
1999	$ 2,008	$ 1,954
2000	2,120	1,554
2001	2,232	442
2002	2,343	245
2003	1,645	214
Thereafter		368
	$ 10,348	$ 4,777

Total rental expense for operating leases was $4,232, $8,272 and $8,402 for the years ended December 31, 1998, 1997 and 1996, respectively, which includes $1,747, $2,912 and $2,930 for affiliated leases.

12. INCOME TAXES

Effective October 1, 1996, Foods Holdings is recognized as a separate legal entity for U.S. Federal income tax purposes. Prior to such time, Foods was included with Borden in determining taxable income and all U.S. tax payments were made by Borden. Provisions for income taxes and deferred tax assets and liabilities were determined as though Foods Holdings filed separate U.S. Federal and state corporate income tax returns. Domestic income tax assets and liabilities determined on a separate return basis are included in Shareholder's Equity/Owner's Investment prior to October 1, 1996.

As stated in Note 3, the accompanying financial statements reflect the assets of Foods on a purchase accounting basis from December 31, 1994. The tax basis of Foods' net assets was not affected by the December 1994 KKR acquisition.

Deferred tax assets and liabilities at September 30, 1996 reflect the differences between the purchase accounting book basis and the ongoing tax basis of Foods' net assets.

As a result of the October 1, 1996 purchase, the tax basis of Foods Holdings' net assets was increased to reflect the purchase price of $550,000 less assets transferred plus liabilities assumed. The book basis of Foods' net assets did not change as a result of the October 1, 1996 transaction, as the sale was between related parties and Borden's principal stockholders continued to control Foods Holdings. Deferred tax assets and liabilities were adjusted at October 1, 1996 to reflect the change in the tax basis. The net adjustment of $23,126 was included in Shareholder's Equity/Owner's Investment in accordance with Emerging Issues Task Force 94-10, "Accounting by a Company for the Income Tax Effects of Transactions among or with Its Shareholders under FASB Statement No. 109".

Upon finalization of the valuation and purchase price allocation in September 1997, an additional $20,000 of notes held by Investment LP were transferred to Borden. In 1998 and 1997, the initial capitalization and tax basis was reallocated from BFC to Investment LP resulting in additional domestic tax basis. These changes had no impact on the 1998, 1997 or 1996 tax provision. However, the additional domestic tax basis resulted in an increase in deferred tax assets and Shareholder's Equity of $43,069.

Income tax provision (benefit) for the years ended December 31, 1998, 1997 and 1996, consisted of the following:

	1998	1997	1996
Current:			
Federal	$ 32,675	$ 23,050	$ 14,020
State and local	6,167	4,314	2,543
Foreign	4,032	9,647	6,942
	42,874	37,011	23,505
Deferred:			
Federal	$ 10,361	14,829	(15,156)
State and local	1,740	2,778	(2,840)
Foreign	(800)	4,835	524
	11,301	22,442	(17,472)
Total non-affiliated provision	54,175	59,453	6,033
Domestic benefit included in Shareholder's Equity / Owner's Investment	--	--	(22,380)
	$ 54,175	$ 59,453	$(16,347)

The domestic and foreign components of income (loss) before income taxes were as follows:

	1998	1997	1996
Domestic	$ 241,604	$ 78,825	$ (64,051)
Foreign	(3,493)	40,897	32,471
Total	$ 238,111	$ 119,722	$ (31,580)

The following table reconciles the maximum statutory U.S. Federal income tax rate multiplied by income before taxes to the recorded income tax expense (benefit):

	1998	1997	1996
U.S. Federal income tax at statutory rate	$ 83,339	$ 41,903	$(11,053)
State income tax expense, net of Federal	5,140	4,610	(2,488)
Divestiture tax differential	(39,304)	13,195	--
Foreign rate differentials	4,454	(555)	(3,899)
Other	546	300	1,093
Income tax expense (benefit)	$ 54,175	$ 59,453	$(16,347)

The net current and noncurrent components of deferred income taxes recognized in the balance sheet at December 31, 1998 and 1997 were as follows:

	1998	1997
Net current assets	$ 24,181	$ 41,290
Net noncurrent liabilities	(38,823)	(20,317)
Net asset (liability)	$(14,642)	$ 20,973

Temporary differences are associated with the financial statements' assets and liabilities shown in the table below. Deferred income tax assets and liabilities have been recorded at December 31, 1998 and 1997 as follows:

	1998	1997
ASSETS:		
Non-pension post-employment	$ 3,736	$ 3,619
Coupon accrual	1,886	284
Incentive compensation	--	4,882
Divestiture reserves	24,105	34,402
Other	788	3,851
Loss carryforwards	4,747	5,173
Gross deferred tax assets	35,262	52,211
Valuation allowance	(4,747)	(5,173)
	30,515	47,038
LIABILITIES:		
Property and equipment	22,967	25,242
Trademarks and other intangibles	20,883	823
Other	1,307	--
	45,157	26,065
NET ASSET (LIABILITY)	$(14,642)	$ 20,973

Foods Holdings recorded valuation allowances of $4,747 and $5,173 at December 31, 1998 and 1997, respectively, for the foreign net operating losses, which expire through 2003, due to uncertainty as to whether the deferred tax asset is realizable. The decrease from 1997 is due to the utilization and expiration of operating loss carryforwards relating to operations in Belgium, Costa Rica and Italy.

13. PENSION AND OTHER BENEFIT PLANS

Most employees of BFC participate in foreign and domestic pension plans. For most salaried employees, benefits under these plans generally are based on compensation and credited service. For most hourly employees, benefits under these plans are based on specified amounts per year of credited service.

Pension benefits to eligible U.S. employees are provided under the Borden domestic pension plan to which BFC contributes. BFC has assumed an actuarially-determined portion of Borden's net pension liability; however, this amount is considered to be an amount due to affiliate since Borden retains the legal obligation for these benefits. Amounts payable by BFC for its portion of the net pension liability were $7,910 and $7,764 as of December 31, 1998 and 1997, respectively, which were recorded in other long-term liabilities.

BFC provides certain health and life insurance benefits for eligible domestic retirees and their dependents. The costs of these benefits are accrued as a form of deferred compensation earned during the period that employees render service. Benefits are funded on a pay-as-you-go basis.

Participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. The postretirement medical benefits are contributory for retirements after 1983. The postretirement life insurance benefit is noncontributory.

BFC also provides certain post-employment benefits, primarily medical and life insurance benefits for long-term disabled employees, to qualified former or inactive employees. The cost of benefits provided to former or inactive employees after employment, but before retirement, are accrued when it is probable that a benefit will be provided. The amounts of such charges are not considered significant.

A reconciliation of the changes in Borden's domestic pension plan and other postretirement (or post-employment) plans' benefit obligations and fair value of assets over the two-year period ended December 31, 1998, and statements of the funded status as of December 31, 1998 and 1997 were as follows:

	BORDEN PENSION BENEFIT		BFC OTHER BENEFITS	
	1998	1997	1998	1997
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year	$ 345,035	$ 400,458	$ 8,032	$ 11,307
Service cost	5,623	7,146	15	38
Interest cost	24,269	27,275	744	812
Plan participants' contributions	-	-	330	175
Actuarial loss (gain)	5,889	18,368	491	(548)
Benefits paid	(43,407)	(51,155)	(2,309)	(1,124)
Amendments	1,575	498	-	-
Divestitures	-	(58,017)	-	(2,628)
Curtailments	-	462	-	-
Benefit obligation at end of year	$ 338,984	$ 345,035	$ 7,303	$ 8,032
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year	$ 385,151	$ 393,625	-	-
Actual returns on plan assets	(12,708)	100,698	-	-
Employer contributions	13,670	-	$ 1,979	$ 949
Plan participants' contributions	-	-	330	175
Benefits paid	(43,407)	(51,155)	(2,309)	(1,124)
Divestitures	-	(58,017)	-	-
Fair value of plan assets at end of year	$ 342,706	$ 385,151	$ 0	$ 0
FUNDED STATUS				
Funded status at end of year	$ 3,722	$ 40,116	$ (7,303)	$ (8,032)
Unrecognized net actuarial loss (gain)	10,936	(35,744)	(131)	(705)
Unrecognized prior service cost	3,732	2,619	-	-
Prepaid (accrued) benefit cost at end of year	$ 18,390	$ 6,991	$ (7,434)	$ (8,737)

The assumptions used in the measurement of the benefit obligations of Borden for the domestic pension plan and of BFC for other postretirement (or post-employment) plans were as follows:

	BORDEN PENSION BENEFIT		BFC OTHER BENEFITS	
WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31,	1998	1997	1998	1997
Discount rate	6.75%	7.25%	6.75%	7.25%
Expected rate of return on plan assets	8.00%	8.25%	N/A	N/A
Rate of compensation increase	4.25%	4.38%	N/A	N/A

For measurement purposes, health care costs are assumed to increase 7.67% in 1999. The rate was assumed to decrease gradually until 2004 to a 4.75% annual increase for both pre-65 and post-65 benefits.

The components of net periodic benefit costs for the Borden domestic pension plan and other postretirement (or post-employment) plans provided by BFC for the years ended December 31, 1998, 1997 and 1996 were as follows:

	BORDEN PENSION BENEFIT			BFC OTHER BENEFITS		
	1998	1997	1996	1998	1997	1996
COMPONENTS OF NET PERIODIC BENEFIT COST						
Service cost	$ 5,623	$ 7,146	$ 7,233	$ 15	$ 38	$ 24
Interest cost	24,269	27,275	27,371	744	812	762
Expected return on plan assets	(26,693)	(30,929)	(32,535)	-	-	-
Amortization of prior service cost	281	288	288	-	-	-
Recognized net actuarial loss (gain)	-	-	(147)	43	52	25
Settlement / Curtailment loss (gain)	(1,419)	1,528	-	(147)	401	-
Net periodic benefit cost	$ 2,061	$ 5,308	$ 2,210	$ 655	$ 1,303	$ 811

Amounts charged to Foods for participation in the Borden domestic pension plan were $855 (including a curtailment gain of $905 due to the divestiture of the Signature Flavor business), $5,660 (including a curtailment loss and settlement loss of $862 and $2,474, respectively, due to the divestiture of the domestic candy popcorn and cheese businesses), and $1,764 for the years ended December 31, 1998, 1997 and 1996, respectively.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A 1% change in the assumed health care cost trend rates would have the following effects:

	1% INCREASE	1% DECREASE
Effect on total service cost and interest cost components of net periodic health care benefit cost	$ 54	$ (48)
Effect on the health care component of the accumulated benefit obligation	509	(452)

Certain employees of BFC participate in a Canadian pension plan. A reconciliation of the changes in the Canadian pension plan's benefit obligations and fair value of assets over the two-year period ended December 31, 1998, and statements of the funded status as of December 31, 1998 and 1997 were as follows:

	BFC PENSION BENEFIT	
	1998	1997
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation at beginning of year	$ 17,428	$ 15,984
Service cost	369	256
Interest cost	1,090	1,215
Actuarial loss	1,282	1,827
Benefits paid	(1,521)	(1,143)
Reorganization of Plan	3,562	--
Adjustment for change in exchange rates	(1,230)	(711)
Benefit obligation at end of year	$ 20,980	$ 17,428
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 22,419	$ 21,104
Actual returns on plan assets	1,307	3,456
Benefits paid	(1,521)	(1,143)
Reorganization of Plan	2,899	--
Adjustment for change in exchange rates	(1,578)	(998)
Fair value of plan assets at end of year	$ 23,526	$ 22,419
FUNDED STATUS		
Funded status at end of year	$ 2,546	$ 4,991
Unrecognized net actuarial loss	2,357	60
Unrecognized prior service cost	5	6
Net amount recognized	$ 4,908	$ 5,057

The assumptions used in the measurement of BFC's benefit obligation for the Canadian pension plan were as follows:

	BFC PENSION BENEFIT	
WEIGHTED AVERAGE ASSUMPTIONS AS OF DECEMBER 31,	1998	1997
Discount rate	6.00%	6.75%
Expected rate of return on plan assets	7.00%	7.75%
Rate of compensation increase	3.00%	3.75%

The components of net periodic benefit costs for BFC's Canadian pension plan for the years ended December 31, 1998, 1997 and 1996 were as follows:

	BFC PENSION BENEFIT		
	1998	1997	1996
COMPONENTS OF NET PERIODIC BENEFIT COST			
Service Cost	$ 369	$ 256	$ 206
Interest Cost	1,090	1,215	1,213
Expected Return On Plan Assets	(1,676)	(1,844)	(1,860)
Amortization Of Prior Service Cost	1	1	--
Recognized Net Actuarial Loss	--	--	241
Net Periodic Benefit Cost	$ (216)	$ (372)	$ (200)

Certain employees of BFC participate in other international pension plans. These other international pension plans have not been included in the notes to the consolidated financial statements as they are not considered material.

Most employees not covered by one of the above plans are covered by collectively bargained agreements, which are generally effective for five years. Under federal pension law, there would be continuing liability to these pension trusts if Borden ceased all or most participation in such trusts, and under certain other specified conditions. Charges to Foods for payments to pension trusts on behalf of employees not covered by Borden plans were not considered significant.

14. RETIREMENT SAVINGS PLAN

Eligible salaried and hourly non-bargaining U.S. employees of BFC may contribute to a Borden sponsored retirement savings plan. BFC provides a 50% matching contribution up to 5% of an employee's pay (7% for certain longer service salaried employees). Amounts incurred by BFC for matching contributions were $1,522, $2,084 and $2,319 for the years ended December 31, 1998, 1997 and 1996, respectively.

15. DERIVATIVE FINANCIAL INSTRUMENTS

BFC is exposed to foreign exchange risk on transactions, which are denominated in a currency other than the operating unit's functional currency. It is BFC's policy to reduce foreign currency cash flow exposure due to exchange rate fluctuations by hedging anticipated and firmly committed transactions wherever economically feasible (within the risk limits established in the BFC policy).

BFC closely monitors its foreign currency cash flow transactions and enters into forward contracts to buy and sell foreign currencies only to reduce its foreign exchange exposure and protect the U.S. dollar value of such transactions, to the extent of the amount under contract.

In accordance with current accounting standards, gains and losses arising from contracts that hedge future transactions are deferred until the related transactions occur. Those arising from contracts that hedge existing transactions (i.e., outstanding payables denominated in foreign currency), are recorded currently in income and offset the gains and losses that occur as

exchange rates change. The cash flows from forward contracts accounted for as hedges of identifiable transactions are classified consistent with the cash flows from the transaction being hedged.

At December 31, 1998 and 1997 BFC had $16,005 and $95,941 of notional value, respectively, of forward foreign currency exchange contracts outstanding. These contracts are part of a worldwide program to minimize foreign currency exchange operating income and balance sheet exposure. The unsecured contracts mature within 12 months and are executed, by an affiliate, with banks. BFC is exposed to credit loss in the event of non-performance by the other parties to the contracts. BFC evaluates the creditworthiness of the counterparties' financial condition and does not expect default by the counterparties.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the notional amount and fair value, based on dealer quotes, of BFC's financial instruments at December 31, 1998 and 1997. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and cash equivalents, accounts receivable and payable, accrued liabilities and debt are considered reasonable estimates of their fair values.

	1998		1997	
	Notional Amount	Fair Value	Notional Amount	Fair Value
DERIVATIVES RELATING TO:				
Foreign currency contracts - gains			$ 41,478	$ 2,187
Foreign currency contracts - losses	$ 16,005	$ (319)	54,463	(3,014)
	$ 16,005	$ (319)	$ 95,941	$ (827)

As discussed in Note 10, Foods Holdings guarantees obligations under Borden's Credit Agreement and all of Borden's outstanding publicly held debt on a pari passu basis. Management does not expect these guarantees to have a material adverse effect on the financial position of Foods Holdings. Fair value was not assigned to these guarantees due to the complexity of the arrangements and the absence of the expected funding and market for these financial instruments.

17. UNIT INCENTIVE PLAN

In 1996, a Unit Incentive Plan ("Incentive Plan") was formed which provides for the granting of options, UAR's, units and other unit-based equity interests in LLC to key employees of BFC and associated persons at the discretion of the Board of Directors of BFC.

During 1996, LLC sold 1,080,000 Class A units to certain management employees of BFC under the Incentive Plan. The Class A units are generally restricted as to transfer and allow for LLC, at its discretion, to repurchase the units, upon

certain conditions including termination of the unitholders' employment, prior to full vesting after five years. LLC sold an additional 20,000 Class A units during 1997 and repurchased 603,000 and 81,000 Class A units from management during 1998 and 1997, respectively. Class A units outstanding at December 31, 1998 and 1997 were 416,000 and 1,019,000, respectively.

In 1999, LLC sold 302,000 Class C units to certain management employees. The Class C units are generally restricted as to transfer and allow for LLC, at its discretion, to repurchase the units, upon certain conditions including termination of the unitholders' employment, prior to full vesting after five years.

Under the Incentive Plan, BFC issued Unit Appreciation Rights (UAR's) to the unitholders. The UAR entitles the unitholder to receive an amount in cash equal to the excess of the market price (as defined in the UAR agreement) of the Class A or Class C unit over the exercise price of the UAR. The UAR's vest ratably over five years and expire upon certain events, including termination of the unitholders' employment, but in no case to exceed ten years. Four UAR's were issued for each Class A unit purchased: one UAR with an exercise price of $10 per unit and three UAR's with an exercise price of $20 per unit. During 1998, the exercise prices were revalued to $5.85 and $15.85, respectively. Four UAR's with an exercise price of $8 per unit were issued for each Class C unit purchased.

At December 31, 1998 there were 416,000 UAR's outstanding (166,400 exercisable) with an exercise price of $5.85 and 1,248,000 UAR's outstanding (499,200 exercisable) with an exercise price of $15.85. The weighted-average remaining contractual life of the UAR's outstanding was approximately 7 years as of December 31, 1998.

Since the exercise price exceeds the underlying value of the UAR's, no compensation expense was recorded in relation to the issuance of UAR's in 1998, 1997 or 1996.

As the UAR's are settled in cash, the change in value of the UAR's is accounted for under the liability method as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). Due to the cash nature of the award, treatment under SFAS No. 123, "Accounting for Stock Based Compensation," would be synonymous with APB No. 25 and accordingly, no fair market value disclosures are applicable.

18. COMMITMENTS AND CONTINGENCIES

LEGAL MATTERS

In July 1995, a Fresno, California jury returned a verdict against Foods for wrongful termination of a tomato packing agreement. In granting the award for lost profits to Helm Tomatoes, Inc., the jury found that while the business had a legal right to terminate the agreement, it was estopped from doing this by an oral representation made by a former employee. BFC established a reserve in other current liabilities of $14,500 for the verdict, interest and legal costs. On March 31, 1998, the court granted BFC's motion for a new trial concluding, among other things, that the misconduct of the plaintiff's counsel permeated the trial resulting in prejudice to BFC and the evidence of damages was insufficient. In early 1999, BFC and Helm Tomatoes, Inc. reached agreement to settle the claim with payments from BFC of $3,300 in May 1999 and $3,400 in May 2000.

BFC is involved in certain other legal proceedings arising through the normal course of business. Management is of the opinion that the final outcomes of such proceedings should not have a material impact on BFC's results of operations or financial position.

INVENTORY COMMITMENTS AND RISKS

Raw materials, such as semolina and tomatoes account for a high percentage of BFC's total production costs. BFC purchases a major portion of these materials under market sensitive supply contracts, and therefore BFC's operating results are subject to short term fluctuations in these raw material market prices. Because of the highly competitive and price sensitive nature of the markets in which BFC operates, BFC's ability to pass these raw material price increases through to the customer is limited and often depends upon BFC's competitors raising their prices as well.

19. YEAR 2000 (UNAUDITED)

The Year 2000 issue is the result of computer programs written using two rather than four digits to define the applicable year. Many of BFC's computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities. If not addressed, the Year 2000 issue could have a negative material impact on the business operations and financial results of BFC.

BFC's Year 2000 Program is a risk-based plan divided into three phases that are being executed by both internal and external resources. These phases are: (I) an inventory of all systems, assigning a business priority for each system and performing a preliminary assessment of Year 2000 susceptibility, (II) completion of a detailed Year 2000 susceptibility analysis and development of remediation plans and contingency plans, and (III) implementation of the remediation and, if necessary, contingency plans and completing final system testing.

The Year 2000 efforts are divided into three categories: (1) ERP - business systems being replaced by new enterprise-wide system implementation, (2) Non-ERP - - business systems that will not be replaced by the new enterprise-wide system implementation, including non-information technology systems such as plant process controls, and (3) Third Parties - external suppliers and customers.

ERP - The comprehensive new enterprise-wide system being implemented by BFC will replace most business and accounting systems. The enterprise-wide system versions are warranted by the vendor to be Year 2000 compliant by utilizing a four digit standard, including PeopleSoft, Vista and I2. Due to the relative complexity and importance of the business and accounting systems to ongoing operations, the new enterprise-wide system implementation will address the significant majority of BFC's internal Year 2000 risk. Implementation of the new system is underway and expected to be completed no later than June 30, 1999.

Non-ERP - BFC plans to substantially complete the remediation of systems not to be replaced by the enterprise-wide system in 1998. For these systems which will not to be replaced by the enterprise-wide implementation, Phase I is complete, Phase II is substantially complete, and Phase III has begun. BFC expects to complete system remediation and all system testing activities by June 30, 1999.

Third Parties - The Year 2000 Program also includes procedures to assess the risks related to suppliers and customers. As a result of initial inquiries, supplier and customer responses have been received. These responses will be evaluated and appropriate procedures will be performed to determine the extent to which BFC may be vulnerable to such parties' failure to resolve their own Year 2000 issues. Efforts related to suppliers and customers, including development of contingency plans where appropriate, are targeted for completion by June 30, 1999. Although BFC's systems do not rely significantly on systems of other companies, BFC cannot provide assurance that failure of third parties to address the Year 2000 issue will not have an adverse impact on business operations and results.

Significant investments in an enterprise-wide information system and Year 2000 program expenses addressing non-compliance across all areas of the company will total approximately $43,200 by the year 2000. This amount consists of $33,900 for the enterprise-wide information system and $9,300 of total Year 2000 costs and write-offs. Year 2000 costs and write-offs are comprised of $4,900 for business remediation, $2,800 for other related areas and program management, and $1,600 in write-offs of non-compliant hardware and systems. As of December 31, 1998, BFC has incurred expense and capital of $20,647 for the enterprise-wide system and $4,235 for Year 2000 compliance.

Due to the general uncertainty inherent in the Year 2000 problem, including the uncertainty associated with suppliers and customers, the potential effect on the financial results and condition of BFC has not been measured. BFC intends the Year 2000 Program to be completed on a timely basis so as to significantly reduce the level of uncertainty and the impact on business operations and financial results. Contingency plans have been and will continue to be developed and implemented to mitigate Year 2000 risks and the effect of Year 2000 issues. To date, contingency plans are being implemented to reduce the risk of potential delays in the enterprise-wide system implementation.

WISE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 1997
AND FOR EACH OF THE THREE YEARS
IN THE PERIOD ENDED DECEMBER 31, 1998

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Shareholder of Wise Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Wise Holdings, Inc. and subsidiaries (a wholly owned subsidiary of BW Holdings LLC) as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholder's equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Wise Holdings, Inc. and subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Columbus, Ohio
February 12, 1999

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(Dollars in thousands)	1998	1997	1996
Net sales	$ 228,739	$ 242,176	$ 245,619
Cost of goods sold	142,153	150,316	161,124
Gross margin	86,586	91,860	84,495
Distribution expense	28,662	27,501	25,864
Marketing expense	36,781	39,459	45,715
General and administrative expense	19,181	21,247	15,462
Loss on divestiture of business	438		
Restructuring expense	1,900		
Operating (loss) income	(376)	3,653	(2,546)
Interest expense	756	1,146	1,240
Interest income	(257)	(290)	(22)
Other expense (income)	161	(331)	307
(Loss) Income before income tax	(1,036)	3,128	(4,071)
Income tax (benefit) expense	(179)	1,292	(490)
Net (loss) income	$ (857)	$ 1,836	$ (3,581)
PER SHARE DATA			
Basic and diluted (loss) income per common share	$ (12.24)	$ 26.23	$ (51.16)
Average number of common shares outstanding during the period	70	70	70

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND 1997

(Dollars in thousands)	1998	1997
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 2,610	$ 3,604
Accounts receivable (net of allowance for doubtful accounts of $1,971 and $2,498, respectively)	22,181	23,131
Affiliated receivables	15	1,204
Inventories:		
Finished goods	4,045	4,621
Raw materials and supplies	3,886	3,841
Deferred income taxes, net	2,651	2,825
Prepaid and other current assets	3,660	4,509
	39,048	43,735
PROPERTY AND EQUIPMENT		
Land	1,412	1,347
Buildings and improvements	5,352	4,888
Machinery and equipment	45,120	38,422
	51,884	44,657
Less accumulated depreciation	19,769	15,575
	32,115	29,082
INTANGIBLES AND OTHER ASSETS		
Trademarks (net of accumulated amortization of $1,880 and $1,410, respectively)	16,931	17,401
Other assets	808	889
	17,739	18,290
TOTAL ASSETS	$ 88,902	$ 91,107

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND 1997

(Dollars in thousands, except per share and share amounts)	1998	1997
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Debt payable within one year	$ 168	$ 270
Accounts and drafts payable	16,060	12,570
Affiliated payables	463	1,467
Accrued liabilities	14,954	15,735
	31,645	30,042
OTHER LIABILITIES		
Long-term debt payable to Borden, Inc.	5,000	7,000
Deferred income taxes, net	2,198	2,522
Non-pension postemployment benefit obligations	9,513	9,960
Affiliated employee benefit obligations	2,165	1,817
Other long-term liabilities	455	371
Minority interest	218	830
	19,549	22,500
Commitments and Contingencies (Note 11)		
SHAREHOLDER'S EQUITY		
Common stock - $0.01 par value 70 shares authorized, issued and outstanding		
Preferred stock - $0.01 par value, 30 shares authorized, none issued and outstanding		
Paid in capital	34,980	34,980
Retained earnings	2,728	3,585
	37,708	38,565
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 88,902	$ 91,107

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(Dollars in thousands)	1998	1997	1996
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Net income (loss)	$ (857)	$ 1,836	$ (3,581)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation and Amortization	6,031	6,555	6,225
Provision (benefit) for deferred income taxes	(150)	(1,455)	1,153
Restructuring	1,900		
Other non cash	365	960	783
Net change in assets and liabilities:			
Accounts receivable	(393)	(569)	(2,076)
Affiliated receivables	1,189	1,778	(2,202)
Inventories	(461)	959	1,526
Prepaid and other current assets	201	297	565
Other assets	81	413	851
Accounts and drafts payable	4,922	(3,354)	1,982
Affiliated payables	(1,004)	(696)	2,163
Accrued liabilities	(2,605)	1,297	(586)
Non-pension post-employment	(275)	32	(125)
Affiliated employee benefit obligations	348	570	108
Other long-term liabilities	84	371	
	9,376	8,994	6,786
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Capital expenditures	(9,770)	(5,359)	(5,847)
Proceeds on sale of equipment	189	759	474
Purchase of business	(273)	(1,037)	
Purchase of subsidiary investment			(655)
Divestiture of business	2,107		
	(7,747)	(5,637)	(6,028)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Management ownership	(521)	95	655
Short-term borrowings	365	742	
Repayment of short-term borrowings	(467)	(472)	
Payment of affiliated long term debt	(2,000)	(3,145)	
Other increases in owner's investment			1,013
	(2,623)	(2,780)	1,668
Increase (decrease) in cash and equivalents	(994)	577	2,426
Cash and equivalents at beginning of period	3,604	3,027	601
Cash and equivalents at end of period	$ 2,610	$ 3,604	$ 3,027

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(Dollars in thousands)	1998	1997	1996
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash Paid:			
Interest	$ 581	$ 1,474	$ 999
Taxes	152		
Non-cash Activity:			
Exchange of accounts receivable for assets of business	62	878	
Change in affiliated tax sharing arrangement		780	
Acquisition of Wise net assets			(44,345)
Issuance of stock in exchange for notes of principal stockholder			34,200
Issuance of note payable to finance purchase of Wise net assets			10,145

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(Dollars in thousands)	COMMON SHARES	INTER-COMPANY ACCOUNT	PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance, December 31, 1995		$ 49,317			$ 49,317
Net loss through July 1, 1996		(5,330)			(5,330)
Net cash investment by owner		1,013			1,013
Recapitalization:					
Issuance of common stock	100	(34,200)	$34,200		-
Issuance of debt to Borden Inc.		(10,145)			(10,145)
Management contribution		(655)			(655)
Net income from July 2, 1996				$1,749	1,749
Balance, December 31, 1996	100	-	34,200	1,749	35,949
Change in affiliated tax sharing arrangement			780		780
Net income				1,836	1,836
Balance, December 31, 1997	100		34,980	3,585	38,565
Change in authorized shares outstanding	(30)				
Net (loss)				(857)	(857)
Balance, December 31, 1998	70		$34,980	$2,728	$ 37,708

See Notes to Consolidated Financial Statements

WISE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except for per share information)

1. BACKGROUND

In September 1994, Borden, Inc. ("Borden") entered into a merger agreement that provided for the acquisition (the "Acquisition") of all of Borden's outstanding common stock by affiliates of Kohlberg Kravis Roberts & Co. ("KKR"). Borden elected not to apply push down accounting in its consolidated financial statements as a result of public debt that was outstanding prior to the acquisition, and as such Borden's financial statements, including Wise, are reported on Borden's historical cost basis. As discussed in the "Basis of Presentation," Wise's financial statements have been prepared on a purchase accounting basis from the date of KKR's acquisition of Borden. The effective date of the merger agreement was January 1, 1995 for accounting and financial statement presentation purposes.

Effective July 2, 1996, in a taxable transaction (the "Incorporation"), Borden sold its salty snacks business ("Wise operations") to BW Holdings LLC ("BWHLLC"), a KKR affiliate, for $45 million. The purchase price was based on an independent valuation of the business. There was no change in the financial reporting basis of the assets and liabilities as of July 2, 1996 from that described below under "Basis of Presentation" because Borden's principal stockholders will continue to exercise significant financial control over Wise. Wise fully and unconditionally guarantees obligations under Borden's credit facility and all of Borden's publicly held debt on a pari passu basis. In connection with this guarantee, Wise receives an annual fee of $210.

2. NATURE OF OPERATIONS

Wise is a producer and distributor of salty snacks in the eastern United States. Wise's product line includes potato chips, cheese flavored baked and fried corn snacks, pretzels, tortilla chips, corn chips, onion rings, pork rinds and other assorted snacks. Wise markets its products under the brand names of WISE(R), CHEEZ DOODLES(R), QUINLAN(R), NEW YORK DELI(R), KRUNCHERS!(R), BRAVOS(R), MOORE'S(R) AND WISE CHOICE(TM) and conducts its business through two principal divisions: Wise and Moore's. The Wise and Moore's divisions manufacture and distribute primarily in the eastern United States. Wise's products are distributed through both independent and company-owned distribution networks.

On May 11, 1998 Wise sold its Caribbean Snacks, Inc. subsidiary, which had served as a distribution center throughout Puerto Rico and the Caribbean (See Note 16 - - Business Acquisitions and Divestitures).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

As a result of the financial guarantee and in accordance with Regulation S-X rule 3-10, Borden is required to include in its filings with the Securities and Exchange Commission separate financial statements for Wise as if it were a registrant. The accompanying financial statements subsequent to the purchase by KKR were prepared on a purchase accounting basis that allocates approximately $51 million of the original KKR purchase price of Borden to the Wise operations. The purchase price has been allocated to tangible and intangible assets and liabilities of Wise based on independent appraisals and management estimates.

The consolidated financial statements of Wise Holdings, Inc. collectively include the financial position, operations and cash flows of Wise Holdings, Inc. and subsidiaries for the period of July 2, 1996 through December 31, 1998, and the salty snack business of Borden, Inc. for the period of January 1, 1996 through July 1, 1996.

Prior to the July 2, 1996 sale, Wise operated as a profit center of Borden. Under this structure, Borden incurred various costs in connection with the operation of Wise's business which included corporate controlled expenses, such as accounting, legal, tax, credit and informational services departments and executive management, which have been included in the consolidated financial statements of Wise. Costs for these services have been allocated to Wise based on usage of resources such as personnel and data processing equipment. Management believes these amounts in the accompanying financial statements have been allocated in a reasonable and consistent manner in order to depict balance sheets, statements of operations and cash flows of Wise on a stand-alone basis.

As a profit center of Borden, essentially all treasury functions including financing for working capital and other cash needs were performed by Borden. For the year ended December 31, 1996, allocation of interest expense associated with this financing was not practical and therefore not included in these financial statements.

The consolidated financial statements include the accounts of Wise and its wholly owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation. Wise remains a wholly owned subsidiary of BWHLLC.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and all highly liquid investments purchased with an original maturity of three months or less.

Inventories

Finished goods and raw materials inventories are stated at the lower of cost or market with cost being determined using the average cost method.

Property and Equipment

Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives are principally 10 to 40 years for buildings and improvements and 3 to 13 years for equipment. Major renewals and betterments are capitalized; maintenance, repairs and minor renewals are expensed as incurred.

Trademarks

Trademarks are amortized on a straight-line basis over not more than forty years.

Revenue Recognition

Product revenues are recognized when products are shipped.

Advertising And Promotion Expense

Production costs of future media advertising are expensed on the first airdate or print release date of the advertising. All other advertising and promotion expenses are expensed as incurred.

General Insurance

Wise has insurance policies to cover potential losses and liabilities relating to workers' compensation, health and welfare claims, physical damage to property (other than autos), business interruption and comprehensive general, product and vehicle liability. However, many of these policies have deductibles of $100 and in most cases higher amounts. Losses are accrued for the estimated aggregate liability for claims incurred using certain actuarial assumptions followed in the insurance industry and Wise's experience.

Futures Contracts

Wise uses futures to hedge the price risks associated with raw materials used in the production of salty snacks. Wise defers the impact of changes in the market value of these contracts until such time as the hedged transaction is completed. Changes in market value of the futures contracts are included in the measurement amounts of qualifying subsequent purchases of raw materials. Wise does not enter into these contracts for speculative purposes. These contracts generally mature in less than one year.

Income Taxes

Wise accounts for income taxes pursuant to Statement of Financial Accounting Standard ("SFAS") No. 109, Accounting for Income Taxes, which uses the liability method to calculate deferred income taxes. Subsequent to July 2, 1996, deferred income taxes are recorded to recognize the future effects of temporary differences which arise between financial statement assets and liabilities and their basis for income tax reporting purposes. Prior to July 2, 1996, Wise was included in Borden's consolidated tax return, and accordingly, income tax liabilities and assets determined on a separate return basis are included in equity in the accompanying financial statements.

Earnings Per Share

Basic and diluted earnings (loss) per common share at December 31, 1998 are computed by dividing net income by the weighted average number of common shares outstanding during the period ended December 31, 1998 and 1997, respectively. On April 24, 1998 the number of shares authorized and outstanding was reduced for administrative and tax purposes. The per share information for December 31, 1998, 1997 and 1996 is computed based on the adjusted shares outstanding. Basic and diluted earnings (loss) per common share at December 31, 1996 are computed assuming that the shares outstanding from July 2, 1996 to December 31, 1996 were outstanding for the entire period ended December 31, 1996. Options issued by subsidiaries that enable the holder to obtain stock of the subsidiary were not assumed exercised because they were anti-dilutive for the three years ending 1998. Wise has no other potentially dilutive securities.

Concentrations Of Credit Risk

Financial instruments that potentially subject Wise to concentrations of credit risk consist principally of temporary cash investments, marketable securities, and accounts receivable. Wise invests its excess cash with Borden which in turn places temporary cash investments and marketable securities with high quality institutions and performs ongoing evaluations of the financial condition of the institutions. Wise, by policy, limits the amount of credit exposure to any one institution. Concentrations of credit risk with respect to accounts receivable are limited; however, a group of distributors generally under common control comprise approximately 21% of net trade sales. Though Wise generally does not require collateral or other security to support customer receivables, however under some circumstances Wise will obtain collateral to mitigate risk. Wise monitors its exposure to credit losses and maintains allowances for anticipated losses.

Impairment

Periodically and as circumstances warrant Wise evaluates the recoverability of property, plant equipment and intangibles by assessing whether the carrying value can be recovered over its remaining useful life through expected future undiscounted cash flows. In the opinion of management, no such impairment existed at December 31,1998 and 1997.

Stock Options

The Financial Accounting Standards Board ("FASB") has issued SFAS No. 123, Accounting for Stock-Based Compensation. As permitted by SFAS No. 123, Wise will continue to apply its current accounting policy of the intrinsic value method under Accounting Principles Board Opinion No. 25 and will include the additional disclosures required by SFAS No. 123.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates in Wise's financial statements are related to allowance for doubtful accounts, accruals for trade promotions, general and group insurance, income taxes, post-retirement benefits and asset lives. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform with the 1998 presentation.

Recently Issued Accounting Statements

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Wise elected to defer implementation of this pronouncement until January 1, 1999. Wise estimates that internal costs approximating $600 will be eligible for capitalization in 1999 which are currently expensed as incurred.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. This standard is effective for fiscal years beginning after June 15, 1999 and requires all derivatives be measured at fair value and recorded on a company's balance sheet as a asset or liability, depending upon the company's underlying rights or obligations associated with the derivative instrument. Wise is investigating the impact of this pronouncement, but does not expect it to have a material impact on the company's results of operations, financial position or cash flows.

4. ACCRUED LIABILITIES

Accrued liabilities at December 31 were as follows:

	1998	1997
Compensation	$ 2,557	$ 2,758
General insurance	5,292	5,627
Advertising and promotion	3,772	3,591
Other	3,333	3,759
Total	$ 14,954	$ 15,735

5. AFFILIATED LONG-TERM DEBT

In conjunction with the Incorporation, Wise entered into a loan agreement (the "Loan Agreement") to borrow funds from Borden.

Revolving Loan

The Loan Agreement, as amended, provides for a revolving loan facility of up to $5 million maturing in November 1999, at a variable interest rate equal to Borden's cost of funds for 30 day LIBOR borrowings plus 0.25%. A commitment fee of 0.10% is paid on the unused portion of the revolving loan. Wise had no borrowings under the revolving agreement at December 31, 1998 and 1997.

Long-term Loan

The Loan Agreement, as amended, also provides for a $10.145 million term loan with a fixed interest rate of 11% maturing in November 2000, payable in full at the maturity date.

By agreement with Borden, interest charges and commitment fees for fiscal 1996 under the Loan Agreement were calculated as if the borrowings were outstanding from January 1, 1996. Interest charges under the Loan Agreement amounted to $756, $1,146 and $1,218 in 1998, 1997 and 1996 respectively.

The Loan Agreement contains certain restrictions on the activities of Wise and its subsidiaries, including restrictions on liens, the incidence of indebtedness, mergers and consolidations, sales of assets, investments, payment of dividends (requires prior approval from Borden, as creditor), changes in nature of business, prepayments of certain indebtedness, transactions with affiliates, capital expenditures, changes in control of the Company and the use of proceeds from asset sales.

6. RETIREMENT INCOME PLANS

Borden sponsors a defined contribution retirement savings plan in which eligible salaried and hourly non-bargaining employees may contribute up to 5% of their pay (7% of certain longer service salaried employees), which are generally matched 50% by Borden. Charges to operations for matching contributions for Wise employees under Borden's retirement savings plan for 1998, 1997 and 1996 amounted to $708, $726 and $466, respectively.

Most employees of Wise participate in pension plans sponsored by Borden or one of the union-sponsored plans. For most salaried employees, benefits under these plans generally are based on compensation and years of credited service. For most hourly employees, benefits under these plans are based on specified amounts per year of credited service.

A net pension asset or liability, which approximates the portion of the total pension assets or liabilities of Borden that relates to the employees of Wise, has been reflected in Wise's stand-alone balance sheets. The gross pension obligation was allocated to Wise based upon the actuarially determined obligation relating to Wise's employees. The pension expense allocated to Wise for Borden's plans was $556, $511 and $477 during 1998, 1997 and 1996, respectively.

Most Wise employees who are not covered by Borden's plans are covered by collectively bargained agreements, which are generally effective for five years. Under Federal pension law, there would be continuing liability to these pension trusts if Wise or Borden ceased all or most participation in any trust, and under certain other specified conditions. Operations were charged $218, $234, and $236 in 1998, 1997 and 1996, respectively, for payments to pension trusts on behalf of employees not covered by Borden plans.

Borden's funding of its pension plans equals or exceeds the minimum funding requirements imposed by Federal and foreign laws and regulations.

For informational purposes, the funded status of the Borden plan on a purchase accounting basis, at December 31 is as follows:

	BORDEN INC. Pension Benefit	
CHANGE IN BENEFIT OBLIGATIONS	1998	1997
Benefit obligation at beginning of year	$345,035	$400,458
Service cost	5,623	7,146
Interest cost	24,269	27,275
Actuarial loss	5,889	18,368
Benefits paid	(43,407)	(51,155)
Amendments	1,575	498
Divestitures	-	(58,017)
Curtailments	-	462
Benefit obligations at end of year	338,984	345,035
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	385,151	393,625
Actual return on plan assets	(12,708)	100,698
Employer contributions	13,670	-
Benefits paid	(43,407)	(51,155)
Divestitures	-	(58,017)
Fair value of plan assets at end of year	342,706	385,151
Funded Status	3,722	40,116
Unrecognized net actuarial loss (gain)	10,936	(35,744)
Unrecognized prior service cost	3,732	2,619
Prepaid pension asset	$ 18,390	$ 6,991
Assumptions:		
Discount rate	6.75%	7.25%
Expected return on plan assets	8.00%	8.25%
Rate of compensation increase	4.25%	4.38%

Plan assets consist primarily of equity securities and corporate obligations.

7. NON-PENSION POSTEMPLOYMENT BENEFITS

Wise uses Borden sponsored plans to provide health and life insurance benefits for eligible retirees and their dependents. The cost of providing these benefits is recognized as a charge to income in the period the benefits were earned. Wise provides certain postemployment benefits to qualified former or inactive employees. Wise accrues the cost of benefits provided to former or inactive employees after employment, but before retirement, when it is probable that a benefit will be provided. The cost of providing these benefits is recognized as a charge to income in the period the benefits were earned. The amounts of such costs were not material.

Participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. The postretirement medical benefits are contributory, the postretirement life insurance is noncontributory. Benefits are funded on a pay-as-you-go basis.

CHANGE IN BENEFIT OBLIGATIONS	1998	1997
Benefit obligation at beginning of year	$ 7,914	$8,083
Service cost	5	19
Interest cost	555	582
Plan participants' contributions	32	39
Actuarial gain	(1,954)	(562)
Benefits paid	(186)	(247)
Benefit obligations at end of year	6,366	7,914
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	-	-
Actual return on plan assets	-	-
Employer contributions	154	208
Plan participants' contributions	32	39
Benefits paid	(186)	(247)
Fair value of plan assets at end of year	-	-
Funded Status	(6,366)	(7,914)
Unrecognized net actuarial gain	(2,407)	(453)
Accrued postretirement liability	($8,773)	($8,367)

The discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1998 and 1997 was 6.75% and 7.25%, respectively. For measurement purposes, health care costs are assumed to increase 7.67% in 1999 grading down gradually to a constant level 4.75% annual increase for both pre-65 and post-65 benefits by the year 2005. The comparable assumptions for the prior year were 8.75%, declining to 5.25% by the year 2004.

Components of the net benefit expense for the years ended December 31, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
Service cost	$ 5	$ 19	$ 8
Interest cost	555	582	543
Recognized net actuarial loss	32	37	18
Net expense	$ 592	$ 638	$ 569

Assumed health care cost rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects as of and for the year ending December 31, 1998:

	1% INCREASE	1% DECREASE
Effect on total service cost and interest cost components	$ 37	($ 33)
Effect on postretirement benefit obligation	$442	($393)

8. FINANCIAL INSTRUMENTS

Futures Contracts

Wise is exposed to risk from fluctuating prices for raw materials used in the production of salty snacks. Some of the risk is hedged through commodity futures executed over the counter with various brokers. Wise utilizes commodity futures to effectively fix the price Wise will pay for commodities, which is a principal component in the production process, over the life of the contract. Cost of goods sold reflects the commodity cost including the effects of the commodity futures. As of December 31, 1998 Wise had no outstanding commodity futures. At December 31, 1997 there were $900 of commodity futures outstanding. The maturity of the contracts highly correlates to the actual purchases of the commodity. Under such contracts Wise pays the counterparty at a fixed rate, and receives from the counterparty a floating rate; only the net differential is actually paid or received. The amounts paid or received are calculated based on the notional amounts under the contracts. The use of such commodity futures effectively protects Wise against an increase in the price of the commodity, to the extent of the notional amount under the contract. This hedging strategy also effectively prevents Wise from benefiting in the event of a decrease in the price of the commodity, to the extent of the notional amount under the contract. The fair value of commodity futures as of December 31, 1997 was unfavorable $61 (based on dealer quotes). This amount was deferred by Wise as of December 31, 1997 and was reflected in the cost of the commodity as it was actually purchased. Total deferred losses at December 31, 1997 relating to contracts closed but not yet amortized were $10.

Wise is exposed to credit-related losses in the event of nonperformance by counterparties to financial instruments, but it does not expect any counterparties to fail as all counterparties have investment grade credit ratings.

Debt Guarantees

As discussed in Note 11, Wise guaranteed obligations under Borden's credit facility and all of Borden's outstanding publicly held debt on a pari passu basis. Wise also guarantees outstanding debt for an independent distributor. Management does not expect these guarantees to have a material adverse effect on the consolidated results of operations or financial position of Wise. Fair value was not assigned to these guarantees due to the complexity of the arrangements and both the absence of expected funding and market for these financial instruments.

Assets And Liabilities

The carrying amount for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the short maturities of these instruments. The fair value of long-term debt is

estimated based on current rates offered to Wise for debts of like maturities and approximates its carrying value.

9. Income Taxes

Effective July 2, 1996, Wise is recognized as a separate legal entity for U.S. Federal income tax purposes. Prior to such time, Borden included Wise operations in determining taxable income and Borden made all U.S. tax payments. Provisions for income taxes and deferred tax assets and liabilities were determined as though Wise operations filed separate U.S. Federal and state income tax returns.

The provision (benefit) for income taxes consisted of:

	1998	1997	1996
FEDERAL			
Current	$ (25)	$ 2,466	$ (469)
Deferred	(129)	(1,307)	1,503
	(154)	1,159	1,034
STATE AND LOCAL			
Current	(4)	281	(53)
Deferred	(21)	(148)	171
	(25)	133	118
Total non-affiliated provision	(179)	1,292	1,152
Affiliated provision included in equity		-	(1,642)
	$ (179)	$ 1,292	$ (490)

As discussed in Note 3, deferred tax amounts were recorded in equity prior to July 2, 1996. Accordingly, the tax provision for the first six months of 1996 is also included as a component of shareholder's equity. A reconciliation of the statutory U.S. Federal income tax rate to the Wise effective tax rate is as follows:

	1998	1997	1996
Federal income tax at statutory rate	$ (352)	$ 1,094	$ (1,425)
State and local income taxes, less federal income tax benefit	(18)	94	(149)
Stock sale of Caribbean Snacks	151		
Meals and entertainment	79	82	
Rate differential on tax benefit			963
Other	(39)	22	121
Total	$ (179)	$ 1,292	$ (490)

The net current and non-current components of Wise's deferred income taxes recognized in the balance sheets at December 31, 1998 and 1997 follow:

	1998	1997
Net current asset	$ 2,651	$ 2,825
Net non-current liability	(2,198)	(2,522)
Net asset	$ 453	$ 303

The tax effects of Wise's significant temporary differences and loss carry forwards which comprise the deferred tax assets and liabilities at December 31, 1998 and 1997 follows:

	1998	1997
DEFERRED TAX ASSETS:		
Reserve for doubtful accounts	$ 769	$ 974
Employee benefits and related items	3,937	4,541
General insurance	2,064	2,195
Other-net	253	528
Other long term liabilities	836	879
Restructuring reserve	640	
Total deferred tax assets	$ 8,499	$ 9,117
DEFERRED TAX LIABILITIES:		
Parts and samples inventory	$ (999)	$ (1,027)
Prepaid and other assets	(302)	(501)
Property and equipment	(6,024)	(6,855)
Trademarks	(721)	(431)
Total deferred tax liabilities	(8,046)	$ (8,814)
Net deferred tax asset	$ 453	$ 303

The Company's net deferred tax asset at December 31, 1998 was $453. Realization of the entire deferred tax asset is dependent on generation of approximately $1,165 of future taxable income. Management believes that it is more likely than not that sufficient additional income will be earned to fully realize this benefit. Accordingly, no valuation allowance is necessary at December 31, 1998.

In a limited tax sharing arrangement with Borden, Wise was reimbursed for taxes paid subsequent to July 2, 1996 for an aggregate sum of $2,562. At Incorporation Borden agreed to reimburse Wise $1,782 under this arrangement. Upon finalization of Borden's 1996 corporate tax return in 1997, Borden agreed to increase reimbursements by $780. This change in affiliated tax sharing arrangement has been accounted for as a permanent increase to paid-in-capital. During 1998 and 1997 Borden paid taxes on the behalf of Wise under this tax sharing arrangement of $1,101 and $1,461, respectively.

10. MINORITY INTEREST

As part of the Incorporation, Wise sold equity interests in Wise Foods Holdings, Inc. ("Wise Foods"), a subsidiary, to key management personnel for consideration of $655, resulting in an ownership percentage of 1.87%. At that time, options were also issued which vest over five years and allow management to purchase additional shares resulting in an ownership of up to 6% of the subsidiary. In 1998 Wise repurchased equity interests from management in consideration of $521, decreasing the minority ownership percentage to .6%

under similar circumstances as described above. Wise Foods imposes significant restrictions on transfers of shares of this common stock. These shares are generally non-transferable prior to the fifth anniversary from the initial purchase of the common stock. In addition, on or prior to full vesting, Wise Foods retains the right, but is not obligated, to repurchase stock from the purchaser for various reasons, but principally upon termination of employment. Management's ownership interest in Wise Foods is recorded in the financial statements of Wise as minority interest and included in Other Expense.

11. COMMITMENTS AND CONTINGENCIES

Lease Obligations

Wise leases warehouses, office facilities, motor vehicles and various types of equipment under operating leases. Lease terms generally range from one to eight years.

Future minimum annual rentals under operating leases at December 31, 1998 are as follows:

	AFFILIATED	NON-AFFILIATED
1999	$ 865	$ 2,210
2000	640	1,632
2001	261	1,624
2002	149	1,274
2003	98	1,118
2004 and beyond	-	196
Total	$ 2,013	$ 8,054

The affiliated leases are part of a lease agreement that Borden has with a third party lender. As such, management believes Wise benefits through lower lease payments due to Borden's volume purchasing ability and credit standing with the creditor.

Total rental expense for operating leases in 1998, 1997 and 1996 was $4,710, $4,855 and $4,252, respectively.

Environmental Contingencies

Wise, like others in similar businesses, is subject to extensive Federal, state and local environmental laws and regulations. Although Wise's environmental policies and practices are designed to ensure compliance with these laws and regulations, future developments could require Wise to make additional unforeseen environmental expenditures.

Environmental accruals are routinely reviewed as events and developments warrant and are subject to an annual comprehensive review.

Litigation

Wise is subject to various investigations, claims and legal proceedings covering a wide range of matters in the ordinary course of its business activities. Each of these matters is subject to various uncertainties and some of these matters may be resolved unfavorably to Wise. Wise has established accruals for matters that are probable and reasonably estimable. Management believes that any liability that may ultimately result from the resolution of these matters in excess of amounts provided will not have a material adverse effect on the financial statements of Wise.

Debt Guarantees

As an affiliate guarantor, Wise has guaranteed Borden's credit facility and all of Borden's outstanding publicly held debt on a pari passu basis. Wise's aggregate liability under this guarantee shall not exceed the greater of its outstanding affiliated borrowings, or 95% of its adjusted net assets while Borden or any other obligated parties have obligations outstanding. Borden's outstanding credit facility and outstanding public borrowings amounted to $547,745 at December 31, 1998. Wise also guarantees $602 of outstanding debt for an independent distributor of Wise products.

Management does not expect these guarantees will have a material adverse effect on the consolidated financial statements of Wise.

12. RELATED PARTIES

In addition to the affiliated debt and lease agreements, Wise is engaged in various transactions with Borden and its affiliated companies in the ordinary course of business.

Borden provides certain administrative services to Wise at negotiated fees. These services include: processing of payroll as well as active and retiree group insurance claims, and securing insurance coverage for catastrophic claims. Wise reimburses the Borden subsidiary for payments for general disbursements, and general and group insurance and retirement benefit claims. The amount owed by Wise for these services is included in affiliated payables and was $463 and $1,204 at December 31, 1998 and 1997, respectively. Effective July 1, 1997, Wise secured the services of a third party for its general insurance needs related to losses that occur after the effective date, and makes payments directly to a third party vendor.

Wise is generally self-insured for general insurance claims and post-employment benefits other than pensions. The liabilities for these obligations are included in Wise's financial statements. By agreement, Borden has retained the obligation for active group insurance claims incurred in 1996 and paid in 1997.

During 1997, the majority of hourly employees at two plants converted their group insurance coverage from a Borden sponsored plan to a third party non-affiliated plan.

The following table summarizes the costs to Wise:

	1998	1997	1996
Employee benefits	$ 1,878	$ 2,103	$ 1,861
Group and general insurance	4,450	4,193	4,563
Information services	219	240	40
Corporate staff departments and overhead	1,585	1,832	2,235
	$ 8,132	$ 8,368	$ 8,699

Wise also invests excess cash with Borden in one-day investments that totaled $1,700 and $2,350 at December 31, 1998 and 1997, respectively. Interest income from Borden for these one-day investments totaled $169, $148 and $30 for the years ended December 31, 1998, 1997 and 1996, respectively.

On July 1, 1998 Wise entered into an unsecured agreements with a third party to finance insurance premiums of $399. The agreement bears interest at a fixed annual rate of 5.49% and requires monthly payments of principal and interest through the maturity date of July 1, 1999. Borden negotiated the interest rates under these agreements on behalf of the affiliated companies.

13. COMMON STOCK AND STOCK OPTIONS

As part of the Incorporation, Wise issued one hundred shares of common stock, representing 100% of its common stock, to BWHLLC in exchange for $34.2 million in Borden Holdings' Notes (the "Notes"). Simultaneously with the Incorporation, the Notes were transferred to Borden in exchange for the net assets of Borden's salty snack business constituting the Wise operations.

In 1996, Wise Foods, a subsidiary of Wise, issued a total of 6,971,000 shares of common stock with a par value of $.01 per share. Out of the total shares issued, 131,000 shares were issued to key members of management at $5 per share, along with the grant of options to purchase additional 262,000 shares of common stock at an exercise price of $10 per share (the "1996 Option Plan"). In 1997, Wise Foods issued an additional 19,000 shares which provided for 38,000 options under similar arrangements. The options expire 10 years from the date of grant and vest ratably over 5 years. The options are generally not transferable and exercisability of the options will accelerate upon a change of control. In 1998, Wise Foods repurchased 109,000 shares, which canceled 218,000 options. The remainder of Wise Foods' issued and outstanding shares were held by Wise, its parent.

Information regarding Wise Foods' 1996 Option Plan is summarized below:

	STOCK OPTIONS	WEIGHTED AVERAGE PRICE
Outstanding at 12/31/95		
Granted	262,000	$10
Exercised		
Canceled		
Outstanding at 12/31/96	262,000	$10
Granted	38,000	$10
Exercised		
Canceled		
Outstanding at 12/31/97	300,000	$10
Granted		
Exercised		
Canceled	218,000	$10
Outstanding at 12/31/98	82,000	$10
Exercisable at 12/31/98	26,400	$10

The fixed-price stock options at December 31, 1998 and 1997 have weighted average exercise prices of $10, fair value at date of grant of $.01 per option share and a weighted average remaining life of 3 years. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the impact on the Company's net income would be less than $10 and without impact to reported earnings per share for each of the three years in the period ended December 31, 1998.

14. SUPPLEMENTAL INCOME STATEMENT INFORMATION

	1998	1997	1996
Advertising and promotion expenses	$ 23,071	$ 22,468	$ 29,747
Research and development expenses	1,705	1,787	957
Depreciation	5,561	6,085	5,755
Amortization	470	470	470

15. RESTRUCTURING

On December 9, 1998, management approved a restructuring plan ("Plan") that will result in the merger of the Marketing Department and Sales Department. The Plan includes the release of certain executives and supporting personnel from Sales and Marketing (total of eleven employees) and the closing of a research facility. A pretax charge to income was accrued in 1998 for $1,900 ($27.14 per share), which includes employee termination benefits of $1,317, net asset writedowns of $533, and miscellaneous charges of $50. The plan is scheduled to be completed during 1999 with cash payments commencing on termination benefits in the first quarter of 1999.

16. BUSINESS ACQUISITION AND DIVESTITURE

On July 31, 1997, for a purchase price of $1,915, Wise acquired certain assets (accounted for under the purchase method) of Quality Foods of North Carolina, an independent distributor of Wise products and other snack food products throughout North and South Carolina. Wise will continue to use the acquired assets for the purpose of distribution of snack foods.

During 1998 Wise acquired the assets of independent distributors in Virginia and Georgia for a purchase price of $335. Wise will continue to use these assets for the purpose of distribution of snack foods in these areas.

On May 11, 1998, Wise sold its subsidiary, Caribbean Snacks, Inc. for $2,107 resulting in a pretax loss of approximately $438, subject to final settlement of working capital adjustments.

EXHIBIT 10(vii)

AMENDED AND RESTATED
1996 UNIT INCENTIVE PLAN
FOR KEY EMPLOYEES OF
BORDEN, INC. AND ASSOCIATED PERSONS
as of September 24, 1998

1. Purpose of Plan

The 1996 Unit Incentive Plan for Key Employees of Borden, Inc. and Associated Persons (the "Plan") is designed:

(a) to promote the long term financial interests and growth of Borden, Inc. (the "Corporation") and its Associated Persons by attracting and retaining management personnel with the training, experience and ability to enable them to make a substantial contribution to the success of the Corporation's business;

(b) to motivate management personnel by means of growth-related incentives to achieve long range goals; and

(c) to further the identity of interests of Participants with those of the direct and indirect equityholders of the Corporation through opportunities to participate in increased value of, or distributions by, the Corporation and/or its Associated Persons.

2. Definitions

As used in the Plan, the following words shall have the following meanings:

(a) "ASSOCIATED PERSON" shall mean any Subsidiary of BW Holdings, including, without limitation, the Corporation, or any Subsidiary of the Corporation, and any other entity designated by the Board of Directors, which may include, without limitation, a successor to BW Holdings.

(b) "BW HOLDINGS" shall mean BW Holdings, LLC, a Delaware limited liability company.

(c) "BW HOLDINGS UNIT" shall mean a unit of limited liability company interest in BW Holdings.

(d) "BOARD OF DIRECTORS" means the Board of Directors of the Corporation.

(e) "COMMITTEE" means the Compensation Committee of the Board of Directors.

(f) "EMPLOYEE" means a person, including an officer, in the regular full-time employment of the Corporation or one of its Associated Persons who, in the opinion of the Committee, is, or is expected to be, primarily responsible for the management, growth or protection of some part or all of the business of the Corporation or its Associated Persons.

(g) "EQUIVALENT COMPANY" shall mean any Person so designated by the Committee that, at the relevant time, owns or operates, directly or indirectly, substantially all of the business and assets of BW Holdings and its Subsidiaries.

(h) "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

(i) "FAIR VALUE" means such value of a BW Holdings Unit or similar ownership interest in an Equivalent Company as determined in accordance with any applicable resolutions or regulations of the Committee in effect at the relevant time and in accordance with the provisions of a Grant Agreement.

(j) "GRANT" means an award made to a Participant pursuant to the Plan and described in Paragraph 5, including, without limitation, an award of a BW Holdings Unit Option, Unit Appreciation Right, Purchase BW Holdings Unit or Other Unit-Based Grant, or any combination of the foregoing.

(k) "GRANT AGREEMENT" means an agreement between the Corporation and a Participant that sets forth the terms, conditions and limitations applicable to a Grant.

(l) "PARTICIPANT" means an Employee selected to participate in the Plan by the Committee in its sole discretion and to whom one or more Grants have been made and such Grants have not all been forfeited or terminated under the Plan; PROVIDED, HOWEVER, a non-employee director of the Corporation or one of its Associated Persons may not be a Participant.

(m) "SUBSIDIARY" means any corporation, partnership or other entity in an unbroken chain of corporations, partnerships or other entities beginning with BW Holdings if each of the corporations, partnerships or other entities, or group of commonly controlled corporations, partnerships or other

entities other than the last corporation, partnership or other entity in the unbroken chain then owns 50% or more of the voting stock or other ownership interests in one of the other corporations, partnerships or other entities in such chain.

3. Administration of Plan

(a) The Plan shall be administered by the Committee. The Committee may adopt its own rules of procedure, and the action of a majority of the Committee, taken at a meeting or taken without a meeting by a writing signed by such majority, shall constitute action by the Committee. The Committee shall have the power and authority to administer, construe and interpret the Plan, to make rules for carrying it out and to make changes in such rules. Any such interpretations, rules and administration shall be consistent with the basic purposes of the Plan.

(b) The Committee may delegate to the Chief Executive Officer and to other senior officers of the Corporation its duties under the Plan subject to such conditions and limitations as the Committee shall prescribe, except that only the Committee may designate and make Grants to Participants who are subject to Section 16 of the Exchange Act at the time of such Grant.

(c) The Committee may employ attorneys, consultants, accountants, appraisers, brokers or other persons. The Committee, the Corporation, and the officers and directors of the Corporation shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants, the Corporation and all other interested persons. No member of the Committee or the Board of Directors, or the board of directors or similar management body of any Associated Person, and none of the Corporation, BW Holdings, any Associated Person or any affiliate of any thereof shall be liable (personally or otherwise) for any action, determination or interpretation made in good faith with respect to the Plan or the Grants, and all such persons shall be fully protected by the Corporation with respect to any such action, determination or interpretation.

4. Eligibility

The Committee may from time to time make Grants under the Plan to such Employees and in such form having such terms, conditions and limitations as the Committee may determine in its

sole discretion. No Grants may be made under this Plan to non-employee directors of Corporation or any of is Subsidiaries. Grants may be granted singly, in combination or in tandem. The terms, conditions and limitations of each Grant under the Plan shall be set forth in a Grant Agreement, in a form approved by the Committee, consistent, however, with the terms of the Plan; PROVIDED, HOWEVER, such Grant Agreement shall contain provisions dealing with the treatment of Grants in the event of the termination, death or disability of a Participant, and may also include provisions concerning the treatment of Grants in the event of a change of control.

5. Grants

From time to time, the Committee will determine the forms and amounts of Grants for Participants. Such Grants may take the following forms in the Committee's sole discretion:

(a) BW HOLDINGS UNIT OPTIONS - These are options to purchase BW Holdings Units. At the time of the Grant the Committee shall determine, and shall have contained in the Grant Agreement or other Plan rules, the option exercise period, the option exercise price, and such other conditions or restrictions on the grant or exercise of the option as the Committee deems appropriate, which may include the requirement that the grant of options is predicated on the acquisition of Purchase BW Holdings Units by the optionee.

(b) UNIT APPRECIATION RIGHTS - These are rights that entitle the holder to receive payments from time to time from the Corporation in amounts and at times corresponding to the amounts and times when distributions on the BW Holdings Units are made and/or in amounts determined based on the relative values of a BW Holdings Unit at the time of payment and at the time of Grant, as specified in a Grant Agreement. Generally, Unit Appreciation Rights will provide for payments by the Corporation when the aggregate distributions on each BW Holding Unit exceeds a trigger price specified in the Grant Agreement. The Committee, in the Grant Agreement or by the other Plan rules, may impose such conditions or restrictions on the Unit Appreciation Rights, may provide for the conversion of the Unit Appreciation Rights into BW Holdings Units, or options to purchase BW Holdings Units or other ownership interests in BW Holdings or any Associated Person, and may provide for such other terms and conditions applicable to the Unit

Appreciation Rights as it deems appropriate. Unit Appreciation Rights may also be called "UARs" in a Grant Agreement.

(c) PURCHASE BW HOLDINGS UNIT - Purchase BW Holdings Units are BW Holdings Units offered to a Participant at such price as determined by the Committee, the acquisition of which will make him eligible to receive Grants under the Plan; PROVIDED, HOWEVER, that the price of such Purchase BW Holdings Units may not be less than 50% of the fair market value (as determined by the Committee) of the BW Holdings Units on the date such Purchase BW Holdings Units are offered.

(d) OTHER UNIT-BASED GRANTS - The Committee may make other Grants under the Plan pursuant to which BW Holdings Units (or similar ownership interests of an Equivalent Company) are or may in the future be acquired, or payments are or may in the future be made, in each case, based on the performance or value of the Corporation and its Associated Persons. The Committee, in the Grant Agreement or by other Plan rules, may impose such conditions or restrictions on any such Grant as it deems appropriate, consistent with the purposes of the Plan. Such Other Unit-Based Grants may include, without limitation, appreciation rights providing for payments to the Employee when a specified value of the Units is achieved relative to a value specified at the time of the Grant in the Grant Agreement.

6. Limitations and Conditions

(a) The number of BW Holdings Units available for Grants under this Plan, and the number of such Units on which Grants under this Plan may be based, shall be 1,000,147 but may be increased or decreased (but in no event decreased to a number lower than the number of BW Holdings Units theretofore granted or with respect to which Grants theretofore have been made under the Plan), by the Committee in its sole discretion. Unless restricted by applicable law, the number of BW Holdings Units related to Grants that are forfeited, terminated, cancelled or expire shall immediately become available for Grants.

(b) No Grants shall be made under the Plan beyond ten years after the effective date of the Plan, but the terms of Grants made on or before the expiration thereof may extend beyond such expiration. At the time a Grant is made or amended

or the terms or conditions of a Grant are changed, the Committee may provide for limitations or conditions on such Grant.

(c) Nothing contained herein shall affect the right of the Corporation to terminate any Participant's employment at any time or for any reason.

(d) Deferrals of Grant payouts may be provided for, at the sole discretion of the Committee, in the Grant Agreements.

(e) Except as otherwise prescribed by the Committee, the amounts of the Grants for any employee of a Subsidiary, along with interest, dividend and other expenses accrued on deferred Grants shall be charged to the Participant's employer during the period for which the Grant is made. If the Participant is employed by more than one Subsidiary or by both the Corporation and a Subsidiary during the period for which the Grant is made, the Participant's Grant and related expenses will be allocated between the companies employing the Participant in a manner prescribed by the Committee.

(f) Other than as specifically provided with regard to the death of a Participant, no Grant or right to payment in respect thereof under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to do so shall be void. No Grant or right to payment in respect thereof shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the Participant. Notwithstanding the foregoing, the Committee may, in its discretion, authorize all or a portion of the options or UARs to be granted to an optionee to be on terms which permit transfer by such optionee to (1) the spouse, children or grandchildren of the optionee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership or other entity in which such Immediate Family members are the only partners, members or beneficiaries, PROVIDED THAT, (x) the stock option agreement pursuant to which such options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section, (y) subsequent transfers of transferred options shall be prohibited except transfers by will or by the applicable laws of this Plan. Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer.

(g) Participants shall not be, and shall not have any of the rights or privileges of, members of BW Holdings or equity holders in any Associated Person in respect of any BW Holdings Units or interests in an Associated Person purchasable in connection with any Grant unless and until such Participant is registered as the owner thereof and, if applicable, certificates representing any such BW Holdings Units or such other interests have been issued by BW Holdings or such Associated Person to such Participants.

(h) No election as to benefits or exercise of BW Holdings Unit Options, Unit Appreciation Rights or other rights may be made during a Participant's lifetime by anyone other than the Participant except by a legal representative appointed for or by the Participant.

(i) Absent express provisions to the contrary, any grant under this Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Corporation or its Subsidiaries and shall not affect any benefits under any other benefit plan of any kind or subsequently in effect under which the availability or amount of benefits is related to level of compensation. This Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

(j) Unless the Committee determines otherwise, no benefit or promise under the Plan shall be secured by any specific assets of the Corporation or any of its Subsidiaries, nor shall any assets of the Corporation or any of its Subsidiaries be designated as attributable or allocated to the satisfaction of the Corporation's obligations under the Plan.

7. Transfers and Leaves of Absence

For purposes of the Plan, unless the Committee determines otherwise: (a) a transfer of a Participant's employment without an intervening period of separation among the Corporation and any Associated Person shall not be deemed a termination of employment, and (b) a Participant who is granted in writing a leave of absence shall be deemed to have remained in the employ of the Corporation during such leave of absence.

8. Adjustments

In the event that the Corporation (or any Equivalent Company) consummates a Public Offering, or any similar event occurs, or there is a change in the powers, designations, preferences and relative participating, optional or other rights, if any, or the qualifications, limitations or restrictions of the outstanding BW Holdings Units or equity interests in an Equivalent Company or a reclassification, recapitalization or merger, change of control, or similar event affecting the Corporation, BW Holdings or an Equivalent Company, the Committee may adjust appropriately the outstanding Grants as it deems to be equitably required, including without limitation converting the Grants into common equity of, or grants of options or other rights to purchase ownership interests in, the Corporation or the Equivalent Company that consummates a Public Offering on such terms as the Committee deems to be appropriate in its sole discretion.

9. Merger, Consolidation, Exchange, Acquisition, Liquidation or Dissolution

In its absolute discretion, and on such terms and conditions as it deems appropriate, coincident with or after the grant of any BW Holdings Unit Option, Unit Appreciation Right or any Other Unit-Based Grant, the Committee may provide that such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant cannot be exercised or triggered after the merger or consolidation of BW Holdings or the Corporation into another corporation, the exchange of all or substantially all of the assets of BW Holdings or the Corporation for the securities of another corporation, the sale of all or substantially all the assets of BW Holdings or the Corporation, the acquisition by another corporation of 80% or more of BW Holdings's or the Corporation's then outstanding units or shares of voting stock or the recapitalization, reclassification, liquidation or dissolution of BW Holdings or the Corporation, and if the Committee so provides, it shall, on such terms and conditions as it deems appropriate in its absolute discretion, also provide, either by the terms of such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant or by a resolution adopted prior to the occurrence of such merger, consolidation, exchange, acquisition, recapitalization, reclassification, liquidation or dissolution, that, for some period of time prior to such event, such BW Holdings Unit Option, Unit

Appreciation Right or Other Unit-Based Grant shall be exercisable or able to be triggered as to all units or shares subject thereto, notwithstanding anything to the contrary herein (but subject to the provisions of Paragraph 6(b)) and that, upon the occurrence of such event, such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall terminate and be of no further force or effect; PROVIDED, HOWEVER, that the Committee may also provide, in its absolute discretion, that even if the BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall remain exercisable or able to be triggered after any such event, from and after such event, any such BW Holdings Unit Option, Unit Appreciation Right or Other Unit-Based Grant shall be exercisable or able to be triggered only for the kind and amount of securities and/or other property, or the cash equivalent thereof, receivable as a result of such event by the holder of Unit Appreciation Rights immediately prior to such event or a number of units or shares of stock for which such BW Holdings Unit Option or Other Unit-Based Grant could have been exercised immediately prior to such event.

10. Amendment and Termination

The Committee shall have the authority to make such amendments to any terms and conditions applicable to outstanding Grants as are consistent with this Plan provided that, except for adjustments under Paragraph 8 or 9 hereof, no such action shall modify such Grant in a manner adverse to the Participant without the Participant's consent except as such modification is provided for or contemplated in the terms of the Grant.

The Board of Directors may amend, suspend or terminate the Plan except that no such action, other than an action under Paragraph 8 or 9 hereof, may be taken which would decrease the exercise price or trigger price of outstanding BW Holdings Unit Options or Unit Appreciation Rights, change the requirements relating to the Committee or extend the term of the Plan.

11. Foreign Options and Rights

The Committee may make Grants to Employees who are subject to the laws of nations other than the United States, which Grants may have terms and conditions that differ from the terms thereof as provided elsewhere in the Plan for the purpose of complying with foreign laws.

12. Withholding Taxes

The Corporation shall have the right to deduct from any cash payment made under the Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Corporation to deliver BW Holdings Units upon exercise of a BW Holdings Unit Option or exercise or settlement of any Other Unit-Based Grant that the Participant pay to the Corporation such amount as may be requested by the Corporation for the purpose of satisfying any liability for such withholding taxes. Any Grant Agreement may (but is not required to) provide that the Participant may elect, in accordance with any conditions set forth in such Grant Agreement, to satisfy a portion or all of such withholding taxes in the form of a reduced payment by the Corporation (including by reducing the number of BW Holdings Units to be received upon exercise of a BW Holdings Unit Option).

13. Effective Date and Termination Dates

The Plan shall be effective on and as of the date of its approval by the stockholders of the Corporation and shall terminate ten years later, subject to earlier termination by the Board of Directors pursuant to Paragraph 10.

EXHIBIT 10(ix)

BORDEN CAPITAL MANAGEMENT PARTNERS

1998 INCENTIVE PLAN

Participation	All associates - 80 actives associates and 24 associates in transition during 1998
Financial Measurement	Earnings before Interest and Taxes plus Depreciation and Amortization (EBITDA)
Target Award	Based on recommended target incentives by Band in the BCMP model as follows: CEO - 90% Partners - 55% to 60% Principles - 35 to 45% Engagement Managers - 20 to 35% Consultants - 15 to 20% Analysts - 10% Administrators / Coordinators - 5 to 10% Administrative Assistants - 5%
Target Weight	100% Financial modified by overall BCMP performance compared to objectives. Individual awards are determined based on department and individual performance compared to objectives.
Award Amount	Award is based on actual achievement of financial performance compared to target: 50% paid for achievement of 80% of EBITDA target 100% at EBITDA target 200% of target paid for achievement of 120% of EBITDA target
Award Allocation	Determined by matrix
Banking	Banking is used for award amounts in excess of 100% of target.
Award Payment	Up to Target Award plus 1/3 of bank balance

EXHIBIT 10 (ix)

1998 BORDEN CHEMICAL

COMPENSATION AND BENEFITS PHILOSOPHY

Objectives	Provide industry-competitive compensation and benefits. Borden Chemical will offer about market total cash and benefits at market.
Compensation Elements/ Mix	All employees will have a base salary in accordance with their appropriate salary grade with local sales incentive/bonus and a Management Incentive Plan.
Benefits	Benefits will be targeted at market. Emphasis will be on improving retirement income and health coverage.
Market Definition	All managerial and professional positions will be measured on survey data garnered from the chemical industry as well as other areas held in high esteem by industry and survey professionals. All support/clerical and hourly non-bargaining will be measured on local market conditions. Union employees will be based on contract and local market.

EXHIBIT 10 (xiii)

BORDEN, INC.

EXECUTIVES SUPPLEMENTAL PENSION PLAN

Amended and Restated as of January 1, 1996

As Adopted March 12, 1998

FOREWORD

Effective as of January 1, 1981, Borden, Inc. adopted the Borden, Inc. Executive Family Survivor Protection Plan (the "Survivor Plan") for the benefit of certain of its executives. The purpose of the Survivor Plan is to provide certain executives and retired executives with additional protection for their eligible surviving dependents in the event of death during their active careers or after retirement, and additional protection in the event of disability during their active careers.

Effective as of January 1, 1976, Borden, Inc. adopted the Borden, Inc. Executives Excess Benefits Plan (the "Excess Plan") for the benefit of certain of its executives. The Excess Plan has been amended from time to time thereafter and was last restated effective January 1, 1988. The Excess Plan was intended to be an "excess benefits plan" as that term is defined in Section 3(36) of the Employee Retirement Income Security Act of 1974.

Effective as of January 30, 1973, Borden, Inc. adopted the Borden, Inc. Executives Supplemental Pension Plan (the "Plan") for the benefit of certain of its executives. The Plan has been amended from time to time thereafter and was amended and restated effective as of January 1, 1988, January 1, 1989 and December 9, 1993.

The purposes of the Plan are (a) to provide retired participants and their joint annuitants and beneficiaries under the Borden, Inc. Employees Retirement Income Plan ("Borden ERIP") with the amount of retirement income that is not provided under the Borden ERIP by reason of the participant having been granted a deferred award under the Management Incentive Plan and having elected to defer compensation under this Plan, (b) to permit Executive Employees' and certain other managerial employees to elect to have payment of a portion of current compensation deferred until a later year and to provide a "matching credit" with respect to all or a portion of such deferred compensation, and (c) to provide retired participants and their joint annuitants and beneficiaries under the Borden ERIP with the amount of retirement income that is not provided under the Borden ERIP by reason of the limit on recognized compensation required by Section 401(a)(17) of the Internal Revenue Code.

Effective as of January 1, 1996, the Excess Plan and Survivor Plan are merged into the Plan and the Plan is amended and restated in its entirety. The Plan, as so amended and restated, applies to all eligible employees in the employ of the Employer (as that term is defined herein) on or after January 1, 1996. The rights and obligations with respect to each former employee of an Employer who retired or whose employment terminated prior to January 1, 1996 shall be determined under the terms and provisions of the plan as in effect as of the date of such retirement or termination of employment.

It is intended that the Plan be a deferred compensation plan for "a select group of management or highly compensated employees," as that term is used in the Employee Retirement Income Security Act of 1974.

Except to the extent otherwise indicated, and except to the extent otherwise inappropriate, the Borden ERIP and the Borden RSP, and the provisions thereof, hereby are incorporated by reference.

SECTION ONE

Definitions

1.1 Except to the extent otherwise indicated herein, and except to the extent otherwise inappropriate in the context, the definitions contained in Section A1 of the Borden ERIP and Section 1 of the Borden RSP are applicable under the Plan.

1.2 "Accrued ERIP Regular Benefit" means the amount of retirement income payable to or with respect to a participant on termination of employment, or earlier date requiring payment under this Plan, under the ERIP.

1.3 "Accrued Supplemental ERIP Benefit" means the excess, if any, of (i) the retirement income payable to or with respect to a participant under the Borden ERIP which would have been accrued by the participant had the limitation on benefits imposed by Section C9 of the Borden ERIP not been applicable and had the amount of Deferred Compensation and Excluded Compensation been recognized as "Compensation" under the Borden ERIP over (ii) the participant's Accrued ERIP Regular Benefit.

1.4 "Board of Directors" means the Board of Directors of the Corporation.

1.5 "Borden ERIP" means the Borden, Inc. Employees Retirement Income Plan.

1.6 "Borden RSP" means the Borden, Inc. Retirement Savings Plan

1.7 "Corporation" means Borden, Inc. and any successor to such corporation by merger, purchase or otherwise.

1.8 "Deferred Compensation" means (i) the amount of a Highly Paid Executive's compensation for a year after 1995 that such Highly Paid Executive has deferred until a later year pursuant to an election under Section 3.3 of this Plan together with the deemed earnings on such deferred amounts.

1.9 "Employer" means the Corporation or a subsidiary or affiliate of the Corporation adopting the Plan pursuant to the provisions of section 7.

1.10 "Excluded Compensation" means that part of total compensation paid to a Highly Paid Executive earned from an Employer which exceeds the dollar limit for such year under Section 401(a)(17) of the Internal Revenue Code of 1986 as from time to time amended.

1.11 "Highly Paid Executive" means an individual employed by an Employer in a key executive or managerial position who during the calendar year earns Excluded Compensation.

1.12 "Pension Committee" means the Pension Committee as appointed from time to time by the Board of Directors.

1.13 "Plan" means the Borden, Inc. Executives Supplemental Pension Plan amended and restated as of January 1, 1996 and as thereafter amended from time to time.

1.14 "Prior Plans" means Borden, Inc. Executive Supplemental Pension Plan, Borden, Inc. Executives Excess Benefits Plan and the Borden, Inc. Executive Family Survivor Protection Plan, each as in effect prior to January 1, 1996.

1.15 "Prior Plan Benefits" means benefits accrued under the Prior Plans as of December 31, 1995 and any additional deemed earnings on such benefits as provided in the Prior Plans.

SECTION TWO

Participation

2.1 **Eligibility to Participate**

Participation in the Plan shall be limited to:

(a) those Highly Paid Executives who elect Deferred Compensation;

(b) those participants in the Borden ERIP and Borden RSP who have Excluded Compensation, and their joint annuitants and beneficiaries; and

(c) those participants in the Borden ERIP and their joint annuitants and beneficiaries who, as a result of the limits on benefits that may be paid under the Borden ERIP (Section C9) by reason of Section 415 of the Internal Revenue Code, receive or will receive a lesser amount of retirement income under the Borden ERIP than otherwise would be paid or payable in the absence of such limitations;

(d) those participants and their beneficiaries in the Borden RSP who, as a result of the limits on amounts that may be contributed under the Borden RSP (Section 4.3) by reason of Section 415 of the Internal Revenue Code, receive a smaller Matching Employer Contribution under the Borden RSP with respect to their actual contributions thereunder than otherwise would be paid or payable in the absence of such limitation; and

(e) persons entitled to Prior Plan Benefits.

SECTION THREE

Benefit Amounts

3.1 Supplemental ERIP Benefits

The aggregate amount, if any, of retirement income payable under the Borden ERIP to a participant therein, or to his or her joint annuitant or beneficiary, which is not paid under the Borden ERIP (i) on account of the limitations on benefits imposed by Section C9 and (ii) as a result of the fact that the amount of Deferred Compensation and Excluded Compensation are not recognized as "Compensation" under the Borden ERIP, shall be termed a "Supplemental ERIP Benefit" and shall be paid directly to such participant, or to his or her joint annuitant or beneficiary, as applicable, from the general assets of the Corporation in accordance with Section 4.

3.2 Supplemental RSP Contributions

The aggregate amount, if any, of the amount of matching Employer contributions which would have been made on behalf of a participant pursuant to Section 4.1 or Section 4.2 of the Borden RSP (i) had the participant's Deferred Compensation been contributed by the participant to the Borden RSP and (ii) but for the limitation imposed by Section 4.3 of the Borden RSP, together with "deemed earnings" on such amount, shall be termed "Supplemental RSP Contributions" and shall be paid to the participant or his or her beneficiary, as applicable, from the general assets of the Corporation in accordance with Section 4. "Deemed earnings" for Supplemental RSP Contributions shall be earnings at the rate of investment return during the comparable period of time for Fund A under the Borden RSP. A bookkeeping account ("Supplemental RSP Contributions Account") shall be maintained for each affected participant to record the amount of such Supplemental RSP Contributions.

3.3 Deferred Compensation

Elections of Deferred Compensation shall be made only by Highly Paid Executives and shall be on forms furnished by the Pension Committee. A Deferred Compensation election shall apply only to compensation (as defined below) for the particular year specified in the election, and shall specify the percentage of such compensation to be deferred under the election, which percentage may be any whole percentage that is not greater than twenty-five percent (25%). For purposes of the preceding sentence, the term "compensation" means the total earned income that would be currently payable to the participant but for his or her Deferred Compensation election hereunder, and shall include Tax Deferred Contributions under the Borden RSP, salary reduction Employer Contributions under the Borden, Inc. Flexible Benefits Plan and incentive bonuses earned

under the corporate management incentive compensation programs which are paid in the first year in which such bonuses are payable, but shall exclude incentive bonuses earned under an incentive plan where the payment is deferred beyond the calendar year following the year in which it is earned. A Deferred Compensation election with respect to compensation for a particular calendar year (i) must be made before January 1 of such calendar year, (ii) must specify (from the available alternatives) the date such Deferred Compensation is to be paid (or commence to be paid) and the number of annual installments (not to exceed 10) in which such Deferred Compensation is to be paid, and (iii) once made, cannot be changed or revoked.

"Deemed earnings" with respect to Deferred Compensation shall be earnings at the rate of investment return on Fund A under the Borden RSP. A bookkeeping account ("Participant Deferred Account") shall be maintained for each affected participant to record the amount of such Deferred Compensation.

3.4 Prior Plan Benefits

Participants in the Plan who have Prior Plan Benefits not otherwise provided for under this Plan shall be paid such benefits as provided in the Prior Plans.

SECTION FOUR

General Provisions

4.1 (a) The Corporation shall make no provision for the funding of any Supplemental ERIP Benefits, Prior Plan Benefits, Supplemental RSP Company Contributions Accounts, or Participant Deferred Accounts payable hereunder that (i) would cause the Plan to be a funded plan for purposes of section 404(a)(5) of the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act of 1974, as amended, or (ii) would cause the Plan to be other than an "unfunded and unsecured promise to pay money or other property in the future" under Treasury Regulations section 1.83-3(e); and shall have no obligation to make any arrangement for the accumulation of funds to pay any amounts under this Plan. Subject to the restrictions of the preceding sentence, the Corporation, in its sole discretion, may establish a grantor trust described in Treasury Regulations sections 1.677(a)-1(d) to accumulate funds to pay amounts under this Plan, provided that the assets of the trust shall be required to be used to satisfy the claims of the Corporation's general creditors in the event of the Corporation's bankruptcy or insolvency.

(b) In the event that the Corporation shall decide to establish an advance accrual reserve on its books against the future expense of paying Supplemental ERIP Benefits, Prior Plan Benefits, Supplemental RSP Company Contributions Accounts, or Participant Deferred Accounts, such reserve shall not under any circumstances be deemed to be an asset of this Plan but, at all times, shall remain a part of the general assets of the Corporation, subject to claims of the Corporation's creditors.

(c) A person entitled to any amount under this Plan shall be a general unsecured creditor of the Corporation with respect to such amount. Furthermore:

(i) Subject to the provisions of subsections (e), (f), (g) and (h) below, a person entitled to a Supplemental ERIP Benefit or corresponding Prior Plan Benefit shall have a claim upon the Corporation only to the extent of the monthly payments thereof, if any, due up to and including the then current month and shall not have a claim against the Corporation for any subsequent monthly payment unless and until such payment shall become due and payable;

(ii) Subject to the provisions of subsections (e), (f) and (h) below, a person entitled to Supplemental RSP Company Contributions or corresponding Prior Plan Benefit shall have a claim upon the

Corporation only to the extent of the Supplemental Company RSP Contributions Account, or corresponding Prior Plan Benefit and the amount of such Account or Prior Plan Benefit shall be paid to the participant or beneficiary in the same manner and at the same time as the distribution of the participant's accounts under the Borden RSP; and

(iii) Subject to the provisions of subsections (e), (f) and (h) below, a person entitled to Deferred Compensation or corresponding Prior Plan Benefit shall have a claim upon the Corporation only to the extent of the Participant Deferred Account or corresponding Prior Plan Benefit and the amount of such Account or Prior Plan Benefit shall be paid to the participant or beneficiary in accordance with the terms of the participant's Deferred Compensation election or elections under Section 3.3 or as appropriate under the Prior Plan.

(d) In the event that the Borden ERIP shall be terminated in accordance with Section C6 thereof, Supplemental ERIP Benefits or Prior Plan Benefit shall continue to be paid directly by the Corporation but only to the same extent and for the same duration as that part of the payee's benefit from the Pension Fund of the Borden ERIP, which is directly related to such Supplemental ERIP Benefit or Prior Plan Benefit is continued to be provided by the assets of the Pension Fund of the Borden ERIP; but such continued payment of Supplemental ERIP Benefits or Prior Plan Benefit shall still be subject to the conditions specified in subsections (a), (b) and (c) above.

In the event that the Borden RSP shall be terminated in accordance with Section 13 thereof, Supplemental RSP Company Contributions Accounts or corresponding Prior Plan Benefit shall be paid directly by the Corporation in the same manner as the distribution of the participant's accounts under the Borden RSP.

(e) Notwithstanding any other provision hereof, there shall become immediately due and payable to or with respect to a participant a lump sum equal to the Supplemental RSP Company Contributions Account plus the Participant Deferred Account plus the present actuarial value (determined as hereinafter provided) of the participant's Accrued Supplemental ERIP Benefit and corresponding Prior Plan Benefits: (i) the Corporation refuses to make any payments due hereunder to any participant, unless refusal to make payment to a particular participant is based on facts and circumstances with respect to such participant which reasonably justifies such refusal, based on the participant engaging in conduct harmful to the interests of the Corporation; (ii) the Corporation makes a general assignment for the benefit of creditors;

(iii) any proceedings under the Bankruptcy Act are instituted by the Corporation or, if instituted against the Corporation, is consented to or acquiesced in by it or remains undismissed for 60 days; or (iv) a receiver or trustee in bankruptcy is appointed for the Corporation. In addition, in the event of any such proceeding by or against the Corporation under the Bankruptcy Act, or any such assignment, a participant or his or her joint annuitant or beneficiary shall be entitled to prove a claim for any unpaid portion of the benefit provided hereunder and, if the claim is not discharged in full in any such proceeding, or assignment, it will survive any discharge of the Corporation under any such proceeding or assignment. The present actuarial value of the Accrued Supplemental Benefit shall be calculated on the basis of the 1976-80 GAM Mortality Table and an interest rate, compounded monthly, equal to the yield of the most recently issued 30-year maturity U.S. Treasury issue as reported as of the business day on which the valuation is performed as published in the Midwest edition of the Wall Street Journal. If the valuation is not performed on a business day, the immediately preceding business day report shall be used for the purposes of determining the interest rate to be used in the valuation.

(f) In the event of the application of subsection (e) above, the affected participants (or, in the case of deceased participants, their joint annuitants and beneficiaries) (the "Claimants") shall appoint a single representative to pursue their respective claims against the Corporation. Such representative shall be a person or entity selected by, or agreed upon, by Claimants with unpaid benefits under the Plan equal to more than fifty percent (50%) of the total amount of unpaid benefits under the Plan.

(g) A participant's Supplemental ERIP Benefit and any corresponding Prior Plan Benefit shall be paid to the participant in the same form and at the same time as the participant's Accrued ERIP Regular Benefit.

(h) The participant's beneficiary under this Plan with respect to his or her Participant Deferred Account and any corresponding Prior Plan Benefit shall be the person or persons designated as beneficiary by the participant by filing with the Pension Committee a written beneficiary designation on a form provided by, or acceptable to, such Pension Committee. In the event the participant does not make an effective designation of a beneficiary with respect to his or her Participant Deferred Account, the participant's beneficiary with respect to his or her Participant Deferred Account shall be the beneficiary of such participant under the Borden RSP.

The participant's beneficiary or joint annuitant under this Plan with respect to his or her Supplemental ERIP Benefit and any corresponding Prior Plan

Benefit shall be the person who is entitled to benefit payments under the Borden ERIP on account of the death of the participant.

The participant's beneficiary under this Plan with respect to his or her Supplemental RSP Company Contributions Account and any corresponding Prior Plan Benefit shall be the person who is entitled to benefit payments under the Borden RSP on account of the death of the participant.

(i) Wherever in this Section Four reference is made to "Supplemental ERIP Benefits" or "Accrued ERIP Supplemental Benefits" such terms shall be deemed to include any special supplemental benefits payable pursuant to Appendix A and Appendix B.

(j) If the aggregate amount credited to the Participant's Deferred Account under this Plan and the corresponding Prior Plan Benefit is $10,000 or less at the time he or she retires or otherwise terminates employment, then the Participant shall be paid, as soon as practicable after termination of employment, an amount equal to the amount in the Participant's Deferred Account and the corresponding Prior Plan Benefit as of his or her termination of employment.

(k) Prior Plan Benefits shall be paid in accordance with the terms of the Prior Plans as in effect on December 31, 1995. To the extent that the Plan and Prior Plan are providing benefits to a Participant under both the Plan and the Prior Plan, the amounts due to the Participant shall be calculated in such a manner that no benefit from the Plan or Prior Plan shall be duplicated for the same period of service.

(l) A participant's benefit in the Plan shall be vested to the same extent that his or her corresponding benefit under the Borden ERIP or Borden RSP is vested. The minimum benefit under the Plan and the Prior Plan shall equal the value of the vested accrued benefit as of December 31, 1993.

SECTION FIVE

Administration

5.1 Plan Administrator

The Corporation shall be the "administrator" of the Plan within the meaning of ERISA.

5.2 Pension Committee

Subject to the provisions of Section 5.1, the Pension Committee appointed pursuant to the Borden Employees Retirement Income Plan from time to time shall be vested with the general administration of the Plan and shall have the exclusive right to interpret the Plan having the power to exercise discretion as it deems necessary or appropriate in such administration and interpretation. The decisions, actions and records of the Pension Committee shall be conclusive and binding upon the Corporation and all persons having or claiming to have any right or interest in or under the Plan.

The Pension Committee may delegate to such officers, employees or departments of the Corporation or its affiliates such authority, duties, and responsibilities of the Pension Committee as it, in its sole discretion, considers necessary or appropriate for the proper and efficient operation of the Plan, including, without limitation, (i) interpretation of the Plan, (ii) approval and payment of claims, and (iii) establishment of procedures for administration of the Plan.

SECTION SIX

Amendment and Termination

6.1 Amendment of the Plan

Subject to the provisions of Section 5.3, the Plan may be wholly or partially amended or otherwise modified at any time by the Pension Committee.

6.2 Termination of the Plan

Subject to the provisions of Section 5.3, the Plan may be terminated at any time by the Pension Committee.

6.3 No Impairment of Benefits

Notwithstanding the provisions of Sections 6.1 and 6.2, no amendment to or termination of the Plan shall impair any rights to benefits which have accrued under this Plan or a Prior Plan.

SECTION SEVEN

Participation in Plan by Subsidiary or Affiliate: Prior Plans

7.1 Adoption by Subsidiary or Affiliate: Extension to Division or Unit

Any subsidiary, affiliate, unit or division of the Corporation, or any unit or division of a subsidiary or affiliate, may, with the consent of the Pension Committee of the Corporation, become a party to this Plan by adopting the Plan as its Deferred Compensation plan for a select group of management or highly compensated employees. Upon the filing with the Secretary of the Pension Committee of a certified copy of the resolutions or other document evidencing adoption of the Plan and a written instrument showing the consent of the Pension Committee of the Corporation to participation of such subsidiary or affiliate, it shall thereupon be included in the Plan as an Employer.

APPENDIX A

Special Supplemental Benefits
For Certain Core Management Employees

1. This Appendix shall apply only to each participant who was a member of the Core Management Group of the Corporation as of January 1, 1983, and who retires under the Borden ERIP at or after age 65. Members of the Core Management Group are those members who are designated as such by the Chief Executive Officer of the Corporation prior to January 1, 1995.

2. In addition to any other amount payable under this Executives Supplemental Pension Plan, there shall be payable to or with respect to each participant referred to in paragraph 1 above, the excess, if any of the amount in (a) below over the amount in (b) below:

(a) the sum of:

(i) the retirement income which would have been payable to or with respect to such participant under the Borden ERIP (and the other provisions of this Plan or the Prior Plans) had the terms and provisions of such plans as in effect on December 31, 1982 remained unchanged and had Section 5.1(b)(i) of the Borden ERIP as in effect on December 31, 1982 provided a benefit percentage of 1.5% for each year of Credited Service, including years before 1972; and

(ii) the "pension equivalent" (as hereinafter defined in (c) below) of the amount that would have been standing to such participant's credit in his or her Employer Account (as defined in the Borden RSP) at retirement or other termination of employment under the Borden RSP had the Borden RSP as in effect on January 1 1983 remained unchanged and had the Employer contributions after January 1, 1984 been equal to 55% of such participant's "contributions" not in excess of 6% of his or her compensation. For purposes of the foregoing, such participant's contributions shall be deemed to have been at the 6% level from January 1, 1984 forward. For purposes of determining the amount deemed to be credited to such participant's Employer Account (as defined in the Borden RSP), earnings on the Employer contributions deemed made pursuant to this paragraph 2(a)(ii) shall be at the same rate as the actual earnings on such participant's actual Employer Account (as defined in the Borden RSP.)

(b) The sum of:

(i) the retirement income payable to or with respect to such participant under the Borden ERIP (and the other provisions of this Executives Supplemental Pension Plan or the Prior Plans); and

(ii) the pension equivalent (as herein defined in (c) below) of the amount that would have been standing to such participant's credit in his or her Employer Account (as defined in the Borden RSP) as retirement or other termination of employment under the Borden RSP had the participant contributed at the maximum permitted rate subject to Company matching contributions from January 1, 1984 forward.

(c) For purpose of this paragraph 2, pension equivalent shall be the amount of retirement income payable to, or with respect to, the participant under a life annuity form, determined on the basis of the 1976-80 Basic GAM Mortality Table (the 1971 GAM Table with margins remove, projected to 1978 with Scale E) and an interest rate of 7-3/4% per annum, compounded monthly.

APPENDIX B

The benefits accrued by Frederick Huber, an executive with Borden Chemicals, Inc. under the Melamine Chemicals, Inc. Restoration Plan of July 1, 1994 ("Melamine Plan"), $32,548.72, shall be treated as if it were an Accrued Supplemental ERIP Benefit accruing interest from March 1,1998 under Section A3.5 of the Borden ERIP. Such benefits will be payable in the form and at the time provided for the payment of his Borden ERIP benefit, if any, and if none, in a lump sum after termination.

BORDEN, INC., CONSOLIDATED
SUBSIDIARIES OF REGISTRANT AS OF DECEMBER 31, 1998

Subsidiaries of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
BCP Finance Corporation	100	Delaware
BCP Management, Inc.	100	Delaware
BDS Two, Inc.	100	Delaware
BDS Three, Inc.	100	Delaware
BDH One, Inc.	100	Delaware
BFE Corp.	100	Delaware
BDH Two, Inc.	100	Delaware
BDS One, Inc.	100	Delaware
BFI Ltd., L.P.	100	Delaware
Borden Chemical Holdings, Inc.	95.5	Delaware
Borden Chemical Investments, Inc.	100	Delaware
Borden Chemical, Inc.	100	Delaware
Borden Chemical International, Inc.	100	Delaware
Compania Quimica Borden, S.A.	100	Panama
Melamine Chemicals, Inc.	100	Delaware
Borden Australia (Pty.) Ltd.	100	Australia
Borden Australia Superannuation (Pty) Limited	100	Australia
Borden Chemical Holdings (Panama), S.A.	100	Panama
Borden Chemical (M.) Sdn. Bhd.	100	Malaysia
Italcolor, S.A.	39.38	Uruguay
Alba Quimica Industria e Comercio Ltda.	100	Brazil
Alba Amazonia S.A. Industrias Quimicas	99.9	Brazil
Alba Nordeste Industrias Quimica Ltda.	100	Brazil
The Wenham Corp., S.A.	100	Uruguay
Borden Chimie, S.A.	100	France
Borden International Philippines, Inc.	98	Philippines
Quimica Borden Argentina S.A.	94.2	Argentina
Compania Quimica Borden Ecuatoriana, S.A.	83.3	Ecuador
Gun Ei Borden International Resin Co. Ltd.	50	Japan
Italcolor S.A.	60.62	Uruguay
Quimica Borden Espana S.A.	95.74	Spain
Borden Chemical U.K. IHC, Inc.	100	Delaware
Borden Chemical U.K. Ltd.	100	United Kingdom
Borden (Bray) Ltd.	100	Ireland
Borden Company Limited, The	100	Canada
Elmer's Holdings, Inc.	98.5	Delaware
Elmer's Products, Inc.	100	Delaware
Elmer's Products Canada, Inc.	100	Canada
Elmer's Investments, Inc.	100	Delaware

BORDEN, INC., CONSOLIDATED
SUBSIDIARIES OF REGISTRANT AS OF DECEMBER 31, 1998

Subsidiaries of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Productos Borden, Inc.	100	New Jersey
reSource Partner, Inc.	100	Delaware
T.M.I. Associates, L.P	77.28	Delaware
Zeelandia Investerings Partnership	100	New York
T. K. Partner, Inc.	100	Delaware
Zip Corporation	100	Delaware
Zcan Investments Ltd.	100	Canada

NOTE: The above subsidiaries have been included in Borden's Consolidated Financial Statements on a consolidated or equity basis as appropriate. The names of certain subsidiaries, active and inactive, included in the Consolidated Financial Statements and of certain other subsidiaries not included therein, are omitted since when considered in the aggregate as a single subsidiary they do not constitute a significant subsidiary.

BORDEN, INC.
The following entities are included in the combined businesses as of December 31, 1998, but not included in the Registrant

Affiliates of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Borden Foods Holdings Corporation	100	Delaware
Borden Foods Corporation	100	Delaware
Albadoro S.p.A.	100	Italy
Monder Aliment S.p.A.	100	Italy
BF Foods International Corp.	100	Delaware
Borden, S.A.	100	Panama
Borden Company Limited, The	100	Ireland
Borden Foods Limited	100	Ireland
Borden International Packaging Ltd.	70	Ireland
Borden Exports Limited	100	Ireland
Cocio Chokolademaelk A/S	100	Denmark
Codoveca C por A.	100	Dominican Republic
BF (Alisa) SDAD LtdA.	100	Panama
BFC (Colombia) S.A.	100	Panama
BF (Colombia) LLC	100	Delaware
BFC One Corporation	100	Delaware
BFC Two Corporation	100	Delaware
BFC Three Corporation	100	Delaware
BFC Four Corporation	100	Delaware
BFC Five Corporation	100	Delaware
BFC Six Corporation	100	Delaware
BFC Seven Corporation	100	Delaware
Borden Foods International Corp.	100	Delaware
Borden Foods Canada Corporation	100	Canada
Borden Foods World Trade Corporation	100	Ohio
Borden International, Inc.	100	Delaware
Borden International Foods (Asia-Pacific) Ltd.	100	Hong Kong
Chef's of the World Ltd.	100	United Kingdom
Borden Redevelopment Corp.	100	Missouri
International Gourmet Specialties Company	100	New Jersey
Prince Company, Inc., The	100	Massachusetts
Qihe Dairy Corp. Ltd.	62	Republic of China
Qihe Investment Corporation	100	Delaware
Wise Foods, Inc.	100	Delaware
Wise Foods Holdings, Inc.	100	Delaware
Wise Foods Investments, Inc.	100	Delaware
Wise Holdings, Inc.	100	Delaware
Moore's Quality Snack Foods, Inc.	100	Virginia

BORDEN, INC.
The following entities are included in the combined businesses as of December 31, 1998, but not included in the Registrant

Affiliates of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Alisa, S.A.	100	Colombia
Arell Toiletries, Inc.	100	New York
Aunt Millie's Sauces, Inc.	100	New York
BCP, Inc.	100	Delaware
BDS Four, Inc.	100	Delaware
BDS Five, Inc.	100	Delaware
Bexley Finance, S.A.	100	Panama
B-F Processing Corporation	100	Delaware
BFI, Inc.	100	Delaware
Borden De Guatemala, S.A.	100	Guatemala
Borden Division de Consumo, S.A.	100	Spain
Borden Foods de El Salvador S.A.	99.8	El Salvador
Borden Foods Investments Corporation	100	Delaware
Borden Industrial Food Products, Inc.	100	New Jersey
Borden International (Europe) Ltd.	100	Delaware
Borden Japan, Inc.	100	Japan
BCMP Colombia S.A.	100	Delaware
Columbus Coated Fabrics Corporation	100	Ohio
Evitcani, Inc.	100	New York
JFI, Inc.	100	Illinois
John Robert Powers Attractions, Inc.	100	New York
John Robert Powers Cosmetics, Inc.	100	New York
Kerry CheeseTek Ltd.	2.8	Ireland
Latin America Agribusiness Development Corp., S.A.	6.7	Panama
LAAD Marketing Company Inc.	100	Panama
LAAD Caribe, S.A.	100	Panama
Navillus Insurance, Ltd.	100	Bermuda
Nedrob Affiliates, Inc.	100	Delaware
North American Sugar Industries Incorporated	100	New Jersey
Cuban-American Mercantile Corporation, The	100	New Jersey
West India Company, The	100	New Jersey
One Nedrob, Inc.	100	Delaware
Orchard Corporation of Hong Kong, The	100	Hong Kong
Re-Mi Foods, Inc.	100	Delaware
rSP Insurance Agency, Inc.	100	Ohio
Cherrydene, Ltd.	100	United Kingdom
Fulcliff P.I.P.E.S. Ltd.	100	United Kingdom
GRQ Developments, Ltd.	100	United Kingdom

BORDEN, INC.
The following entities are included in the combined businesses
as of December 31, 1998, but not included in the Registrant

Affiliates of Registrant	The percentage of voting securities owned, or other basis of control by its immediate parent	State or other jurisdiction of incorporation/ organization
Interbusco Ltd.	50	United Kingdom
RPC Foods, Ltd.	100	United Kingdom
RPC Holdings, Ltd.	100	United Kingdom
Resinite Limited	100	United Kingdom
Riley Vehicle Services Ltd.	100	United Kingdom
Riley's Commodities Ltd.	100	United Kingdom
Riley's Supplies Ltd.	100	United Kingdom
Trinidad Processing Company, Ltd.	32	Trinidad
Vanguard Plastics Limited	100	United Kingdom
Vicaplast Industria Comercio de Plastico Ltda.	100	Brazil
WFI, Inc.	100	Delaware

Exhibit (23)(i)

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-57577 of Borden, Inc. on Form S-3 of our reports for each of Borden, Inc., Borden, Inc. and Affiliates, Borden Foods Holdings Corporation and Wise Holdings, Inc. each dated February 12, 1999 appearing in this Annual Report on Form 10-K of Borden, Inc. for the year ended December 31, 1998.

DELOITTE & TOUCHE LLP

Columbus, Ohio
March 29, 1999

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YEAR
DEC-31-1998
DEC-31-1998
672
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211
10
113
1,087
795
324
2,012
1,038
552
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614
2
(527)
2,012
1,400
1,400
1,008
1,008
251
3
64
57
34
24
39
0
0
63
(.06)
(.06)