

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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(X) Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 1998

( ) Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5057

BOISE CASCADE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware 82-0100960

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

1111 West Jefferson Street  
P.O. Box 50  
Boise, Idaho 83728-0001

(Address of principal executive offices) (Zip Code)

(208) 384-6161

(Registrant's telephone number, including area code)

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  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of July 31, 1998
Common stock, \$2.50 par value	56,329,859

PART I - FINANCIAL INFORMATION

STATEMENTS OF LOSS  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands, except per share data)

Item 1. Financial Statements

	Three Months Ended June 30	
	1998	1997
	(unaudited)	
Sales	\$1,538,450	\$1,333,010
Costs and expenses		
Materials, labor, and other operating expenses	1,220,030	1,099,970
Depreciation and cost of company timber harvested	71,110	59,410
Selling and distribution expenses	160,230	130,650
General and administrative expenses	37,540	34,120
Other (income) expense, net	81,170	200
	<u>1,570,080</u>	<u>1,324,350</u>
Equity in net loss of affiliates	(1,810)	(1,610)
Income (loss) from operations	<u>(33,440)</u>	<u>7,050</u>

Interest expense	(40,860)	(31,680)
Interest income	570	1,740
Foreign exchange loss	(40)	(40)
	<u>(40,330)</u>	<u>(29,980)</u>
Loss before income taxes, minority interest, and cumulative effect of accounting change	(73,770)	(22,930)
Income tax benefit	12,280	8,940
	<u>(61,490)</u>	<u>(13,990)</u>
Loss before minority interest and cumulative effect of accounting change	(61,490)	(13,990)
Minority interest, net of income tax	(2,460)	(2,240)
	<u>(63,950)</u>	<u>(16,230)</u>
Loss before cumulative effect of accounting change	(63,950)	(16,230)
Cumulative effect of accounting change, net of income tax	-	-
	<u>-----</u>	<u>-----</u>
Net loss	\$ (63,950)	\$ (16,230)
	<u>-----</u>	<u>-----</u>
Net loss per common share		
Basic and diluted net loss before cumulative effect of accounting change	\$ (1.20)	\$ (.53)
Cumulative effect of accounting change	-	-
	<u>-----</u>	<u>-----</u>
Basic and diluted net loss	\$ (1.20)	\$ (.53)
	<u>-----</u>	<u>-----</u>

SEGMENT INFORMATION  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands)

	Three Months Ended June 30	
	1998	1997
	(unaudited)	
Segment sales		
Office products	\$ 732,863	\$ 600,470
Building products	449,169	431,310
Paper and paper products	455,431	385,500
Intersegment eliminations and other	(99,013)	(84,270)
	<u>\$1,538,450</u>	<u>\$1,333,010</u>
	<u>-----</u>	<u>-----</u>
Segment operating income (loss)		
Office products	\$ 31,507	\$ 24,855
Building products	(52,927)	17,591
Paper and paper products	(1,638)	(18,804)
Equity in net loss of affiliates	(1,810)	(1,610)
Corporate and other	(8,572)	(14,982)
	<u>\$ (33,440)</u>	<u>\$ 7,050</u>
	<u>-----</u>	<u>-----</u>

The accompanying notes are an integral part of these Financial Statements.

PART I - FINANCIAL INFORMATION

STATEMENTS OF LOSS  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands, except per share data)

Item 1. Financial Statements

	Six Months Ended June 30	
	1998	1997
	(unaudited)	
Sales	\$3,027,950	\$2,606,620
Costs and expenses		
Materials, labor, and other operating expenses	2,392,950	2,147,400
Depreciation and cost of company timber harvested	141,390	119,870
Selling and distribution expenses	321,930	259,250
General and administrative expenses	74,130	65,610
Other (income) expense, net	81,510	470
	<u>-----</u>	<u>-----</u>

	3,011,910	2,592,600
Equity in net loss of affiliates	(5,350)	(1,580)
Income from operations	10,690	12,440
Interest expense	(80,960)	(59,380)
Interest income	1,170	3,830
Foreign exchange loss	(90)	(50)
	(79,880)	(55,600)
Loss before income taxes, minority interest, and cumulative effect of accounting change	(69,190)	(43,160)
Income tax benefit	10,380	16,830
Loss before minority interest and cumulative effect of accounting change	(58,810)	(26,330)
Minority interest, net of income tax	(5,590)	(5,110)
Loss before cumulative effect of accounting change	(64,400)	(31,440)
Cumulative effect of accounting change, net of income tax	(8,590)	-
Net loss	\$ (72,990)	\$ (31,440)
Net loss per common share		
Basic and diluted net loss before cumulative effect of accounting change	\$ (1.37)	\$ (1.04)
Cumulative effect of accounting change	(.15)	-
Basic and diluted net loss	\$ (1.52)	\$ (1.04)

SEGMENT INFORMATION  
BOISE CASCADE CORPORATION AND SUBSIDIARIES  
(expressed in thousands)

	Six Months Ended June 30	
	1998	1997
	(unaudited)	
Segment sales		
Office products	\$1,492,671	\$1,198,341
Building products	817,847	808,692
Paper and paper products	913,725	756,054
Intersegment eliminations and other	(196,293)	(156,467)
	\$3,027,950	\$2,606,620
Segment operating income (loss)		
Office products	\$ 69,099	\$ 53,370
Building products	(52,133)	27,983
Paper and paper products	20,498	(41,471)
Equity in net loss of affiliates	(5,350)	(1,580)
Corporate and other	(21,424)	(25,862)
Income from operations	\$ 10,690	\$ 12,440

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BOISE CASCADE CORPORATION AND SUBSIDIARIES  
BALANCE SHEETS  
(expressed in thousands)

ASSETS	June 30		December 31
	1998	1997	1997
	(unaudited)		
Current			
Cash	\$ 82,668	\$ 80,538	\$ 56,429
Cash equivalents	4,357	168,284	7,157

	87,025	248,822	63,586
Receivables, less allowances of \$8,815, \$6,030, and \$9,689	620,461	516,931	570,424
Inventories	586,758	501,865	633,290
Deferred income tax benefits	57,808	60,910	54,312
Other	33,870	32,760	32,061
	<u>1,385,922</u>	<u>1,361,288</u>	<u>1,353,673</u>
Property			
Property and equipment			
Land and land improvements	55,542	47,995	57,260
Buildings and improvements	573,819	492,006	554,712
Machinery and equipment	4,148,885	4,032,427	4,055,065
	<u>4,778,246</u>	<u>4,572,428</u>	<u>4,667,037</u>
Accumulated depreciation	(2,187,540)	(1,967,638)	(2,037,352)
	<u>2,590,706</u>	<u>2,604,790</u>	<u>2,629,685</u>
Timber, timberlands, and timber deposits	276,714	291,802	273,001
	<u>2,867,420</u>	<u>2,896,592</u>	<u>2,902,686</u>
Goodwill, net of amortization of \$30,995, \$17,701, and \$24,020	444,525	338,359	445,722
Investments in equity affiliates	25,739	31,566	32,848
Other assets	221,138	233,892	234,995
Total assets	<u>\$4,944,744</u> =====	<u>\$4,861,697</u> =====	<u>\$4,969,924</u> =====

The accompanying notes are an integral part of these Financial Statements.

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
BALANCE SHEETS  
(expressed in thousands, except share amounts)

LIABILITIES AND SHAREHOLDERS' EQUITY

	June 30		December 31
	1998	1997	1997
	(unaudited)		
Current			
Notes payable	\$ 214,400	\$ 53,200	\$ 94,800
Current portion of long-term debt	25,241	170,720	30,176
Income taxes payable	-	1,788	3,692
Accounts payable	476,279	443,096	470,445
Accrued liabilities			
Compensation and benefits	124,267	117,072	126,780
Interest payable	42,478	31,889	39,141
Other	179,940	151,061	128,714
	<u>1,062,605</u>	<u>968,826</u>	<u>893,748</u>
Debt			
Long-term debt, less current portion	1,752,170	1,513,061	1,725,865
Guarantee of ESOP debt	171,513	191,868	176,823
	<u>1,923,683</u>	<u>1,704,929</u>	<u>1,902,688</u>
Other			
Deferred income taxes	210,285	233,631	230,840
Other long-term liabilities	224,364	242,337	224,663
	<u>434,649</u>	<u>475,968</u>	<u>455,503</u>
Minority interest	<u>112,781</u>	<u>91,454</u>	<u>105,445</u>
Shareholders' equity			
Preferred stock -- no par value; 10,000,000 shares authorized; Series D ESOP: \$.01 stated value; 5,485,292; 5,658,513; and 5,569,684 shares outstanding	246,838	254,633	250,636
Deferred ESOP benefit Series F: \$.01 stated value;	(171,513)	(191,868)	(176,823)

115,000 shares outstanding in 1997	-	111,043	111,043
Series G: \$.01 stated value; 862,500 shares outstanding in 1997	-	175,314	-
Common stock -- \$2.50 par value; 200,000,000 shares authorized; 56,329,030; 48,717,500; and 56,223,923 shares outstanding	140,823	121,794	140,560
Additional paid-in capital	420,556	239,818	416,691
Retained earnings	781,697	912,694	879,043
Accumulated other comprehensive income (loss)	(7,375)	(2,908)	(8,610)
Total shareholders' equity	<u>1,411,026</u>	<u>1,620,520</u>	<u>1,612,540</u>
Total liabilities and shareholders' equity	<u>\$4,944,744</u> =====	<u>\$4,861,697</u> =====	<u>\$4,969,924</u> =====

The accompanying notes are an integral part of these Financial Statements

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
STATEMENTS OF CASH FLOWS  
(expressed in thousands)

	Six Months Ended June 30	
	1998	1997
	(unaudited)	
Cash provided by (used for) operations		
Net loss	\$ (72,990)	\$ (31,440)
Cumulative effect of accounting change, net of income tax	8,590	-
Items in net loss not using (providing) cash		
Equity in net loss of affiliates	5,350	1,580
Depreciation, amortization, and cost of company timber harvested	141,390	119,870
Deferred income tax benefit	(14,704)	(19,348)
Minority interest, net of income tax	5,590	5,110
Writedown of assets	46,103	-
Other	33,691	1,009
Receivables	(54,526)	(18,986)
Inventories	47,721	53,488
Accounts payable and accrued liabilities	21,991	(4,389)
Current and deferred income taxes	(13,015)	(1,609)
Other	10,293	(3,444)
Cash provided by operations	<u>165,484</u>	<u>101,841</u>
Cash provided by (used for) investment		
Expenditures for property and equipment	(121,609)	(151,721)
Expenditures for timber and timberlands	(8,275)	(3,776)
Investments in equity affiliates, net	(429)	(15,227)
Purchases of facilities	(4,042)	(92,530)
Other	(4,371)	(17,366)
Cash used for investment	<u>(138,726)</u>	<u>(280,620)</u>
Cash provided by (used for) financing		
Cash dividends paid		
Common stock	(16,875)	(14,474)
Preferred stock	(12,867)	(21,708)
	<u>(29,742)</u>	<u>(36,182)</u>
Notes payable	119,600	16,500
Additions to long-term debt	239,672	211,000
Payments of long-term debt	(218,289)	(14,534)
Series F Preferred Stock redemption	(115,033)	-
Other	473	(10,034)
Cash provided by (used for) financing	<u>(3,319)</u>	<u>166,750</u>
Increase (decrease) in cash and cash equivalents	23,439	(12,029)
Balance at beginning of the year	<u>63,586</u>	<u>260,851</u>
Balance at June 30	<u>\$ 87,025</u> =====	<u>\$ 248,822</u> =====

The accompanying notes are an integral part of these Financial Statements.

NOTES TO QUARTERLY FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION. We have prepared the quarterly financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These statements should be read together with the statements and the accompanying notes included in our 1997 Annual Report.

The quarterly financial statements have not been audited by independent public accountants, but in the opinion of management, all adjustments necessary to present fairly the results for the periods have been included. The net loss for the three and six months ended June 30, 1998 and 1997, necessarily involved estimates and accruals. Except as may be disclosed within these "Notes to Quarterly Financial Statements," the adjustments made were of a normal, recurring nature. Quarterly results are not necessarily indicative of results that may be expected for the year.

(2) Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. These closures will occur before the end of this year. Employment for 494 workers at these locations will end when the plants close. Related to these closures, our Building Products segment recorded pretax losses in the second quarter of 1998 of \$27.0 million for the write-down of assets, \$14.0 million for severance and other employee related costs, and \$21.0 million for other exit costs, for a total of \$62.0 million. These charges are recorded in "Other (income) expense, net" in the accompanying statement of loss. These facilities had sales of \$22.1 million and \$44.0 million for the three and six months ended June 30, 1998, and sales of \$24.6 million and \$48.6 million for the same periods in 1997. Operating losses for these facilities were \$3.1 million and \$7.2 million for the three and six months ended June 30, 1998, and \$.8 million and \$4.1 million for the three and six months ended June 30, 1997.

Also in the second quarter of 1998, our Paper and paper products segment recorded a pretax charge of \$19.0 million for the revaluation of certain paper-related assets. Included in the revaluation is an \$8.0 million write-down of a 60% owned joint venture in China that produces carbonless paper. This charge is also recorded in "Other (income) expense, net" in the accompanying statement of loss.

(3) NET LOSS PER COMMON SHARE. Net loss per common share was determined by dividing net loss, as adjusted, by applicable shares outstanding. For the three and six months ended June 30, 1998 and 1997, the computation of diluted net loss per share was antidilutive; therefore, amounts reported for basic and diluted loss were the same.

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
	(expressed in thousands)			
Net loss as reported before cumulative effect of accounting change	\$ (63,950)	\$ (16,230)	\$ (64,400)	\$ (31,440)
Preferred dividends(a)	(3,518)	(9,584)	(8,579)	(19,297)
Excess of Series F Preferred Stock redemption price over carrying value(b)	-	-	(3,958)	-
Basic and diluted loss before cumulative effect of accounting change	(67,468)	(25,814)	(76,937)	(50,737)
Cumulative effective of accounting change, net of income tax	-	-	(8,590)	-
	<u>\$ (67,468)</u>	<u>\$ (25,814)</u>	<u>\$ (85,527)</u>	<u>\$ (50,737)</u>
Average shares outstanding used to determine basic and diluted loss per common share	56,316	48,601	56,279	48,557

(a) Dividend attributable to our Series D convertible preferred stock held by our ESOP (Employee Stock Ownership Plan) is net of a tax benefit.

(b) Six months ended June 30, 1998, included a negative seven cents related to the redemption of the Series F Preferred Stock. The loss used in the calculation of loss per share was increased by the excess of the amount paid to redeem the preferred stock over its carrying value.

(4) COMPREHENSIVE INCOME (LOSS). Comprehensive income (loss) for the periods include the following:

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
	(expressed in thousands)			
Net loss	\$(63,950)	\$(16,230)	\$(72,990)	\$(31,440)
Other comprehensive income (loss)				
Cumulative foreign currency translation adjustment, net of income taxes	(480)	(91)	1,235	(1,562)
Comprehensive income (loss), net of income taxes	\$(64,430)	\$(16,321)	\$(71,755)	\$(33,002)

Accumulated other comprehensive income (loss) for each period ended was as follows:

	June 30		December 31
	1998	1997	1997
	(expressed in thousands)		
Balances at beginning of period			
Minimum pension liability adjustment, net of income taxes	\$(1,995)	\$(2,866)	\$(2,866)
Cumulative foreign currency translation adjustment, net of income taxes	(6,615)	1,520	1,520
Changes within periods			
Minimum pension liability adjustment, net of income taxes	-	-	871
Cumulative foreign currency translation adjustment, net of income taxes	1,235	(1,562)	(8,135)
Balance at end of period	\$(7,375)	\$(2,908)	\$(8,610)

(5) DEFERRED SOFTWARE COSTS. We defer purchased and internally developed software and related installation costs for computer systems that are used in our businesses. Deferral of costs begins when technological feasibility of the project has been established and it is determined that the software will benefit future years. These costs are amortized on the straight-line method over a maximum of five years or the useful life of the product, whichever is less. If the useful life of the product is shortened, the amortization period is adjusted. "Other assets" in the Balance Sheets includes deferred software costs of \$34.5 million, \$20.7 million, and \$31.1 million at June 30, 1998 and 1997, and December 31, 1997.

(6) INVENTORIES. Inventories include the following:

	June 30		December 31
	1998	1997	1997
	(expressed in thousands)		
Finished goods and work in process	\$454,363	\$395,284	\$453,268
Logs	60,610	46,955	107,625
Other raw materials and supplies	149,858	140,886	149,870
LIFO reserve	(78,073)	(81,260)	(77,473)
	=====	=====	=====
	\$586,758	\$501,865	\$633,290

(7) CUMULATIVE EFFECT OF ACCOUNTING CHANGE. As of January 1, 1998, we adopted the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which required the write-off of previously capitalized preoperating costs. Adoption of this standard resulted in a charge for the cumulative effect of accounting change, net of tax, of \$8.6 million, or 15 cents per basic and diluted loss per share, for the six months ended June 30, 1998.

(8) INCOME TAXES. In the second quarter of 1998, the company's estimated annual tax benefit rate was reduced to 15%, compared with an estimated tax provision rate of 42% for the first three months of 1998 and an actual annual 1997 tax benefit rate of 32%. The fluctuations in the tax rate are due primarily to the sensitivity of the rate to lower income levels, including the

impact of the restructuring and revaluation charges, and the mix of income sources.

For the three and six months ended June 30, 1998, we paid income taxes, net of refunds received, of \$6.6 million and \$9.1 million, and \$6.4 million and \$7.5 million for the same periods in 1997.

(9) DEBT. At June 30, 1998, we had a revolving credit agreement with a group of banks that permitted us to borrow as much as \$600 million at variable interest rates based on customary indices. This agreement expires in June 2002. The revolving credit agreement contains financial covenants relating to minimum net worth, minimum interest coverage ratios, and ceiling ratios of debt to capitalization. Under this agreement, the payment of dividends is dependent upon the existence of and the amount of net worth in excess of the defined minimum. Our net worth at June 30, 1998, exceeded the defined minimum by \$120 million. At June 30, 1998, there were \$185 million of borrowings outstanding under this agreement.

Our majority-owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), has a \$450 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. The BCOP revolving credit facility contains customary restrictive financial and other covenants, including a negative pledge and covenants specifying a minimum fixed charge coverage ratio and a maximum leverage ratio. BCOP may, subject to the covenants contained in the credit agreement and to market conditions, raise additional funds through the agreement and through other external debt or equity financings in the future. Borrowings under BCOP's agreement were \$140 million at June 30, 1998.

Also at June 30, 1998, we had \$132.2 million of short-term borrowings outstanding and BCOP had \$82.2 million of short-term borrowings outstanding. At June 30, 1997, we had no short-term borrowings outstanding, while BCOP had \$53.2 million of short-term borrowings outstanding. The maximum amount of short-term borrowings outstanding during the six months ended June 30, 1998 and 1997, was \$275.3 million and \$294.8 million. The average amount of short-term borrowings outstanding during the six months ended June 30, 1998 and 1997, was \$214.9 million and \$37.9 million. The average interest rate for these borrowings was 5.9% for 1998 and 5.8% for 1997.

We filed a registration statement with the Securities and Exchange Commission for an additional \$400 million of shelf capacity for debt securities. The effective date of our filing was March 25, 1998. Our total shelf capacity was \$489.4 million at June 30, 1998.

BCOP filed a registration statement with the Securities and Exchange Commission to register \$300 million of shelf capacity for debt securities. The effective date of the filing was April 22, 1998. On May 12, 1998, BCOP issued \$150.0 million of 7.05% Notes under this registration statement. The Notes are due May 15, 2005. Proceeds from the issuance were used to repay borrowings under BCOP's revolving credit agreement. BCOP has \$150.0 million of shelf capacity remaining under this registration statement. In December 1997, BCOP entered into agreements to hedge against a rise in Treasury rates. BCOP entered into the transactions in anticipation of their issuance of these debt securities. The hedge agreements had a notional amount of \$70 million. The settlement rate, based on the yield on 10-year U.S. Treasury bonds, was less than the agreed upon initial rate and BCOP made a cash payment of \$0.6 million. The amount paid will be recognized as an increase in interest expense over the life of the debt securities issued.

Cash payments for interest, net of interest capitalized, were \$33.9 million and \$77.6 million for the three and six months ended June 30, 1998, and \$27.3 million and \$59.7 million for the three and six months ended June 30, 1997.

(10) BOISE CASCADE OFFICE PRODUCTS CORPORATION. During the first six months of 1998, BCOP completed two acquisitions, and during the first six months of 1997, BCOP completed six acquisitions, all of which were accounted for under the purchase method of accounting. Accordingly, the purchase prices were allocated to the assets acquired and liabilities assumed based upon their estimated fair values. The initial purchase price allocations may be adjusted within one year of the date of purchase for changes in estimates of the fair values of assets and liabilities. Such adjustments are not expected to be significant to our results of operations or our financial position. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill and is being amortized over 40 years. The results of operations of the acquired businesses are included in our operations subsequent to the dates of acquisition.

On January 12, 1998, BCOP acquired the direct marketing business of Fidelity Direct, based in Minneapolis, Minnesota. On February 28, 1998, BCOP acquired the direct marketing business of Sistemas Kalamazoo, based in Vizcaya, Spain. These transactions were completed for cash of \$4.0 million, debt assumed of \$0.2 million, and the recording of \$3.8 million of acquisition liabilities.

On January 31, February 28, and April 17, 1997, BCOP acquired contract stationer businesses in Montana, Florida, and the United Kingdom. On April 30, and May 30, 1997, we acquired computer consumables businesses in



North Carolina and Canada. On May 31, 1997, we acquired the promotional products business of OstermanAPI, Inc., based in Maumee, Ohio. In conjunction with the acquisition of Osterman, we formed a majority-owned subsidiary, Boise Marketing Services, Inc. ("BMSI"), of which BCOP owns 88%. BCOP's previously acquired promotional products company, OWNCO, also became part of BMSI. Also in January 1997, BCOP completed a joint venture with Otto Versand to direct market office products in Europe. These transactions, including the joint venture and the formation of the majority-owned promotional products subsidiary, were completed for cash of \$99.7 million, \$2.9 million of BCOP's common stock, and the recording of \$14.2 million of acquisition liabilities.

On July 7, 1997, we acquired 100% of the shares of Jean-Paul Guisset S.S. ("JPG"), a French Corporation. JPG is a direct marketer of office products in France. The negotiated purchase price was FF850.0 million (US\$144.0 million) plus a price supplement payable in the year 2000, if certain earnings and sales growth targets are reached. No liability has been recorded for the price supplement as the amount of payment, if any, is not assured beyond a reasonable doubt. In addition to the cash paid, BCOP recorded \$5.8 million of acquisition liabilities and assumed US\$10.1 million of long-term debt.

Unaudited pro forma results of operations reflecting the acquisitions would have been as follows. If the 1998 acquisitions had occurred on January 1, 1998, sales for the first six months of 1998 would have been unchanged, net loss would have decreased \$100,000, and basic and diluted loss per share would have been unchanged. If the 1998 and 1997 acquisitions had occurred on January 1, 1997, sales for the first six months of 1997 would have increased by \$100 million, net loss would have decreased by \$200,000, and basic and diluted loss per share would have been unchanged. This unaudited pro forma financial information does not necessarily represent the actual results of operations that would have occurred if the acquisitions had taken place on the dates assumed.

(11) SHAREHOLDERS' EQUITY. We have a shareholder rights plan which was adopted in December 1988, amended in September 1990, and renewed in September 1997. The Renewed Rights Agreement becomes operative upon the expiration of the existing Rights Agreement.

(12) NEW ACCOUNTING STANDARDS. In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. We will adopt the statement at year-end 1998. We are still evaluating what impact it will have on our reportable segments. Adoption of this statement will have no impact on net income.

In February 1998, the Financial Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This Statement standardizes the disclosure requirements for pensions and other postretirement benefits. This Statement is effective for fiscal years beginning after December 15, 1997. This Statement will have no impact on net income.

In March 1998, the American Institute of Certified Public Accountants (AICPA), issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This SOP is effective for financial statements for fiscal years beginning after December 15, 1998, with earlier application encouraged. We currently account for software costs generally in accordance with this SOP. In April 1998, the AICPA issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." This SOP provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred. This SOP is effective for financial statements for fiscal years beginning after December 15, 1998, with earlier application encouraged. Unamortized costs are required to be expensed at the time of adoption of the SOP. We adopted this standard as of January 1, 1998 (see note 7).

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. This Statement is effective for fiscal quarters of fiscal years beginning after June 15, 1999. We plan to adopt this Statement in the first quarter of 2000. We are in the process of reviewing this new standard. We currently have no derivative financial instruments. Adoption of this Statement is not expected to have a significant impact on our results of operations or financial position.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1998, COMPARED WITH THREE MONTHS ENDED JUNE 30, 1997

Our net loss for the second quarter of 1998 was \$64.0 million, compared with a net loss of \$16.2 million for the second quarter of 1997. Basic loss and diluted loss per common share for the second quarter of 1998 were \$1.20. For the same quarter in 1997, basic loss and diluted loss per common share were 53 cents. Sales for the second quarter of 1998 were \$1.5 billion and \$1.3 billion in the second quarter of 1997.

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. These closures will occur before the end of this year. Employment for 494 workers at these locations will end when the plants close. Related to these closures, our Building products segment recorded pretax losses in the second quarter of 1998 of \$27.0 million for the write-down of assets, \$14.0 million for severance and other employee related costs, and \$21.0 million for other exit costs, for a total of \$62.0 million. These charges are recorded in "Other (income) expense, net" in the accompanying statement of loss. These facilities had sales of \$22.1 million for the three months ended June 30, 1998, and sales of \$24.6 million for the same period in 1997. Operating losses for these facilities were \$3.1 million for the three months ended June 30, 1998, and \$0.8 million for the three months ended June 30, 1997.

Also in the second quarter of 1998, our Paper and paper products segment recorded a pretax charge of \$19.0 million for the revaluation of certain paper-related assets. Included in the revaluation is an \$8.0 million write-down of a 60% owned joint venture in China that produces carbonless paper. This charge is also recorded in "Other (income) expense, net" in the accompanying statement of loss.

Excluding these write-offs, we would have had second quarter net income of \$1.2 million, or a loss of 4 cents per basic and diluted share.

Operating income in the office products segment in the second quarter of 1998 was \$31.5 million, compared to \$24.9 million in the second quarter 1997. Net sales in the second quarter of 1998 increased 22% to \$732.9 million, compared with \$600.5 million in the second quarter of 1997. The growth in sales resulted from both acquisitions and same-location sales growth. Same-location sales increased 11% in the second quarter of 1998, compared with sales in the second quarter of 1997. Gross margins were 25.7% in the second quarter of 1998, compared to 24.8% in the year-ago second quarter. The increase in the second quarter of 1998 was primarily because of improvements in BCOP's domestic contract stationer gross margins and the gross margin contributions from BCOP's foreign direct marketing acquisitions. BCOP's operating expenses were 21.4% of net sales in the second quarter of 1998, compared with 20.6% in the second quarter of 1997. The increase in the second quarter of 1998 was due, in part, to BCOP's direct marketing acquisitions, which have both higher gross margins and higher operating expenses. Direct marketing acquisitions made in the last half of 1997, increased BCOP's cost average compared to the prior year. BCOP's operating margin was 4.3% in 1998 and 4.2% in 1997.

Our Building products segment had an operating loss of \$52.9 million in the second quarter of 1998. This loss includes \$62.0 million for the restructuring charge for the closure of our four manufacturing facilities. Excluding this restructuring charge, this segment earned \$9.1 million, compared with operating income of \$17.6 million in the second quarter of 1997. Sales increased 4% to \$449.2 million compared to \$431.3 million a year ago. Performance declined as a result of continuing weaknesses in wood products markets. Average lumber prices in the second quarter declined 16% from year-ago levels, plywood prices declined 8%, I-joist prices declined 4%, particleboard prices declined 6%, and laminated veneer lumber prices were about flat. Offsetting the lower prices were improved sales volumes for almost all of our building products. Sales volume for plywood was up 21 million square feet, lumber sales volume was down 10 million board feet, laminated veneer lumber sales volume was up 0.3 million cubic feet, I-joist sales volume was up 7 million equivalent lineal feet, and particleboard sales volume was about flat. Our building materials distribution business increased sales 16% to \$228.2 million in the second quarter of 1998 compared with \$196.7 million in the second quarter of 1997, more than offsetting the weakening lumber and plywood prices.

Our Paper and paper products segment reported an operating loss of \$1.6 million in the second quarter of 1998. The second quarter results included \$19.0 million of charges for the revaluation of assets. Excluding these charges, this segment would have earned \$17.4 million. For the second quarter of 1997, this segment recorded an operating loss of \$18.8 million. Sales increased 18% to \$455.4 million in the second quarter of 1998 from \$385.5 million in the second quarter of 1997. Performance improved, compared with a year ago, because average paper prices increased for all of the grades we produce. Uncoated free sheet prices increased 5%, containerboard prices increased 35%, newsprint prices increased 11%, and pulp prices increased 10%. Sales volumes for the second quarter of 1998 increased as well, up 30,000 tons to 651,000 tons, compared with 621,000 tons in the second quarter of 1997. Uncoated free sheet volumes increased 25,000 tons as our new world-class uncoated free sheet paper machine in Jackson, Alabama, is now operating at close to rated capacity. Containerboard sales volumes increased 3,000 tons and market pulp sales volumes increased 4,000 tons. These increases were

offset by a 2,000 ton sales volume reduction in newsprint.

Paper segment manufacturing costs per ton in the second quarter of 1998 were 2% lower than in the comparison quarter. The decrease from quarter to quarter was due primarily to lower wood costs.

Interest expense was \$40.9 million in the second quarter of 1998, compared with \$31.7 million in the same period last year. Capitalized interest in the second quarter of 1998 was \$64,000, compared to \$3.9 million in the second quarter of 1997. With the start-up of the expansion of the Jackson pulp and paper mill in April 1997, the amount of interest capitalized has decreased significantly. The balance of the increase in interest expense was due to higher debt levels.

SIX MONTHS ENDED JUNE 30, 1998, COMPARED WITH SIX MONTHS ENDED JUNE 30, 1997

We had a net loss of \$73.0 million, or \$1.52 per basic and diluted share, for the first six months of 1998. For the first six months of 1997, we lost \$31.4 million. Basic loss and diluted loss per common share were \$1.04. Sales for the first six months of 1998 were \$3.0 billion, compared with \$2.6 billion for the same period in the prior year.

Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business by permanently closing four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. These closures will occur before the end of this year. Employment for 494 workers at these locations will end when the plants close. Related to these closures, our Building Products segment recorded pretax losses in the second quarter of 1998 of \$27.0 million for the write-down of assets, \$14.0 million for severance costs, and \$21.0 million for other exit costs, for a total of \$62.0 million. These charges are recorded in "Other (income) expense, net" in the accompanying statement of loss. These facilities had sales of \$44.0 million for the six months ended June 30, 1998, and sales of \$48.6 million for the same period in 1997. Operating losses for these facilities were \$7.2 million for the six months ended June 30, 1998, and \$4.1 million for the six months ended June 30, 1997.

In addition, our Paper and paper products segment recorded a pretax charge of \$19.0 million for the revaluation of certain paper-related assets. Included in the revaluation is an \$8.0 million write-down of a 60% owned joint venture in China that produces carbonless paper. This charge is also recorded in "Other (income) expense, net" in the accompanying statement of loss.

Also included in the \$73.0 million loss is a net of tax charge of \$8.6 million, or 15 cents per basic and diluted loss per share, for the adoption of the provisions of a new accounting standard, AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which required the write-off of previously capitalized preoperating costs. This was adopted as of January 1, 1998.

Excluding these write-offs and charges, net income for the first six months of 1998 would have been \$0.5 million, or a loss of 21 cents per basic and diluted share.

Our office products segment had operating income of \$69.1 million for the first six months of 1998, compared with \$53.4 million for the first six months of 1997. Sales increased 25% to \$1.5 billion, compared with \$1.2 billion. The increase was due to a combination of acquisitions and same-location sales growth. Same location sales increased 12% year to year. Gross margins were 25.7% in the first six months of 1998, compared to 25.0% a year ago. The increase was primarily due to increases in BCOP's domestic contract stationer and direct marketing gross margins, offset slightly by lower margins in our other businesses. Operating expenses were 21.1% of net sales in the first six months of 1998, compared with 20.5% in the first six months of 1997. This increase was due, in part, from BCOP's direct marketing acquisitions, which have both higher gross margins and higher operating expenses. Direct marketing acquisitions made in the last half of 1997 increased our cost average compared to the prior year. BCOP's operating margin was 4.6% in 1998 and 4.5% in 1997.

Our Building products segment had an operating loss of \$52.1 million in the first six months of 1998. This includes \$62.0 million of restructuring reserves. Excluding these reserves this segment earned \$9.9 million, compared with income of \$28.0 million in the prior year. Sales for the first six months of 1998 were \$817.8 million, up slightly from the \$808.7 million reported in the prior year. The decline in operating results is due to continuing weaknesses in wood products markets. Average lumber prices declined 11% in 1998, compared with 1997 prices, while plywood prices declined 7%. Particleboard prices were down 5%, I-joist prices were down 4%, and laminated veneer lumber prices were about flat. Offsetting the lower prices were improved sales volumes for nearly all of our building products. Sales volume for plywood was up 18 million square feet, sales volume for laminated veneer lumber was up 0.4 million cubic feet, I-joist sales volume was up 9 million equivalent lineal feet, while particleboard sales volume was about flat. Lumber sales volume declined 36 million board feet. Building materials distribution sales were up 12% to \$395.9 million, compared to \$352.5 million

for the first six months of 1997.

Our Paper and paper products segment had operating income of \$20.5 million for the first six months of 1998. This includes a charge taken in the second quarter of \$19.0 million for the revaluation of assets. Excluding this charge, this segment would have earned \$39.5 million compared with a loss of \$41.5 million for the first six months of 1997. Sales increased 21% to \$913.7 million, compared with \$756.1 million a year ago. The increase is due to improved average paper prices for all of the grades we produce. Uncoated free sheet average prices increased 8%, containerboard average prices increased 29%, newsprint average prices increased 14%, and pulp average prices increased 7%. In addition, sales volumes increased 48,000 tons to 1,303,000 tons compared with 1,255,000 tons a year ago.

Paper segment manufacturing costs per ton in the first six months of 1998 were about flat compared with the comparison period.

Total long- and short-term debt outstanding was \$2.2 billion at June 30, 1998, compared with \$1.9 billion at June 30, 1997. Total long- and short-term debt outstanding was \$2.0 billion at December 31, 1997. The increase is due primarily to higher short-term borrowings.

#### FINANCIAL CONDITION

At June 30, 1998, we had working capital of \$323.3 million. Working capital was \$392.5 million at June 30, 1997, and \$459.9 million at December 31, 1997. Cash provided by operations was \$165.5 million for the first six months of 1998, compared with \$101.8 million for the same period in 1997.

At June 30, 1998, we had a revolving credit agreement with a group of banks that permitted us to borrow as much as \$600 million at variable interest rates based on customary indices. This agreement expires in June 2002. The revolving credit agreement contains financial covenants relating to minimum net worth, minimum interest coverage ratios, and ceiling ratios of debt to capitalization. Under this agreement, the payment of dividends is dependent upon the existence of and the amount of net worth in excess of the defined minimum. Our net worth at June 30, 1998, exceeded the defined minimum by \$120 million. At June 30, 1998, there were \$185 million of borrowings outstanding under this agreement.

Our majority-owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), has a \$450 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. The BCOP revolving credit facility contains customary restrictive financial and other covenants, including a negative pledge and covenants specifying a minimum fixed charge coverage ratio and a maximum leverage ratio. BCOP may, subject to the covenants contained in the credit agreement and to market conditions, raise additional funds through the agreement and through other external debt or equity financings in the future. Borrowings under BCOP's agreement were \$140 million at June 30, 1998.

At June 30, 1998, we and BCOP met all of the financial covenants related to our debt.

Also at June 30, 1998, we had \$132.2 million of short-term borrowings outstanding and BCOP had \$82.2 million of short-term borrowings outstanding. At June 30, 1997, we had no short-term borrowings outstanding, while BCOP had \$53.2 million of short-term borrowings outstanding. The maximum amount of short-term borrowings outstanding during the six months ended June 30, 1998 and 1997, were \$275.3 million and \$294.8 million. The average amount of short-term borrowings outstanding during the six months ended June 30, 1998 and 1997, were \$214.9 million and \$37.9 million. The average interest rate for these borrowings was 5.9% for 1998 and 5.8% for 1997.

We filed a registration statement with the Securities and Exchange Commission for an additional \$400 million of shelf capacity for debt securities. The effective date of our filing was March 25, 1998. Our total shelf capacity was \$489.4 million at June 30, 1998.

BCOP filed a registration statement with the Securities and Exchange Commission to register \$300 million of shelf capacity for debt securities. The effective date of the filing was April 22, 1998. On May 12, 1998, BCOP issued \$150.0 million of 7.05% Notes under this registration statement. The Notes are due May 15, 2005. Proceeds from the issuance will be used to repay borrowings under BCOP's revolving credit agreement. BCOP has \$150.0 million of shelf capacity remaining under this registration statement. In December 1997, BCOP entered into agreements to hedge against a rise in Treasury rates. BCOP entered into the transactions in anticipation of their issuance of these debt securities. The hedge agreements had a notional amount of \$70 million. The settlement rate, based on the yield on 10-year U.S. Treasury bonds, was less than the agreed upon initial rate and BCOP made a cash payment of \$0.6 million. The amount paid will be recognized as an increase in interest expense over the life of the debt securities issued.

Capital expenditures for the first six months of 1998 and 1997 were \$138.4 million and \$270.3 million. Capital expenditures for the year ended December 31, 1997, were \$578.6 million. The decrease in capital expenditures

quarter to quarter is primarily due to the completion of the Jackson pulp and paper mill expansion in May 1997.

An expanded discussion and analysis of financial condition is presented on pages 18 and 19 of the Company's 1997 Annual Report under the captions "Financial Condition" and "Capital Investment."

#### MARKET CONDITIONS

The Asian economic turmoil has clearly had a negative impact on the near-term outlook for paper and wood products markets. U.S. exports of these products have declined, and imports have increased; conditions that are expected to worsen later this year. We view the Asian economic trouble as a temporary phenomenon, and once it is past, the long-term fundamentals of these businesses should be quite positive.

We expect continued profitable growth in our office products distribution business and increasing benefits from our new engineered wood products facilities and our growing presence in value-added uncoated free sheet papers.

#### NEW ACCOUNTING STANDARDS

In 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes standards for the way public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. We will adopt the statement at year-end 1998. We are still evaluating what impact it will have on our reportable segments. Adoption of this statement will have no impact on net income.

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In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. This Statement is effective for fiscal quarters of fiscal years beginning after June 15, 1999. We plan to adopt this Statement in the first quarter of 2000. We are in the process of reviewing this new standard. We currently have no derivative financial instruments. Adoption of this Statement is not expected to have a significant impact on our results of operations or financial position.

#### TIMBER SUPPLY

The amount of public timber available for harvest in the Pacific Northwest has declined due to environmental litigation and changes in government policy. We expect these constraints on the available public timber to increase. In addition, federal laws, such as the Endangered Species Act, can impact the supply of timber from privately owned lands, increasing the cost of forest management and harvesting operations. In Oregon, the November ballot will include a measure seeking to ban certain forest management and timber harvesting activities on all public and private lands. We cannot predict whether the ballot measure will be passed by Oregon voters or, if passed, whether it will survive threatened legal challenges. Nevertheless, taken together, these factors make it extremely difficult to accurately predict future timber supplies in the Pacific Northwest.

#### YEAR 2000 COMPUTER ISSUE

Many computer systems in use today were designed and developed using two digits, rather than four, to specify the year. As a result, such systems will recognize the year 2000 as "00." This could cause many computer applications to fail completely or to create erroneous results unless corrective measures

are taken. We utilize software and related computer technologies that will be affected by this issue. We have established a senior information system management team to monitor our activities in the development of Year 2000 compliant systems across our entire company. This team is responsible for evaluating our compliance with Year 2000 requirements and implementing changes. Over the last two years we have been replacing many of our business computer systems in order to realize cost savings and process improvements. These replacements, all of which are year 2000 compliant, will be completed before the year 2000. Many of the costs associated with these replacements have been and will be deferred. (See Note 5 in "Notes to Quarterly Financial Statements.") A Year 2000 compliance inventory of business computer systems that will not be replaced was completed first quarter 1998. While some reprogramming will be required, costs are not expected to be material, and we expect to complete all necessary changes by year-end 1999. These costs will be expensed as incurred.

During the first half of 1998, we inventoried our manufacturing computer systems in our Building products and Paper and paper products segments for year 2000 compliance. In the less complex Building Products process control systems, we identified the reprogramming necessary and are in the process of making the appropriate modifications. Costs are not material and will be expensed as incurred. In the more complex Paper and paper products segment process control systems we have concluded our initial inventory and are doing further evaluation and development of an implementation plan. We expect to complete all necessary changes by year-end 1999. The costs associated with making these systems compliant will be determined later in 1998, but are not expected to be material. We are currently identifying and surveying our suppliers and customers to determine if critical processes may be impacted by their lack of year 2000 compliance.

While we believe that our computer systems will be year 2000 compliant and that the costs required to achieve this will not materially impact our financial position, results of operations, or cash flows, there can be no guarantee that all systems will be compliant by the year 2000 or that the systems of other companies on which we rely will be converted within the same time frame.

#### FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis includes forward-looking statements. Because these forward-looking statements include risks and uncertainties, actual results may differ materially from those expressed in or implied by the statements. Factors that could cause actual results to differ include, among other things, changes in domestic or foreign competition, prolonged economic turmoil in Asia, increases in capacity through construction of new mills or conversion of older facilities to produce competitive products, variations in demand for our products, changes in our cost for or the availability of raw materials, particularly market pulp and wood, the cost of compliance with new environmental laws and regulations, the pace of acquisitions, same-location sales, cost structure improvements, the success of new initiatives, integration of systems, the success of computer-based system enhancements, and general economic conditions.

#### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Changes in interest rates and currency rates expose us to financial market risk. Our debt is predominantly fixed-rate. We experience only modest changes in interest expense when market interest rates change. Most foreign currency transactions have been conducted in the local currency, limiting our exposure to changes in currency rates. Consequently, our market risk sensitive instruments do not subject us to material market risk exposure. Changes in our debt and our continued international expansion could increase these risks. To manage volatility relating to these exposures, we may enter into various derivative transactions such as interest rate swaps, rate hedge agreements, and forward exchange contracts. Interest rate swaps and rate hedge agreements are used to hedge underlying debt obligations or anticipated transactions. For qualifying hedges, the interest rate differential is reflected as an adjustment to interest expense over the life of the swap or underlying debt. Gains and losses related to qualifying hedges of foreign currency firm commitments and anticipated transactions are deferred and are recognized in income or as adjustments of carrying amounts when the hedged transaction occurs. All other forward exchange contracts are marked to market, and unrealized gains and losses are included in current period net income. We had no material exposure to losses from derivative financial instruments held at June 30, 1998. We do not use derivative financial instruments for trading purposes.

#### PART II - OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS

Reference is made to our annual report on Form 10-K for the year ended December 31, 1997, for information concerning legal proceedings.

##### ITEM 2. CHANGES IN SECURITIES

The payment of dividends is dependent upon the existence of and the amount of

net worth in excess of the defined minimum under our revolving credit agreement. Our net worth at June 30, 1998, exceeded the defined minimum by \$120 million. At June 30, 1998, there were \$185 million of borrowings outstanding under the agreement.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

At June 30, 1998, there were no existing defaults.

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

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Required exhibits are listed in the Index to Exhibits and are incorporated by reference.

(b) Reports on Form 8-K.

No Form 8-Ks were filed during the second quarter of 1998.

SIGNATURES

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

BOISE CASCADE CORPORATION

As Duly Authorized Officer and  
Chief Accounting Officer:

/s/ Tom E. Carlile  
Tom E. Carlile  
Vice President and  
Controller

Date: August 13, 1998

BOISE CASCADE CORPORATION  
INDEX TO EXHIBITS  
Filed With the Quarterly Report on Form 10-Q  
for the Quarter Ended June 30, 1998

<u>Number</u>	<u>Description</u>	<u>Page Number</u>
11	Computation of Per Share Earnings	
12	Ratio of Earnings to Fixed Charges	
27	Financial Data Schedule	



Boise Cascade Corporation  
Computation of Per Share Earnings

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
	(expressed in thousands, except per share amounts)			
Net loss as reported, before cumulative effect of accounting change	\$ (63,950)	\$ (16,230)	\$ (64,400)	\$ (31,440)
Preferred dividends	(3,518)	(9,584)	(8,579)	(19,297)
Excess of Series F Preferred Stock redemption price over carrying value	-	-	(3,958)	-
	(67,468)	(25,814)	(76,937)	(50,737)
Cumulative effect of accounting change	-	-	(8,590)	-
Basic loss	\$ (67,468)	\$ (25,814)	\$ (85,527)	\$ (50,737)
Basic loss before cumulative effect of accounting change	\$ (67,468)	\$ (25,814)	\$ (76,937)	\$ (50,737)
Preferred dividends eliminated	3,486	6,882	7,106	13,892
Supplemental ESOP contribution	(2,979)	(2,988)	(6,073)	(6,067)
	(66,961)	(21,920)	(75,904)	(42,912)
Cumulative effect of accounting change	-	-	(8,590)	-
Diluted loss	\$ (66,961)	\$ (21,920)	\$ (84,494)	\$ (42,912)
Average shares outstanding used to determine basic loss per common share	56,316	48,601	56,279	48,557
Stock options, net	304	448	274	415
Series G conversion preferred stock	-	6,898	-	6,903
Series D convertible preferred stock	4,418	4,560	4,439	4,592
	61,038	60,507	60,992	60,467
	61,038	60,507	60,992	60,467
Net loss per common share				
Basic loss before cumulative affect of accounting change	\$(1.20)	\$ (.53)	\$(1.37)	\$(1.04)
Cumulative affect of accounting change	-	-	\$ (.15)	-
Basic net loss per common share	\$(1.20)	\$ (.53)	\$(1.52)	\$(1.04)
Diluted loss before cumulative effect of accounting change	\$(1.10)	\$ (.36)	\$(1.24)	\$ (.71)
Cumulative affect of accounting change	-	-	\$ (.14)	-
Diluted net loss per common share	\$(1.10)	\$ (.36)	\$(1.38)	\$ (.71)

(1) Because the computation of diluted loss per common share was antidilutive, the diluted loss per common share reported for the three and six months ended June 30, 1998 and 1997, was the same as basic loss per common share.

BOISE CASCADE CORPORATION AND SUBSIDIARIES  
Ratio of Earnings to Fixed Charges

	Year Ended December 31					Six Months Ended June 30	
	1993	1994	1995	1996	1997	1997	1998
	(dollar amounts expressed in thousands)						
Interest costs	\$ 172,170	\$ 169,170	\$ 154,469	\$ 146,234	\$ 153,691	\$ 67,640	\$ 88,407
Interest capitalized during the period	2,036	1,630	3,549	17,778	10,575	10,223	132
Interest factor related to noncapitalized leases(1)	7,485	9,161	8,600	12,982	11,931	6,139	6,141
<b>Total fixed charges</b>	<b>\$ 181,691</b>	<b>\$ 179,961</b>	<b>\$ 166,618</b>	<b>\$ 176,994</b>	<b>\$ 176,197</b>	<b>\$ 84,002</b>	<b>\$ 94,680</b>
Income (loss) before income taxes, minority interest, and cumulative effect of accounting change	\$(125,590)	\$ (64,750)	\$ 589,410	\$ 31,340	\$(28,930)	\$ (43,160)	\$ (69,190)
Undistributed (earnings) losses of less than 50% owned persons, net of distributions received	(922)	(1,110)	(36,861)	(1,290)	5,180	1,581	5,350
<b>Total fixed charges</b>	<b>181,691</b>	<b>179,961</b>	<b>166,618</b>	<b>176,994</b>	<b>176,197</b>	<b>84,002</b>	<b>94,680</b>
Less: Interest capitalized	(2,036)	(1,630)	(3,549)	(17,778)	(10,575)	(10,223)	(132)
Guarantee of interest on ESOP debt	(22,208)	(20,717)	(19,339)	(17,874)	(16,341)	(8,260)	(7,447)
<b>Total earnings (losses) before fixed charges</b>	<b>\$ 30,935</b>	<b>\$ 91,754</b>	<b>\$ 696,279</b>	<b>\$ 171,392</b>	<b>\$ 125,531</b>	<b>\$ 23,940</b>	<b>\$ 23,261</b>
	=====	=====	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges(2)	-	-	4.18	-	-	-	-

(1) Interest expense for operating leases with terms of one year or longer is based on an imputed interest rate for each lease.

(2) Earnings before fixed charges were inadequate to cover total fixed charges by \$150,756,000, \$88,207,000, \$5,602,000, and \$50,666,000 for the years ended December 31, 1993, 1994, 1996, and 1997 and \$60,062,000 and \$71,419,000 for the six months ended June 30, 1997 and 1998.

The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at June 30, 1998, and from its Statement of Income for the six months ended June 30, 1998. The information presented is qualified in its entirety by reference to such financial statements.

1,000

6-MOS	
DEC-31-1998	JUN-30-1998
	82,668
	4,357
	620,461
	8,815
	586,758
1,385,922	5,054,960
	2,187,540
	4,944,744
1,062,605	1,923,683
0	246,838
	140,823
4,944,744	1,023,365
	3,027,950
3,027,950	2,534,340
	3,011,910
	0
	0
80,960	
(69,190)	
	10,380
(64,400)	0
	0
	(8,590)
	(72,990)
	(1.52)
	(1.52)

The restated data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at March 31, 1998, and from its Statement of Loss for the three months ended March 31, 1998. The information presented is qualified in its entirety by reference to such financial statements.

1,000

3-MOS	
	DEC-31-1998
	MAR-31-1998
	86,002
	8,840
	630,448
	8,874
	614,772
	1,426,744
	5,037,596
	2,130,519
	5,036,922
1,077,092	
	1,919,315
0	
	248,465
	140,695
5,036,922	1,088,379
	1,489,500
1,489,500	
	1,243,200
	1,441,830
	0
	0
40,100	
	4,580
	(1,900)
(450)	
	0
	0
	(8,590)
	(9,040)
	(.32)
	(.32)