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

F O R M 10 - Q/A

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

For the quarterly period ended June 30, 1999

( ) 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<br>P.O. Box 50<br>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 X 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, 1999 |
|---|---|
| Common stock, $2.50 par value | 57,066,845 |

PART I - FINANCIAL INFORMATION

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

Item 1. Financial Statements

| | Three Months Ended June 30 | |
|---|---|---|
| | 1999 | 1998 |
| | (unaudited) | |
| Sales | $1,678,008 | $1,538,450 |
| Costs and expenses | | |
| Materials, labor, and other operating expenses | 1,290,393 | 1,220,030 |
| Depreciation, amortization, and cost of company timber harvested | 71,442 | 71,110 |
| Selling and distribution expenses | 184,069 | 160,230 |
| General and administrative expenses | 33,677 | 37,540 |
| Other (income) expense, net | (39,072) | 81,170 |
| | 1,540,509 | 1,570,080 |
| Equity in net income (loss) of affiliates | 3,212 | (1,810) |
| Income (loss) from operations | 140,711 | (33,440) |
| Interest expense | (34,642) | (40,860) |
| Interest income | 562 | 570 |
| Foreign exchange gain (loss) | 29 | (40) |
| | (34,051) | (40,330) |
| Income (loss) before income taxes and minority interest | 106,660 | (73,770) |

| | | |
|---|---|---|
| Income tax (provision) benefit | (44,264) | 12,280 |
| Income (loss) before minority interest | 62,396 | (61,490) |
| Minority interest, net of income tax | (3,344) | (2,460) |
| Net income (loss) | $ 59,052 | $ (63,950) |
| Net income (loss) per common share | | |
| Basic net income (loss) | $ .98 | $ (1.20) |
| Diluted net income (loss) | $ .92 | $ (1.20) |

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

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

| | Six Months Ended June 30 1999 | Six Months Ended June 30 1998 |
|---|---|---|
| | (unaudited) | |
| Sales | $3,289,161 | $3,027,950 |
| Costs and expenses | | |
| Materials, labor, and other operating expenses | 2,544,016 | 2,392,950 |
| Depreciation, amortization, and cost of company timber harvested | 140,477 | 141,390 |
| Selling and distribution expenses | 366,965 | 321,930 |
| General and administrative expenses | 63,663 | 74,130 |
| Other (income) expense, net | (32,705) | 81,510 |
| | 3,082,416 | 3,011,910 |
| Equity in net income (loss) of affiliates | 3,958 | (5,350) |
| Income from operations | 210,703 | 10,690 |
| Interest expense | (71,759) | (80,960) |
| Interest income | 1,178 | 1,170 |
| Foreign exchange gain (loss) | 73 | (90) |
| | (70,508) | (79,880) |
| Income (loss) before income taxes, minority interest, and cumulative effect of accounting change | 140,195 | (69,190) |
| Income tax (provision) benefit | (58,307) | 10,380 |
| Income (loss) before minority interest and cumulative effect of accounting change | 81,888 | (58,810) |
| Minority interest, net of income tax | (6,683) | (5,590) |
| Income (loss) before cumulative effect of accounting change | 75,205 | (64,400) |
| Cumulative effect of accounting change, net of income tax | - | (8,590) |
| Net income (loss) | $ 75,205 | $ (72,990) |
| Net income (loss) per common share | | |
| Basic net income (loss) before cumulative effect of accounting change | $ 1.21 | $ (1.37) |
| Cumulative effect of accounting change | - | (0.15) |
| Basic net income (loss) | $ 1.21 | $ (1.52) |
| Diluted net income (loss) before cumulative effect of accounting change | $ 1.14 | $ (1.37) |
| Cumulative effect of accounting change | - | (0.15) |
| Diluted net income (loss) | $ 1.14 | $ (1.52) |

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

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

| ASSETS | June 30 | | December 31 |
|---|---|---|---|
| | 1999 | 1998 | 1998 |
| | (unaudited) | | |
| Current | | | |
| Cash | $ 66,757 | $ 82,668 | $ 66,469 |
| Cash equivalents | 6,590 | 4,357 | 7,899 |
| | 73,347 | 87,025 | 74,368 |
| Receivables, less allowances of $10,536, $8,815, and $10,933 | 587,159 | 620,461 | 526,359 |
| Inventories | 552,291 | 586,758 | 625,218 |
| Deferred income tax benefits | 73,015 | 57,808 | 92,426 |
| Other | 55,754 | 33,870 | 50,035 |
| | 1,341,566 | 1,385,922 | 1,368,406 |
| Property | | | |
| Property and equipment | | | |
| Land and land improvements | 63,777 | 55,542 | 63,307 |
| Buildings and improvements | 579,375 | 573,819 | 575,509 |
| Machinery and equipment | 4,200,392 | 4,148,885 | 4,082,724 |
| | 4,843,544 | 4,778,246 | 4,721,540 |
| Accumulated depreciation | (2,285,697) | (2,187,540) | (2,150,385) |
| | 2,557,847 | 2,590,706 | 2,571,155 |
| Timber, timberlands, and timber deposits | 270,433 | 276,714 | 270,570 |
| | 2,828,280 | 2,867,420 | 2,841,725 |
| Goodwill, net of amortization of $44,965, $30,995, and $37,327 | 491,797 | 444,525 | 501,691 |
| Investments in equity affiliates | 35,219 | 25,739 | 27,162 |
| Other assets | 228,161 | 221,138 | 232,115 |
| Total assets | $4,925,023 | $4,944,744 | $4,971,099 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current | | | |
| Short-term borrowings | $ 137,511 | $ 214,400 | $ 129,512 |
| Current portion of long-term debt | 122,965 | 25,241 | 161,473 |
| Accounts payable | 515,734 | 476,279 | 499,489 |
| Accrued liabilities | | | |
| Compensation and benefits | 136,528 | 124,267 | 130,480 |
| Interest payable | 30,244 | 42,478 | 36,166 |
| Other | 197,142 | 179,940 | 172,980 |
| | 1,140,124 | 1,062,605 | 1,130,100 |
| Debt | | | |
| Long-term debt, less current portion | 1,488,844 | 1,752,170 | 1,578,136 |
| Guarantee of ESOP debt | 149,506 | 171,513 | 155,731 |
| | 1,638,350 | 1,923,683 | 1,733,867 |
| Other | | | |
| Deferred income taxes | 276,748 | 210,285 | 257,360 |
| Other long-term liabilities | 253,554 | 224,364 | 301,920 |
| | 530,302 | 434,649 | 559,280 |
| Minority interest | 123,802 | 112,781 | 116,753 |
| Shareholders' equity | | | |
| Preferred stock -- no par value; 10,000,000 shares authorized; Series D ESOP: $.01 stated value; 5,150,740; 5,485,292; and 5,356,648 shares outstanding | 231,783 | 246,838 | 241,049 |
| Deferred ESOP benefit | (149,506) | (171,513) | (155,731) |
| Common stock -- $2.50 par value; 200,000,000 shares authorized; 56,851,188; 56,329,030; and 56,338,426 shares outstanding | 142,128 | 140,823 | 140,846 |
| Additional paid-in capital | 437,120 | 420,556 | 420,890 |
| Retained earnings | 846,288 | 781,697 | 791,618 |
| Accumulated other comprehensive | | | |

| | | | |
|---|---|---|---|
| income (loss) | (15,368) | (7,375) | (7,573) |
| Total shareholders' equity | 1,492,445 | 1,411,026 | 1,431,099 |
| Total liabilities and shareholders' equity | $4,925,023 | $4,944,744 | $4,971,099 |

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 | |
|---|---|---|
| | 1999 | 1998 |
| | (unaudited) | |
| Cash provided by (used for) operations | | |
| Net income (loss) | $ 75,205 | $ (72,990) |
| Cumulative effect of accounting change, net of income tax | - | 8,590 |
| Items in net income (loss) not using (providing) cash | | |
| Equity in net (income) loss of affiliates | (3,958) | 5,350 |
| Depreciation, amortization, and cost of company timber harvested | 140,477 | 141,390 |
| Deferred income tax provision (benefit) | 49,402 | (14,704) |
| Minority interest, net of income tax | 6,683 | 5,590 |
| Restructuring charges | (36,322) | 80,903 |
| Other | (73) | (1,109) |
| Receivables | (64,900) | (54,526) |
| Inventories | 74,341 | 47,721 |
| Accounts payable and accrued liabilities | 23,578 | 21,991 |
| Current and deferred income taxes | (1,464) | (13,015) |
| Other | (2,109) | 10,293 |
| Cash provided by operations | 260,860 | 165,484 |
| Cash provided by (used for) investment | | |
| Expenditures for property and equipment | (107,096) | (121,609) |
| Expenditures for timber and timberlands | (1,683) | (8,275) |
| Investments in equity affiliates, net | - | (429) |
| Purchases of assets | (6,328) | (4,042) |
| Other | (10,001) | (4,371) |
| Cash used for investment | (125,108) | (138,726) |
| Cash provided by (used for) financing | | |
| Cash dividends paid | | |
| Common stock | (16,910) | (16,875) |
| Preferred stock | (8,741) | (12,867) |
| | (25,651) | (29,742) |
| Short-term borrowings | 7,999 | 119,600 |
| Additions to long-term debt | 88,671 | 239,672 |
| Payments of long-term debt | (215,743) | (218,289) |
| Series F preferred stock redemption | - | (115,033) |
| Other | 7,951 | 473 |
| Cash used for financing | (136,773) | (3,319) |
| Increase (decrease) in cash and cash equivalents | (1,021) | 23,439 |
| Balance at beginning of the year | 74,368 | 63,586 |
| Balance at June 30 | $ 73,347 | $ 87,025 |

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 1998 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 income (loss) for the three and six months ended June 30, 1999 and 1998, 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) NET INCOME (LOSS) PER COMMON SHARE. Net income (loss) per common share was determined by dividing net income (loss), as adjusted, by applicable shares outstanding. For the three and six months ended June 30, 1998, 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 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in thousands) | | | |
| Basic | | | | |
| Net income (loss) as reported, before cumulative effect of accounting change | $ 59,052 | $(63,950) | $ 75,205 | $(64,400) |
| Preferred dividends(a) | (3,365) | (3,518) | (6,855) | (8,579) |
| Excess of Series F Preferred Stock redemption price over carrying value(b) | - | - | - | (3,958) |
| Basic income (loss) before cumulative effect of accounting change | 55,687 | (67,468) | 68,350 | (76,937) |
| Cumulative effect of accounting change, net of income tax | - | - | - | (8,590) |
| Basic income (loss) | $ 55,687 | $(67,468) | $ 68,350 | $(85,527) |
| Average shares outstanding used to determine basic income (loss) per common share | 56,600 | 56,316 | 56,485 | 56,279 |
| Diluted | | | | |
| Basic income (loss) before cumulative effect of accounting change | $ 55,687 | $(67,468) | $ 68,350 | $(76,937) |
| Preferred dividends eliminated | 3,365 | - | 6,855 | - |
| Supplemental ESOP contribution | (2,877) | - | (5,860) | - |
| Diluted income (loss) before cumulative effect of accounting change | 56,175 | (67,468) | 69,345 | (76,937) |
| Cumulative effect of accounting change, net of income tax | - | - | - | (8,590) |
| Diluted income (loss) | $ 56,175 | $(67,468) | $ 69,345 | $(85,527) |
| Average shares outstanding used to determine basic income (loss) per common share | 56,600 | 56,316 | 56,485 | 56,279 |
| Stock options and other | 543 | - | 395 | - |
| Series D conversion preferred stock | 4,171 | - | 4,223 | - |
| Average shares used to determine diluted income (loss) per common share | 61,314 | 56,316 | 61,103 | 56,279 |

(a) Dividend attributable to the company's Series D convertible preferred stock held by the company's 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.

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

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in thousands) | | | |
| Net income (loss) | $ 59,052 | $(63,950) | $ 75,205 | $(72,990) |
| Other comprehensive income (loss) | | | | |
| Cumulative foreign currency translation adjustment, net of income taxes | (868) | (480) | (7,796) | 1,235 |
| Comprehensive income (loss), net of income taxes | $ 58,184 | $(64,430) | $ 67,409 | $(71,755) |

(4) RECEIVABLES. In late September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable. At June 30, 1999, and December 31, 1998, $100.0 million and $79.0 million of sold accounts receivable were excluded from receivables in the accompanying balance sheets. The portion of fractional ownership interest retained by us is included in accounts receivable in the balance sheets. The increase in sold accounts receivable over the amount at December 31, 1998, also represents an increase in cash provided by operations for the six months

ended June 30, 1999. This program represents a revolving sale of receivables committed to by the purchasers for 364 days and is subject to renewal. Costs related to the program are included in "Other (income) expense, net" in the Statements of Income (Loss). Under the accounts receivable sale agreement, the maximum amount available from time to time is subject to change based on the level of eligible receivables, restrictions on concentrations of receivables, and the historical performance of the receivables we sell.

(5) DEFERRED SOFTWARE COSTS. We defer certain software costs that benefit future years. These costs are amortized on the straight-line method over the expected useful life of the software. "Other assets" in the balance sheets include deferred software costs of $50.1 million, $34.5 million, and $47.1 million at June 30, 1999 and 1998, and December 31, 1998.

AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," became effective beginning in 1999. We account for software costs in accordance with this statement. The implementation of this statement had no financial statement impact on us.

(6) INVENTORIES. Inventories include the following:

| | June 30 | | December 31 |
|---|---|---|---|
| | 1999 | 1998 | 1998 |
| | (expressed in thousands) | | |
| Finished goods and work in process | $436,753 | $454,363 | $456,577 |
| Logs | 40,299 | 60,610 | 87,688 |
| Other raw materials and supplies | 138,535 | 149,858 | 145,319 |
| LIFO reserve | (63,296) | (78,073) | (64,366) |
| | $552,291 | $586,758 | $625,218 |

(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. We used an estimated annual tax provision rate of 41.6% for the six months ended June 30, 1999. Our estimated annual tax benefit rate was 15% for the six months ended June 30, 1998, and our actual 1998 benefit rate was 5.7%. Excluding nonroutine items in 1998, the annual tax provision rate would have been 44%. Our tax rate is subject to fluctuations due primarily to the sensitivity of the rate to low income levels, the impact of nonroutine items, and the mix of income sources.

For the three and six months ended June 30, 1999, we paid income taxes, net of refunds received, of $1.8 million and $7.3 million. We paid $6.6 million and $9.1 million for the same periods in 1998.

(9) DEBT. At June 30, 1999, we had a revolving credit agreement with a group of banks that permits us to borrow as much as $600.0 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, 1999, exceeded the defined minimum by $151.5 million. At June 30, 1999, there were $140.0 million of borrowings outstanding under this agreement.

Our majority-owned subsidiary, Boise Cascade Office Products Corporation ("BCOP"), has a $450.0 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 $125.0 million at June 30, 1999.

In October 1998, we entered into an interest rate swap with a notional amount of $75.0 million and an effective fixed rate of 5.1% with respect to $75.0 million of our revolving credit agreement borrowings. BCOP also entered into an interest rate swap with a notional amount of $25.0 million and an effective fixed interest rate of 5.0% with respect to $25.0 million of their revolving credit agreement borrowings. Both swaps expire in 2000. We are exposed to credit-related gains or losses in the event of nonperformance by counterparties to these swaps; however, we do not expect any counterparties to fail to meet their obligations.

Also at June 30, 1999, we had $77.1 million of short-term borrowings outstanding and BCOP had $60.4 million of short-term borrowings outstanding. At June 30, 1998, we had $132.2 million short-term borrowings outstanding, while BCOP had $82.2 million of short-term borrowings outstanding. The maximum amount of short-term borrowings outstanding during the six months ended June 30, 1999 and 1998, was $293.3 million and $275.3 million. The average amount of short-term borrowings outstanding during the six months ended June 30, 1999 and 1998, was $167.8 million and $214.9 million. The average interest rate for these borrowings was 5.4% for 1999 and 5.9% for 1998.

At June 30, 1999, we had $430.0 million and BCOP had $150.0 million of unused borrowing capacity registered with the Securities and Exchange Commission for additional debt securities.

In March 1999, we filed a registration statement covering $300.0 million in universal shelf capacity with the Securities and Exchange Commission. This filing is still under review by the Securities and Exchange Commission. Once approved, we may issue debt and/or equity securities in one or more offerings.

Cash payments for interest, net of interest capitalized, were $37.1 million and $77.7 million for the three and six months ended June 30, 1999, and $33.9 million and $77.6 million for the three and six months ended June 30, 1998.

(10) BOISE CASCADE OFFICE PRODUCTS CORPORATION. During the first six months of 1999, BCOP completed one acquisition, and during the first six months of 1998, BCOP completed two 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 11, 1999, BCOP acquired the office supply business of Wallace Computer Services, based in Lisle, Illinois. This transaction was completed for cash of $6.3 million and the recording of $0.2 million of acquisition liabilities.

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 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.

If the 1999 acquisition had occurred on January 1, 1999, and if the 1999 and 1998 acquisitions had occurred on January 1, 1998, there would be no significant pro forma change in the results of operations for the first six months of 1999 and 1998. 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) NEW ACCOUNTING STANDARDS. 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 years beginning after June 15, 2000. We plan to adopt this statement in the first quarter of 2001. We are in the process of reviewing this new standard. Adoption of this statement is not expected to have a significant impact on our results of operations or financial position.

(12) RESTRUCTURING ACTIVITIES. Late in the second quarter of 1998, we adopted a plan to restructure our wood products manufacturing business and announced the permanent closure of four facilities, including sawmills in Elgin, Oregon; Horseshoe Bend, Idaho; and Fisher, Louisiana; and a plywood plant in Yakima, Washington. Second quarter 1998 results were negatively impacted by $61.9 million for this restructuring charge. We closed the sawmills in Horseshoe Bend and Fisher in 1998. In late May 1999, we decided to indefinitely continue operations at the Elgin and Yakima mills. This decision was based on recent changes in wood supply and costs, product prices, improved plant operations, and the impact of a fire at our Elgin plywood plant in May 1999. As a result of this decision, in the second quarter of 1999, our building products segment reversed previously recorded restructuring charges totaling $35.5 million. Of this amount, $23.5 million reflected the reversal of restructuring accruals as shown in the table that follows and $12.0 million related to the restoration of the net book value of these two facilities. This adjustment is recorded in "Other (income) expense, net" in the accompanying Statements of Income (Loss). The two closed plants had sales of $12.5 million and $22.9 million for the three and six months ended June 30, 1998. Operating losses for the three and six months ended June 30, 1998, totaled $2.4 million and $4.3 million.

Also in the second quarter of 1998, our paper and paper products segment recorded a pretax charge of $19.0 million related to the revaluation of paper-related assets. Included in the revaluation was the $8.0 million write-down to zero of our investment in a now terminated joint venture in China that produced carbonless paper. Also written down by approximately $5.0 million were the fixed assets of a small corrugating facility that was sold in March 1999 for its approximate remaining book value. We also wrote off $6.0 million in an investment in a bankrupt recycling joint venture and miscellaneous equipment that had no future value.

In the fourth quarter of 1998, we announced a company-wide cost-reduction initiative and the restructuring of certain operations. Specific actions included the elimination of job positions in our manufacturing businesses and Boise headquarters through a combination of early retirements, layoffs, and attrition and the closure of our paper research and development facility in Portland, Oregon. BCOP announced the closure of eight facilities in the United Kingdom and the integration of selected functions of the operations with their other United Kingdom operations. These BCOP closures were expected to be completed during the first half of 1999 resulting in work force reductions of approximately 140 employees. BCOP also dissolved an unprofitable joint venture in Germany at a cost of about $4.0 million, most of which was paid in 1998.

During the first quarter 1999, we recorded $4.4 million of additional restructuring expense related to the early retirement program announced in fourth quarter 1998. This noncash charge was for the present value of unrecorded early retirement benefits. These charges were accrued when the retiring individuals legally accepted the early retirement offer.

During the second quarter of 1999, BCOP revised the amount of a restructuring reserve established in the fourth quarter of 1998, for their United Kingdom operations. The restructuring program was less costly than originally anticipated due to lower professional fees, a sublease of one of the facilities, a decision to retain a small printing portion of the business, and fewer terminations of employees. As a result, BCOP recorded an increase to operating income of approximately $4.0 million in the second quarter of 1999. The increase to income included $0.5 million for reduced employee-related costs and $3.5 million for other exit costs including lower lease costs and lower-than-expected inventory write-downs. The adjustment related to inventory of about $0.8 million is included in "Materials, labor, and other operating expenses" in the accompanying Statements of Income (Loss). The other adjustments are included in "Other (income) expense, net."

Our paper and paper products segment also adjusted reserves recorded in fourth quarter 1998 for the elimination of job positions and the closure of our research and development facility in Portland, Oregon, to reflect our actual experience. These adjustments increased this segment's second quarter income by $1.2 million. These adjustments are also reflected in "Other (income) expense, net" in the Statements of Income (Loss). The following table shows that only $0.1 million of this adjustment reduced our restructuring liability reserve account. The balance of the adjustment was reflected as additional expense and pension liability of $1.1 million offset by gains of $2.2 million from the sale of the research and development building and equipment.

Restructuring activities related to these 1998 charges through June 30, 1999, and the reserve balances as of that date are as follows:

| | Asset Write-Downs | Employee-Related Costs | Other Exit Costs | Total |
|---|---|---|---|---|
| | (expressed in thousands) | | | |
| SECOND QUARTER | | | | |
| BUILDING PRODUCTS | | | | |
| 1998 expense recorded | $ 27,200 | $ 14,000 | $ 20,700 | $ 61,900 |
| Assets written down | (27,200) | - | - | (27,200) |
| 1998 charges against reserve | - | (4,500) | (1,300) | (5,800) |
| Restructuring reserve at December 31, 1998 | - | 9,500 | 19,400 | 28,900 |
| Reserves credited to income | - | (7,300) | (16,200) | (23,500) |
| 1999 charges against reserve | - | (1,600) | (1,000) | (2,600) |
| Restructuring reserve at June 30, 1999 | $ - | $ 600 | $ 2,200 | $ 2,800 |
| PAPER AND PAPER PRODUCTS | | | | |
| 1998 expense recorded | $ 18,800 | $ 200 | $ - | $ 19,000 |
| Assets written down | (18,800) | - | - | (18,800) |
| Restructuring reserve at December 31, 1998 | - | 200 | - | 200 |
| 1999 charges against reserve | - | (200) | - | (200) |
| Restructuring reserve at June 30, 1999 | $ - | $ - | $ - | $ - |
| FOURTH QUARTER | | | | |
| OFFICE PRODUCTS | | | | |
| 1998 expense recorded | $ 300 | $ 1,400 | $ 9,400 | $ 11,100 |
| Assets written down | (300) | - | - | (300) |
| 1998 charges against reserve | - | (200) | (3,300) | (3,500) |
| Restructuring reserve at December 31, 1998 | - | 1,200 | 6,100 | 7,300 |

| | | | | |
|---|---|---|---|---|
| Reserves credited to income | - | (500) | (3,500) | (4,000) |
| 1999 charges against reserve | - | (600) | (1,000) | (1,600) |
| Restructuring reserve at June 30, 1999 | $ - | $ 100 | $ 1,600 | $ 1,700 |
| BUILDING PRODUCTS | | | | |
| 1998 expense recorded | $ - | $ 2,800 | $ - | $ 2,800 |
| Pension liability recorded | - | (2,200) | - | (2,200) |
| 1998 charges against reserve | - | - | - | - |
| Restructuring reserve at December 31, 1998 | - | 600 | - | 600 |
| 1999 charges against reserve | - | - | - | - |
| Restructuring reserve at June 30, 1999 | $ - | $ 600 | $ - | $ 600 |
| PAPER AND PAPER PRODUCTS | | | | |
| 1998 expense recorded | $ 7,200 | $ 11,300 | $ - | $ 18,500 |
| Assets written down | (7,200) | - | - | (7,200) |
| Pension liability recorded | - | (4,500) | - | (4,500) |
| 1998 charges against reserve | - | (800) | - | (800) |
| Restructuring reserve at December 31, 1998 | - | 6,000 | - | 6,000 |
| Reserves credited to income | - | (100) | - | (100) |
| 1999 charges against reserve | - | (2,500) | - | (2,500) |
| Restructuring reserve at June 30, 1999 | $ - | $ 3,400 | $ - | $ 3,400 |
| CORPORATE AND OTHER | | | | |
| 1998 expense recorded | $ - | $ 5,200 | $ 400 | $ 5,600 |
| Pension liability recorded | - | (3,200) | - | (3,200) |
| 1998 charges against reserve | - | - | - | - |
| Restructuring reserve at December 31, 1998 | - | 2,000 | 400 | 2,400 |
| 1999 expense recorded | - | 4,400 | - | 4,400 |
| Pension liability recorded | - | (4,400) | - | (4,400) |
| Reclass from other accounts | - | 500 | - | 500 |
| 1999 charges against reserve | - | (1,600) | (100) | (1,700) |
| Restructuring reserve at June 30, 1999 | $ - | $ 900 | $ 300 | $ 1,200 |
| TOTAL SECOND AND FOURTH QUARTER | | | | |
| 1998 expense recorded | $ 53,500 | $ 34,900 | $ 30,500 | $118,900 |
| Assets written down | (53,500) | - | - | (53,500) |
| Pension liability recorded | - | (9,900) | - | (9,900) |
| 1998 charges against reserve | - | (5,500) | (4,600) | (10,100) |
| Restructuring reserve at December 31, 1998 | - | 19,500 | 25,900 | 45,400 |
| 1999 expense recorded | - | 4,400 | - | 4,400 |
| Pension liability recorded | - | (4,400) | - | (4,400) |
| Reclass from other accounts | - | 500 | - | 500 |
| Reserves credited to income | - | (7,900) | (19,700) | (27,600) |
| 1999 charges against reserve | - | (6,500) | (2,100) | (8,600) |
| Restructuring reserve at June 30, 1999 | $ - | $ 5,600 | $ 4,100 | $ 9,700 |

Charges against the reserve in other exit costs included $4.0 million of costs to dissolve the BCOP joint venture in Germany, the write-down of contracts to their realizable value, and a small charge for tear-down costs.

The impact of the restructuring charge adjustments described above increased net income $24.6 million and basic and diluted income per share $0.43 and $0.40 for the three months ended June 30, 1999. These items increased net income $21.9 million and basic and diluted income per share $0.39 and $0.36 for the six months ended June 30, 1999.

Second quarter 1998 results were negatively impacted by the $61.9 million restructuring charge in the building products segment described above and a $19.0 million charge in the paper and paper products segment for the revaluation of paper-related assets. These charges reduced net income $65.2 million or $1.16 per basic and diluted share for the three and six months ended June 30, 1998.

The estimated number of employees impacted by the 1998 restructuring activities described above and the number who have left the company as of June 30, 1999, are as follows:

| Employees To Be Terminated | | Employees Terminated Through June 30, 1999 |
|---|---|---|
| Original Estimate | Revised Estimate | |

| | | | |
|---|---|---|---|
| Second Quarter 1998 | | | |
| Building products | 494 | 182 | 182 |
| Fourth Quarter 1998 | | | |
| Office products | 140 | 100 | 90 |
| Building products | 40 | 40 | 19 |
| Paper and paper products | 212 | 212 | 134 |
| Corporate and other | 92 | 92 | 49 |
| Total | 978 | 626 | 474 |

In addition to the employees discussed above, we have eliminated approximately another 100 positions by not filling already vacant positions or through normal attrition. No reserves were established related to these job eliminations.

(13) SEGMENT INFORMATION. We have had no differences from our last annual report in our basis of segmentation or in our basis of measurement of segment profit or loss. An analysis of our operations by segment is as follows. For a discussion of nonroutine items impacting our segments, see Note 12, Restructuring Activities.

| | Sales | | | Income (Loss) Before Taxes, Minority Interest, and Cumulative Effect of Accounting Change(a) |
|---|---|---|---|---|
| | Trade | Inter-Segment | Total | |
| Three Months Ended June 30, 1999 | | | | |
| Office products | $ 801.4 | $ .2 | $ 801.6 | $ 37.0 |
| Building products | 533.4 | 9.2 | 542.6 | 98.2 |
| Paper and paper products | 334.5 | 86.5 | 421.0 | 17.7 |
| Corporate and other | 8.7 | 12.7 | 21.4 | (11.6) |
| Total | 1,678.0 | 108.6 | 1,786.6 | 141.3 |
| Intersegment eliminations | - | (108.6) | (108.6) | - |
| Interest expense | - | - | - | (34.6) |
| Consolidated Totals | $1,678.0 | $ - | $1,678.0 | $ 106.7 |
| Three Months Ended June 30, 1998 | | | | |
| Office products | $ 732.6 | $ .3 | $ 732.9 | $ 30.3 |
| Building products | 439.1 | 10.1 | 449.2 | (53.5) |
| Paper and paper products | 360.2 | 95.2 | 455.4 | (1.6) |
| Corporate and other | 6.6 | 14.5 | 21.1 | (8.1) |
| Total | 1,538.5 | 120.1 | 1,658.6 | (32.9) |
| Intersegment eliminations | - | (120.1) | (120.1) | - |
| Interest expense | - | - | - | (40.9) |
| Consolidated Totals | $1,538.5 | $ - | $1,538.5 | $ (73.8) |
| Six Months Ended June 30, 1999 | | | | |
| Office products | $1,649.7 | $ .2 | $1,649.9 | $ 75.7 |
| Building products | 969.9 | 16.2 | 986.1 | 138.5 |
| Paper and paper products | 654.4 | 166.0 | 820.4 | 22.5 |
| Corporate and other | 15.2 | 26.9 | 42.1 | (24.7) |
| Total | 3,289.2 | 209.3 | 3,498.5 | 212.0 |
| Intersegment eliminations | - | (209.3) | (209.3) | - |
| Interest expense | - | - | - | (71.8) |
| Consolidated Totals | $3,289.2 | $ - | $3,289.2 | $ 140.2 |
| Six Months Ended June 30, 1998 | | | | |
| Office products | $1,492.0 | $ .7 | $1,492.7 | $ 66.8 |
| Building products | 797.2 | 20.6 | 817.8 | (53.7) |
| Paper and paper products | 727.3 | 186.4 | 913.7 | 19.0 |
| Corporate and other | 11.5 | 29.5 | 41.0 | (20.3) |
| Total | 3,028.0 | 237.2 | 3,265.2 | 11.8 |
| Intersegment eliminations | - | (237.2) | (237.2) | - |
| Interest expense | - | - | - | (81.0) |
| Consolidated Totals | $3,028.0 | $ - | $3,028.0 | $ (69.2) |

(a) Interest income has been allocated to our segments in the amounts of approximately $0.6 million and $1.2 million for the three and six months ended June 30, 1999 and 1998.

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

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in millions) | | | |
| Sales | $1,678.0 | $1,538.5 | $3,289.2 | $3,028.0 |
| Net income (loss) | $ 59.1 | $ (64.0) | $ 75.2 | $ (73.0) |
| Net income (loss) per diluted share | $ 0.92 | $ (1.20) | $ 1.14 | $ (1.52) |
| Net income (loss) before nonroutine items | $ 34.4 | $ 1.2 | $ 53.3 | $ 0.8 |
| Net income (loss) per diluted share before nonroutine items | $ 0.52 | $ (0.04) | $ 0.78 | $ (0.14) |
| | (percent of sales) | | | |
| Materials, labor, and other operating expenses | 76.9% | 79.3% | 77.3% | 79.0% |
| Selling and distribution expenses | 11.0% | 10.4% | 11.2% | 10.6% |
| General and administrative expenses | 2.0% | 2.4% | 1.9% | 2.4% |

The results for the three and six months ended June 30, 1999, included $40.7 million ($24.6 million after tax or 43 cents and 40 cents per basic and diluted share) for the reversal of restructuring reserves established in 1998. The six months ended June 30, 1999, included $4.4 million ($2.7 million after tax or $0.04 per basic and diluted share) of additional restructuring expense recorded in first quarter 1999 related to the early retirement program announced in fourth quarter 1998. This noncash charge was for the present value of unrecorded early retirement benefits. These charges were accrued when the retiring individuals legally accepted the early retirement offer. The results for the three and six months ended June 30, 1998, included a charge of $65.2 million, or $1.16 per basic and diluted share for restructuring charges in the building products segment and the revaluation of paper-related assets in the paper and paper products segment. See Note 12 in the Notes to Quarterly Financial Statements for additional information on our restructuring activities. See also the discussion by segment in this MD&A.

The improvement in materials, labor, and other operating expenses as a percent of sales is primarily due to the increased sales prices which increase sales without a corresponding increase in costs, and reduced wood and conversion costs in our building products segment. The higher percentage in selling and distribution expenses is due primarily to the increasing office products sales which have higher associated selling and distribution costs. General and administrative expenses have decreased as a percentage of sales due in part to our cost reduction efforts as well as leveraging fixed costs over higher sales.

The following table shows the estimated increase in 1999 operating income compared with the same periods in 1998 as a result of our restructurings and other cost saving initiatives.

| | Three Months Ended June 30, 1999 | | Six Months Ended June 30, 1999 | |
|---|---|---|---|---|
| | Cash | Noncash | Cash | Noncash |
| | (expressed in millions) | | | |
| Office products | | | | |
| Improved operating results over 1998 for restructured European locations | $ - | $ 0.9 | $ - | $ 2.2 |
| Building products | | | | |
| 1998 operating losses for closed locations | 1.8 | 0.6 | 3.3 | 1.0 |
| Cost savings | 1.0 | - | 1.0 | - |
| Paper and paper products | | | | |
| Cost savings | 11.6 | 0.4 | 20.3 | 0.7 |
| Corporate and other | | | | |
| Cost savings | 2.0 | - | 3.0 | - |
| Total | $ 16.4 | $ 1.9 | $ 27.6 | $ 3.9 |

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." This statement required the write-off of previously capitalized preoperating costs, which resulted in an after-tax charge of $8.6 million, or 15 cents per basic and diluted share for the six months ended June 30, 1998. Also included in the six months ended June 30, 1998, earnings per share is a negative seven cents per basic and diluted share related to the redemption of our Series F preferred stock.

Interest expense was $34.6 million in the second quarter of 1999, compared with $40.9 million in the same period last year. Interest expense was $71.8 million for the first six months of 1999, compared with $81.0 million in the same period last year. The decreases were due primarily to lower debt levels.

We used an estimated annual tax provision rate of 41.6% for the six months ended June 30, 1999. Our estimated annual tax benefit rate was 15% for the six months ended June 30, 1998, and our actual 1998 benefit rate was 5.7%.

Excluding nonroutine items in 1998, the annual tax provision rate would have been 44%. Our tax rate is subject to fluctuations due primarily to the sensitivity of the rate to low income levels, the impact of nonroutine items, and the mix of income sources.

Office Products Distribution

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in millions) | | | |
| Sales | $ 801.6 | $ 732.9 | $1,649.9 | $1,492.7 |
| Segment income | $ 37.0 | $ 30.3 | $ 75.7 | $ 66.8 |
| Segment income before nonroutine items | $ 33.0 | $ 30.3 | $ 71.7 | $ 66.8 |
| | (percent of sales) | | | |
| Gross profit | 26.6% | 25.7% | 26.2% | 25.7% |
| Operating expenses | 22.0% | 21.6% | 21.6% | 21.2% |
| Operating expenses before nonroutine items | 22.4% | 21.6% | 21.8% | 21.2% |
| Operating profit | 4.6% | 4.1% | 4.6% | 4.5% |
| Operating profit before nonroutine items | 4.1% | 4.1% | 4.3% | 4.5% |

During the second quarter of 1999, BCOP revised the amount of a restructuring reserve for their United Kingdom operations. The restructuring program was less costly than originally anticipated due to lower professional fees, a sublease of one of the facilities, a decision to retain a small printing portion of the business, and fewer terminations of employees. As a result, they recorded an increase to operating income of approximately $4.0 million in the second quarter of 1999. The increase to income included $0.5 million for reduced employee-related costs and $3.5 million for other exit costs including lower lease costs and lower-than-expected inventory write-downs of about $0.8 million.

The growth in sales resulted primarily from same-location sales growth. Same-location sales increased 7% in the second quarter of 1999 and for the six months ended June 30, 1999, compared with the same periods in 1998. Excluding the negative impact of paper price changes and foreign currency changes, same-location sales increased 8% and 9% for the three and six months ended June 30, 1999, compared with the same periods in 1998.

Gross profit increased in the second quarter and for the first six months of 1999 primarily because of higher margins in many of BCOP's businesses, particularly in BCOP's domestic operations. BCOP's higher margins were primarily the result of lower procurement costs. The increase in operating expenses resulted, in part, from higher payroll and benefits as a percent of sales, increased investment in growth initiatives, and start-up operating costs associated with BCOP's Casper, Wyoming, customer service center. The improvement in operations from the restructuring shown in the table in this section was primarily due to the elimination of losses from the disposed of German joint venture.

Building Products

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in millions) | | | |
| Sales | $ 542.6 | $ 449.2 | $ 986.1 | $ 817.8 |
| Segment income (loss) | $ 98.2 | $ (53.5) | $ 138.5 | $ (53.7) |
| Segment income before nonroutine items | $ 62.6 | $ 8.4 | $ 102.9 | $ 8.2 |

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. Second quarter 1998 results were negatively impacted by $61.9 million for this restructuring charge. We closed the sawmills in Horseshoe Bend and Fisher in 1998. In late May 1999, we decided to indefinitely continue operations at the Elgin and Yakima mills. This decision was based on recent changes in wood supply and costs, product prices, improved plant operations, and the impact of a fire at our Elgin plywood plant in May 1999. As a result of this decision, in the second quarter of 1999, our building products segment reversed previously recorded restructuring charges totaling $35.5 million.

Excluding nonroutine items, the increase in results for the three and six months ended June 30, 1999, is due to improved sales prices, very strong structural panel markets, increases in engineered wood products sales, significant sales growth in building materials distribution, an improved product mix through a reduction in commodity lumber volume, and stable log costs. The increase in operating income was also due to lower wood and conversion costs and our restructuring activities. (See table in this section showing the estimated increase in 1999 operating income compared with the same periods in 1998 as a result of our restructurings and other cost saving initiatives.) The increase in distribution sales was due both to higher prices and increased market share. The tables below present our sales volumes and prices for selected products.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Sales Volumes | | | | |
| Plywood (1,000 sq. ft. 3/8" basis) | 380,999 | 485,931 | 779,557 | 946,608 |
| OSB (1,000 sq. ft. 3/8" basis)(a) | 96,070 | 76,661 | 187,447 | 165,282 |
| Lumber (1,000 board ft.) | 134,685 | 156,786 | 257,451 | 298,141 |
| LVL (100 cubic ft.) | 14,234 | 10,183 | 26,982 | 17,263 |
| I-joists (1000 equivalent lineal ft.) | 37,242 | 31,163 | 66,743 | 48,790 |
| Particleboard (1,000 sq. ft. 3/4" basis) | 49,957 | 50,677 | 96,452 | 98,703 |
| Building materials distribution (millions of sales dollars) | $ 305.6 | $ 228.2 | $ 529.8 | $ 395.9 |

(a) Includes 100% of the sales of Voyageur Panel, of which we own 47%.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Average Net Selling Prices | | | | |
| Plywood (per 1,000 sq. ft. 3/8" basis) | $ 288 | $ 229 | $ 277 | $ 228 |
| OSB (per 1,000 sq. ft. 3/8" basis) | 217 | 149 | 187 | 134 |
| Lumber (per 1,000 board ft.) | 521 | 468 | 512 | 478 |
| LVL (per 100 cubic ft.) | 1,603 | 1,590 | 1,593 | 1,592 |
| I-joists (per 1,000 equivalent lineal ft.) | 1,007 | 991 | 1,001 | 990 |

In May 1999, a fire damaged our Elgin plywood plant. The plant is being rebuilt and is expected to be operating by the end of the year. After paying a $1.5 million deductible which was recorded in corporate and other, the loss is fully insured, including coverage for business interruption losses. This fire and a fire at our Medford plywood plant in September 1998 caused the decrease between periods in plywood sales volume. However, because of the business interruption insurance, there has not been a corresponding decrease in operating income. The Medford plant is being rebuilt and will come on line in the second half of 1999.

Paper and Paper Products

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in millions) | | | |
| Sales | $ 421.0 | $ 455.4 | $ 820.4 | $ 913.7 |
| Segment income | $ 17.7 | $ (1.6) | $ 22.5 | $ 19.0 |
| Segment income before nonroutine items | $ 16.5 | $ 17.4 | $ 21.3 | $ 38.0 |

Our paper and paper products segment also adjusted reserves recorded in fourth quarter 1998 for the elimination of job positions and the closure of our research and development facility in Portland, Oregon, to reflect our actual experience. These adjustments increased this segment's second quarter and year-to-date income $1.2 million. Second quarter 1998 results were negatively impacted by a $19.0 million charge for the revaluation of paper-related assets.

Excluding the nonroutine items, performance decreased only modestly despite lower average paper prices for all of our paper grades. The lower paper prices were offset by a modest growth in unit sales volume in the second quarter, and for the year we have continued to reduce our unit costs. Paper segment manufacturing costs per ton in the second quarter of 1999 were 5% lower than in the comparison quarter and 6% lower than in the prior year. The decrease was due to lower fiber costs and our cost reduction efforts. (See table in this section showing the estimated increase in 1999 operating income compared with the same periods in 1998 as a result of our restructurings and other cost saving initiatives.)

The tables below present our sales volumes and prices for our selected paper grades.

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| Sales Volumes (1,000s of short tons) | | | | |
| Uncoated free sheet | 354 | 351 | 700 | 704 |
| Containerboard | 164 | 154 | 317 | 315 |
| Newsprint | 108 | 106 | 203 | 210 |
| Market pulp | 35 | 40 | 75 | 74 |
| Total | 661 | 651 | 1,295 | 1,303 |
| Average Net Selling Prices Per Short Ton | | | | |
| Uncoated free sheet | $ 674 | $ 725 | $ 666 | $ 736 |
| Containerboard | 326 | 329 | 306 | 332 |
| Newsprint | 402 | 500 | 432 | 495 |
| Market pulp | 360 | 376 | 339 | 365 |

FINANCIAL CONDITION AND LIQUIDITY

Operating Activities. Cash provided by operations was $260.9 million for the first six months of 1999, compared with $165.5 million for the same period in 1998. The increase in 1999 was due to improved operating results and cash provided by working capital items. In September 1998, we sold fractional ownership interests in a defined pool of trade accounts receivable. At June 30, 1999, $100 million of the sold accounts receivable were excluded from receivables in the balance sheet. This is an increase of $21.0 million from the December 31, 1998, balance of $79.0 million. This increase represents an increase in cash provided by operations. Our working capital ratio was 1.18:1 at June 30, 1999, compared with 1.30:1 at June 30, 1998. Our working capital ratio was 1.21:1 at December 31, 1998.

Investing Activities. Cash used for investment was $125.1 million and $138.7 million for the first six months of 1999 and 1998. Cash expenditures for property and equipment and timber and timberlands totaled $108.8 million and $129.9 million for the first six months of 1999 and 1998. This reduction reflects our focus on reducing our overall level of capital spending. Cash purchases of assets, primarily due to BCOP's expansion program, totaled $6.3 million for the first six months of 1999 and $4.0 million for the first six months of 1998.

Financing Activities. Cash used for financing was $136.8 million and $3.3 million for the first six months of 1999 and 1998. Dividend payments totaled $25.7 million and $29.7 million for the first six months of 1999 and 1998. The decrease is due to the redemption of our Series F preferred stock in February 1998. In both years, our quarterly dividend was 15 cents per common share. For the first six months of 1999, short-term borrowings, primarily notes payable and commercial paper, increased $8.0 million compared with an increase of $119.6 million for the first six months of 1998. The increase in short-term borrowings in the first six months of 1998 was used to fund the redemption of the Series F preferred stock for $115 million in cash. Long-term debt decreased $127.1 million in the first six months of 1999 and increased $21.4 million in the first six months of 1998. In February 1999, we redeemed our $100.0 million, 9.875% notes.

At June 30, 1999 and 1998, we had $1.9 billion and $2.2 billion of debt outstanding. At December 31, 1998, we had $2.0 billion of debt outstanding. Our debt-to-equity ratio was 1.27:1 and 1.53:1 at June 30, 1999 and 1998. Our debt-to-equity ratio was 1.41:1 at December 31, 1998.

Our debt and debt-to-equity ratio include the guarantee by the company of the remaining $149.5 million of debt incurred by the trustee of our leveraged Employee Stock Ownership Plan. While that guarantee has a negative impact on our debt-to-equity ratio, it has virtually no effect on our cash coverage ratios or on other measures of our financial strength.

We have a revolving credit agreement with a group of banks that permits us to borrow as much as $600.0 million based on customary indices. As of June 30, 1999, borrowings under the agreement totaled $140.0 million. When the agreement expires in June 2002, any amount outstanding will be due and payable. In October 1998, we entered into an interest rate swap with a notional amount of $75.0 million that expires in 2000. This swap results in an effective fixed interest rate with respect to $75.0 million of our revolving credit agreement borrowings. The payment of dividends is dependent on the existence of and the amount of net worth in excess of the defined minimum under the agreement. As of June 30, 1999, we were in compliance with our debt covenants, and our net worth exceeded the defined minimum by $151.5 million.

BCOP has a $450.0 million revolving credit agreement with a group of banks that expires in June 2001 and provides variable interest rates based on customary indices. In October 1998, BCOP entered into an interest rate swap with a notional amount of $25.0 million that expires in 2000. This swap results in an effective fixed interest rate with respect to $25.0 million of BCOP's revolving credit agreement borrowings. As of June 30, 1999, BCOP had outstanding borrowings of $125.0 million under this agreement and was in compliance with its debt covenants.

At June 30, 1999, we had $430.0 million and BCOP had $150.0 million of unused borrowing capacity registered with the Securities and Exchange Commission.

In March 1999, we filed a registration statement covering $300.0 million in universal shelf capacity with the Securities and Exchange Commission. This filing is still under review by the Securities and Exchange Commission. Once approved, we may issue debt and/or equity securities in one or more offerings.

At June 30, 1999, we had $77.1 million of short-term borrowings outstanding, and BCOP had $60.4 million of short-term borrowings outstanding. At June 30, 1998, we had $132.2 million of short-term borrowings outstanding, while BCOP had $82.2 million of short-term borrowings outstanding. At December 31, 1998, we had $57.4 million of short-term borrowings outstanding, while BCOP had $72.1 million of short-term borrowings outstanding.

We expect the restructuring programs announced in 1998 to be cash flow positive in 1999. We estimate that the programs will require cash outlays before any savings of approximately $13.0 million in 1999. These expected cash payments in 1999 include $10.0 million for employee-related costs, $3.0 million for other exit costs including $2.0 million for lease and other contract terminations, and $1.0 million for tear-down and environmental costs. We spent approximately $8.0 million in the first six months of 1999, including $6.0 million for employee-related costs and $2.0 million for lease and other contract terminations. Cash requirements related to our restructuring in 2000 and beyond are expected to total $3.0 million with most of that occurring in

2000 or early 2001. This and our other cash requirements, including those discussed in the Outlook section, will be funded through a combination of cash flows from operations, borrowings under our existing credit facilities, and issuance of new debt or equity securities.

Our results of operations are not materially effected by seasonal sales variances or inflation.

## OUTLOOK

The strong results by our building products business should continue through the year, and double-digit sales growth should continue for engineered wood products this year. Office products should continue its pattern of solid growth in sales and income. Our paper business is gradually improving as the combination of our focus on reducing costs and slowly strengthening markets pays off more each quarter.

In June 1999, we agreed to acquire Furman Lumber, Inc., a privately held building supplies distributor headquartered in Billerica, Massachusetts. The 12 locations, which are located in the eastern, midwestern, and southern states, will bring us closer to our goal of achieving national coverage in the building distribution business. The Furman transaction should add approximately $600.0 million of annual sales to our business. We expect this transition to be immediately additive to earnings. The transaction should close in the third quarter of 1999, subject to approval under the Hart-Scott-Rodino Act, approval by the shareholders, and completion of definitive agreements. The expected purchase price is approximately $100.0 million including a cash payment of $30 million and assumption of debt.

Also in June 1999, we announced we have an agreement to sell 56,000 acres of timberland in central Washington to U.S. Timberlands Yakima, L.L.C., an affiliate of U.S. Timberlands Company, L.P., for about $60 million in cash. This tract represents only about 4% of our fee-owned timberland in the Northwest. This sale has been approved under the Hart-Scott-Rodino Act and is expected to close in the third quarter of 1999.

In August 1999, we made an offer to pay up to Can$33 per share for all of the shares of Le Groupe Forex Inc., the leading producer of oriented strand board (OSB) in Canada. Subsequently, Le Groupe Forex Inc. accepted a competing bid from another company. On August 13, we announced that we would not submit another bid.

## NEW ACCOUNTING STANDARDS

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. We plan to adopt this statement in the first quarter of 2001. We are in the process of reviewing this new standard. Adoption of this statement is not expected to have a significant impact on our results of operations or financial position.

## TIMBER SUPPLY

In recent years, the amount of timber available for commercial harvest in the United States has declined due to environmental litigation, changes in government policy, and other factors. More constraints on available timber supply may be imposed. As a result, we cannot accurately predict future log supply. In 1998, we closed sawmills in Fisher, Louisiana, and Horseshoe Bend, Idaho, partly because of reductions in timber supply and consequent increases in timber costs. Additional curtailments or closures of our wood products manufacturing facilities are possible. We are currently able to meet our timber requirements through a combination of public and private sources and our 2.4 million acres of owned or controlled timberland.

## YEAR 2000 COMPUTER ISSUE

Over the last two years, we have been replacing many of our business computer systems 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 and amortized over approximately five years. (See Note 5 in the Notes to Financial Statements.) A year 2000-compliance assessment was completed in 1998. Many of the existing systems were found to be compliant. We have begun appropriate modifications of the noncompliant systems. We expect to complete all necessary changes before year-end 1999.

We have surveyed our critical suppliers and customers to determine whether critical processes may be impacted by a lack of year 2000 compliance. Most of our critical suppliers and customers have confirmed that they are or have plans to be compliant by year-end 1999.

Incremental costs to make our systems compliant are expected to range from $10.0 million to $13.0 million. These costs are being expensed as incurred. Approximately $6.6 million had been spent through June 30, 1999.

The most reasonably likely worst-case scenario of failure by us or our suppliers or customers to be year 2000-compliant would be a temporary slowdown of manufacturing operations at one or more of our locations and a temporary inability to process orders and billings in a timely manner and to deliver products to our customers in a timely manner. We have developed or are developing contingency options in the event that critical systems or suppliers encounter unforeseen year 2000 problems. These contingency plans include alternative processes using a combination of computerized and manual systems.

Our discussion of the year 2000 computer issue contains forward-looking information. We believe that our critical computer systems will be year 2000-compliant and that the costs to achieve compliance will not materially affect our financial condition, operating results, or cash flows. Nevertheless, factors that could cause actual results to differ from our expectations include the successful implementation of year 2000 initiatives by our customers and suppliers, changes in the availability and costs of resources to implement year 2000 changes, and our ability to successfully identify and correct all systems affected by the year 2000 issue.

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; the severity and longevity of global economic disruptions; increases in capacity through construction of new manufacturing facilities or conversion of older facilities to produce competitive products; changes in production capacity across paper and wood products markets; 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 and the success of acquisitions; changes in same-location sales; cost structure improvements; the ability to implement operating strategies and integration plans and realize cost savings and efficiencies; fluctuations in foreign currency exchange rates; fluctuations in paper prices; the success and integration of new initiatives and acquisitions; the successful 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 the company 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 currencies, 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 changes in market risk since December 31, 1998. We had no material exposure to losses from derivative financial instruments held at June 30, 1999. We do not use derivative financial instruments for trading purposes.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A number of lawsuits have been filed against the company arising out of its former manufacture and sale of hardboard siding products. These lawsuits allege that siding manufactured by the company was inherently defective when used as exterior cladding for buildings. Five of these lawsuits seek certification as class actions. These actions claim that the requested class of litigants consists of owners of structures bearing hardboard siding manufactured by the company. Four of these five cases seek certification of statewide classes of plaintiffs (Illinois, Oregon, and Texas), while the fifth case seeks certification of a nationwide class of mobile home owners. To date, no court has granted class certification. The lawsuits seek to declare the company financially responsible for the repair and replacement of the siding, to make restitution to the class members, and to award each class member compensatory and enhanced damages. The company discontinued manufacturing the hardboard siding product that is the subject of these lawsuits in 1984. We believe there are valid factual and legal defenses to these cases and will resist the certification of any class and vigorously defend all claims alleged by the plaintiffs.

Reference is made to our annual report on Form 10-K for the year ended December 31, 1998, for information concerning other legal proceedings.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

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 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment 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: October 14, 1999

BOISE CASCADE CORPORATION
INDEX TO EXHIBITS
Filed With the Quarterly Report on Form 10-Q/A
for the Quarter Ended June 30, 1999

| Number | Description | Page Number |
|---|---|---|
| 11 | Computation of Per Share Earnings | |
| 12 | Ratio of Earnings to Fixed Charges | |
| 12A | Ratio of Earnings to Combined Fixed Charges and Preferred Dividend Requirements | |
| 27 | Financial Data Schedule | |

EXHIBIT 11

Boise Cascade Corporation
Computation of Per Share Earnings

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 1999 | 1998 | 1999 | 1998 |
| | (expressed in thousands, except per share amounts) | | | |
| Net income (loss) as reported, before cumulative effect of accounting change | $ 59,052 | $ (63,950) | $ 75,205 | $ (64,400) |
| Preferred dividends | (3,365) | (3,518) | (6,855) | (8,579) |
| Excess of Series F Preferred Stock redemption price over carrying value | - | - | - | (3,958) |
| Basic income (loss) before cumulative effect of accounting change | 55,687 | (67,468) | 68,350 | (76,937) |
| Cumulative effect of accounting change | - | - | - | (8,590) |
| Basic income (loss) | $ 55,687 | $ (67,468) | $ 68,350 | $ (85,527) |
| Basic income (loss) before cumulative effect of accounting change | $ 55,687 | $ (67,468) | $ 68,350 | $ (76,937) |
| Preferred dividends eliminated | 3,365 | 3,486 | 6,855 | 7,106 |
| Supplemental ESOP contribution | (2,877) | (2,979) | (5,860) | (6,073) |
| Diluted income (loss) before cumulative effect of accounting change | 56,175 | (66,961) | 69,345 | (75,904) |
| Cumulative effect of accounting change | - | - | - | (8,590) |
| Diluted income (loss) | $ 56,175 | $ (66,961) | $ 69,345 | $ (84,494) |
| Average shares outstanding used to determine basic income (loss) per common share | 56,600 | 56,316 | 56,485 | 56,279 |
| Stock options and other | 543 | 304 | 395 | 274 |
| Series D convertible preferred stock | 4,171 | 4,418 | 4,223 | 4,439 |
| Average shares used to determine diluted income (loss) per common share | 61,314 | 61,038 | 61,103 | 60,992 |
| Net income (loss) per common share | | | | |
| Basic income (loss) before cumulative affect of accounting change | $ 0.98 | $ (1.20) | $ 1.21 | $ (1.37) |
| Cumulative affect of accounting change | - | - | - | (.15) |
| Basic income (loss) per common share | $ 0.98 | $ (1.20) | $ 1.21 | $ (1.52) |
| Diluted income (loss) before cumulative effect of accounting change | $ 0.92 | $ (1.10)(1) | $ 1.14 | $ (1.24)(1) |
| Cumulative effect of accounting change | - | - | - | (.14)(1) |
| Diluted loss | $ 0.92 | $ (1.10)(1) | $ 1.14 | $ (1.38)(1) |

(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, was the same as basic loss per common share.

EXHIBIT 12

BOISE CASCADE CORPORATION AND SUBSIDIARIES
Ratio of Earnings to Fixed Charges

| | Year Ended December 31 | | | | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|---|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1998 | 1999 |
| | (dollar amounts expressed in thousands) | | | | | | |
| Interest costs | $ 169,170 | $ 154,469 | $ 146,234 | $ 153,691 | $ 174,541 | $ 88,407 | $ 79,324 |
| Interest capitalized during the period | 1,630 | 3,549 | 17,778 | 10,575 | 1,341 | 132 | 154 |
| Interest factor related to noncapitalized leases(1) | 9,161 | 8,600 | 12,982 | 11,931 | 11,308 | 6,141 | 7,210 |
| Total fixed charges | $ 179,961 | $ 166,618 | $ 176,994 | $ 176,197 | $ 187,190 | $ 94,680 | $ 86,688 |
| Income (loss) before income taxes, minority interest, and cumulative effect of accounting change | $ (64,750) | $ 589,410 | $ 31,340 | $ (28,930) | $ (16,878) | $ (69,190) | $ 140,195 |
| Undistributed (earnings) losses of less than 50% owned persons, net of distributions received | (1,110) | (36,861) | (1,290) | 5,180 | 3,791 | 5,350 | (3,958) |
| Total fixed charges | 179,961 | 166,618 | 176,994 | 176,197 | 187,190 | 94,680 | 86,688 |
| Less: Interest capitalized | (1,630) | (3,549) | (17,778) | (10,575) | (1,341) | (132) | (154) |
| Guarantee of interest on ESOP debt | (20,717) | (19,339) | (17,874) | (16,341) | (14,671) | (7,447) | (6,559) |
| Total earnings before fixed charges | $ 91,754 | $ 696,279 | $ 171,392 | $ 125,531 | $ 158,091 | $ 23,261 | $ 216,212 |
| Ratio of earnings to fixed charges | - | 4.18 | - | - | - | - | 2.49 |
| Excess of fixed charges over earnings before fixed charges | $ 88,207 | $ - | $ 5,602 | $ 50,666 | $ 29,099 | $ 71,419 | $ - |

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

EXHIBIT 12-A

BOISE CASCADE CORPORATION AND SUBSIDIARIES
Ratio of Earnings to Combined Fixed Charges
and Preferred Dividend Requirements

| | Year Ended December 31 | | | | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|---|
| | 1994 | 1995 | 1996 | 1997 | 1998 | 1998 | 1999 |
| | (dollar amounts expressed in thousands) | | | | | | |
| Interest costs | $ 169,170 | $ 154,469 | $ 146,234 | $ 153,691 | $ 174,541 | $ 88,407 | $ 79,324 |
| Interest capitalized during the period | 1,630 | 3,549 | 17,778 | 10,575 | 1,341 | 132 | 154 |
| Interest factor related to noncapitalized leases(1) | 9,161 | 8,600 | 12,982 | 11,931 | 11,308 | 6,141 | 7,210 |
| Preferred stock dividend requirements - pretax | 81,876 | 59,850 | 65,207 | 44,686 | 19,940 | 9,804 | 8,566 |
| Combined fixed charges and preferred dividend requirements | $ 261,837 | $ 226,468 | $ 242,201 | $ 220,883 | $ 207,130 | $ 104,484 | $ 95,254 |
| Income (loss) before income taxes, minority interest, and cumulative effect of accounting change | $ (64,750) | $ 589,410 | $ 31,340 | $ (28,930) | $ (16,878) | $ (69,190) | $ 140,195 |
| Undistributed (earnings) losses of less than 50% owned persons, net of distributions received | (1,110) | (36,861) | (1,290) | 5,180 | 3,791 | 5,350 | (3,958) |
| Combined fixed charges and preferred dividend requirements | 261,837 | 226,468 | 242,201 | 220,883 | 207,130 | 104,484 | 95,254 |
| Less: Interest capitalized | (1,630) | (3,549) | (17,778) | (10,575) | (1,341) | (132) | (154) |
| Guarantee of interest on ESOP debt | (20,717) | (19,339) | (17,874) | (16,341) | (14,671) | (7,447) | (6,559) |
| Total earnings before combined fixed charges and preferred dividend requirements | $ 173,630 | $ 756,129 | $ 236,599 | $ 170,217 | $ 178,031 | $ 33,065 | $ 224,778 |
| Ratio of earnings to combined fixed charges and preferred dividend requirements | - | 3.34 | - | - | - | - | 2.36 |
| Excess of combined fixed charges and preferred dividend requirements over earnings before combined fixed charges and preferred dividend requirements | $ 88,207 | $ - | $ 5,602 | $ 50,666 | $ 29,099 | $ 71,419 | $ - |

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

EXHIBIT 27
The data schedule contains summary financial information extracted from Boise Cascade Corporation's Balance Sheet at June 30, 1999, and from its Statement of Income for the six months ended June 30, 1999. the information presented is qualified in its entirety by reference to such financial statements.

6-MOS
DEC-31-1999
JUN-30-1999
66,757
6,590
587,159
10,536
552,291
1,341,566
5,113,977
2,285,697
4,925,023
1,140,124
1,638,350
0
231,783
142,128
1,118,534
4,925,023
3,289,161
3,289,161
2,684,493
3,082,416
0
0
71,759
140,195
(58,307)
75,205
0
0
0
75,205
1.21
1.14