FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

CONSOLIDATED PAPERS INC

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SIC: **2621** Paper mills

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This filing is being made to add the Consolidated Statements of Income to the previously filed Form 10-K.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA.

<TABLE>

Consolidated Balance Sheets — Consolidated Papers, Inc. and Subsidiaries

(Dollars in thousands)	As of December 31 1998	1997	1996
Current Assets			
<S>	<C>	<C>	<C>
Cash and cash equivalents	$ 3,230	$ 13,169	$ 12,928
Accounts and notes receivable, net of reserves of $6,504 in 1998, $6,374 in 1997 and $5,313 in 1996	147,307	160,874	126,103
Inventories			
Finished and partly finished products	89,377	92,245	55,474
Raw materials	39,616	51,726	39,428
Stores supplies	60,127	61,075	43,052
	189,120	205,046	137,954
Prepaid expenses	48,550	26,506	46,912
Total current assets	388,207	405,595	323,897
Investments and Other Assets			
Investments in affiliates, at cost plus equity in undistributed earnings	39,668	37,188	34,784
Restricted cash related to leases	438,429	427,026	423,618
Other assets	19,651	23,877	42,553
Goodwill	140,211	148,049	59,034
	637,959	636,140	559,989
Plant and Equipment			
Buildings	323,969	281,988	236,004
Machinery and equipment	3,200,392	2,647,374	1,962,835
	3,524,361	2,929,362	2,198,839
Less-accumulated depreciation	1,048,409	883,265	775,080
	2,475,952	2,046,097	1,423,759
Land	14,069	13,383	11,447
Timber and timberlands, net of depletion	26,762	26,391	25,150
Capital additions in process	84,537	219,904	188,000
	2,601,320	2,305,775	1,648,356
	$ 3,627,486	$ 3,347,510	$ 2,532,242
Current Liabilities			
Accounts payable	$ 88,651	$ 92,330	$ 73,147
Payroll and employee benefits	78,083	65,628	49,661
Income taxes	367	2,844	-
Property taxes	11,661	11,082	10,016
Other current liabilities	44,199	37,477	30,932
Total current liabilities	222,961	209,361	163,756
Noncurrent Liabilities and			

Deferred Credits			
Long-term debt	1,054,564	868,665	272,467
Capital lease obligations	465,613	456,321	462,084
Deferred income taxes	349,573	309,875	251,955
Postretirement benefits	148,508	152,470	98,614
Other noncurrent liabilities	31,416	33,151	13,544
	2,049,674	1,820,482	1,098,664
Shareholders' Investment			
Preferred stock, authorized and unissued 15,000,000 shares	-	-	-
Common stock, authorized 200,000,000 shares, par value $1.00 per share; issued 90,713,876 shares in 1998, 90,009,898 shares in 1997 and 89,536,722 shares in 1996	90,714	90,010	89,537
Capital in excess of par value	61,657	46,400	36,049
Accumulated other comprehensive income	(2,705)	(2,610)	(2,290)
Treasury stock, at cost, 409,426 shares in 1998, 278,816 shares in 1997 and 79,800 shares in 1996	(9,906)	(7,370)	(2,020)
Reinvested earnings	1,215,091	1,191,237	1,148,546
Total shareholders' investment	1,354,851	1,317,667	1,269,822
	$ 3,627,486	$ 3,347,510	$ 2,532,242

The accompanying Notes to Consolidated Financial Statements are an integral part of these balance sheets.

Consolidated Statements of Income   Consolidated Papers, Inc. and Subsidiaries

(Dollars in thousands, except per share data)	For the years ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Net sales	$ 1,989,315	$1,679,311	$1,545,091
Cost of goods sold	1,649,265	1,386,023	1,175,304
Gross profit	340,050	293,288	369,787
Selling, general and administrative expenses	102,038	83,778	78,527
Income from operations	238,012	209,510	291,260
Other Income (Expense)			
Interest expense	(95,918)	(49,576)	(15,298)
Interest income	31,168	27,079	10,999
Miscellaneous, net	5,007	3,381	2,209
Total	(59,743)	(19,116)	(2,090)
Income before provision for income taxes	178,269	190,394	289,170
Provision for Income Taxes			
Current	36,147	46,922	90,019
Deferred	35,162	25,428	19,866
Total	71,309	72,350	109,885
Net income before extraordinary item	106,960	118,044	179,285
Loss on debt extinguishment, net of tax benefit of $3,069	(4,603)	-	-
Net income	$ 102,357	$ 118,044	$ 179,285

Net income per share before extraordinary item - basic	$ 1.19	$ 1.32	$ 2.01
Net income per share before extraordinary item - diluted	$ 1.18	$ 1.31	$ 2.00
Net income per share - basic	$ 1.13	$ 1.32	$ 2.01
Net income per share - diluted	$ 1.13	$ 1.31	$ 2.00
Average number of common shares outstanding	90,199,750	89,692,396	89,349,964

Consolidated Statements of Shareholders' Investment

(Dollars in thousands)	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Treasury Stock	Reinvested Earnings	Total	Comprehensive Income
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$89,248	$29,701	$(2,369)	$(2,100)	$1,044,317	$1,158,797	
Net income	-	-	-	-	179,285	179,285	$179,285
Cash dividends	-	-	-	-	(75,056)	(75,056)	-
Exercise of stock options	289	6,103	-	-	-	6,392	-
Tax benefit related to stock options	-	240	-	-	-	240	-
Cumulative translation adjustment	-	-	79	-	-	79	79
Comprehensive income							$179,364
Treasury stock purchase	-	-	-	(1,687)	-	(1,687)	
Issuance of treasury stock	-	5	-	1,767	-	1,772	
Balance, December 31, 1996	$89,537	$36,049	$(2,290)	$(2,020)	$1,148,546	$1,269,822	
Net income	-	-	-	-	118,044	118,044	$118,044
Cash dividends	-	-	-	-	(75,353)	(75,353)	-
Exercise of stock options	473	9,447	-	-	-	9,920	-
Tax benefit							

related to stock options	-	962	-	-	-	962	-
Cumulative translation adjustment	-	-	(320)	-	-	(320)	(320)
Comprehensive income							$117,724
Treasury stock purchase	-	-	-	(7,646)	-	(7,646)	
Issuance of treasury stock	-	(58)	-	2,296	-	2,238	
Balance, December 31, 1997	$90,010	$46,400	$(2,610)	$(7,370)	$1,191,237	$1,317,667	
Net income	-	-	-	-	102,357	102,357	$102,357
Cash dividends	-	-	-	-	(78,503)	(78,503)	-
Exercise of stock options	704	13,506	-	-	-	14,210	-
Tax benefit related to stock options	-	1,703	-	-	-	1,703	-
Cumulative translation adjustment	-	-	(95)	-	-	(95)	(95)
Comprehensive income							$102,262
Treasury stock purchase	-	-	-	(5,007)	-	(5,007)	
Issuance of treasury stock	-	48	-	2,471	-	2,519	
Balance, December 31, 1998	$90,714	$61,657	$(2,705)	$(9,906)	$1,215,091	$1,354,851	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Papers, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
(Dollars in thousands)	1998	1997	1996

Cash Flows from Operating Activities

<S>	<C>	<C>	<C>
Net income	$ 102,357	$ 118,044	$ 179,285
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and depletion	171,156	121,587	100,220
Amortization of goodwill and intangibles	10,182	7,013	7,600
Debt premium amortization	(7,090)	-	-
Undepreciated cost of plant and equipment retirements	2,577	6,957	7,694
Earnings of affiliates	(4,755)	(4,557)	(3,341)
Deferred income taxes	35,162	25,428	19,866
(Increase) decrease in accounts receivable	13,567	11,331	13,969
(Increase) decrease in inventories	15,926	(2,508)	(5,511)
(Increase) decrease in prepaid expenses	(17,508)	11,801	1,135
Increase (decrease) in accounts payable	(3,679)	(14,930)	869
Increase (decrease) in current liabilities, other than current maturities of long-term debt and accounts payable	17,279	1,653	(8,352)
Increase (decrease) in postretirement benefits	(3,962)	(901)	4,912
Increase (decrease) in other noncurrent liabilities	(1,735)	(6,926)	3,201
Net cash provided by operating activities	329,477	273,992	321,547
Cash Flows from Investing Activities			
Capital expenditures	(348,856)	(236,198)	(287,893)
Acquisitions, net of cash	-	(250,690)	-
Proceeds from sale and leaseback	-	135,600	422,398
Noncurrent investments	-	-	(393,229)
Other	1,952	130	7,605
Net cash (used in) investing activities	(346,904)	(351,158)	(251,119)
Cash Flows from Financing Activities			
Cash dividends	(78,503)	(75,353)	(75,056)
Proceeds from long-term debt	160,000	282,000	23,467
Repayment of long-term debt	(143,831)	(405,103)	-
Net borrowings under lines of credit and revolvers	56,397	270,389	(18,000)
Common stock issued (net)	13,425	5,474	6,717
Net cash provided by (used in) financing activities	7,488	77,407	(62,872)
Net increase (decrease) in cash and cash equivalents	(9,939)	241	7,556
Cash and cash equivalents - beginning of year	13,169	12,928	5,372
Cash and cash equivalents - end of year	$ 3,230	$ 13,169	$ 12,928

Cash paid during the year for:			
Interest	$ 29,333	$ 17,281	$ 7,330
Income taxes	32,007	93,184	103,234

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Papers, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998, 1997 and 1996

1. Summary of Accounting Policies.

Principles of Consolidation - The consolidated financial statements include the accounts of Consolidated Papers, Inc. and subsidiaries. Investments in companies in which ownership is at least 20%, but less than a majority of the voting stock, are accounted for using the equity method.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Standards - The Financial Accounting Standards Board (FASB) recently issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," which establishes standards for the reporting of the components of comprehensive income, SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires certain information about operating segments to be reported on a basis consistent with internal decision making, and SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits," which standardizes the disclosure requirements for pensions and other postretirement benefits. Required disclosures have been made and prior years' information has been reclassified for the impact of adopting SFAS Nos. 130, 131 and 132 in 1998.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. In March 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which revises the accounting for software development costs and will require the capitalization of certain costs that the company has historically expensed. The company is currently analyzing the impacts of these statements, which are required to be adopted in 2000 and 1999, respectively, and does not expect either statement to have a material impact on the company's financial position, results of operations or cash flows.

Cash and Cash Equivalents - For financial statement purposes, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates fair market value.

Inventories - Inventories accounted for using the last-in, first-out (LIFO) cost method (approximately 50% in 1998, 45% in 1997 and 57% in 1996) are stated at amounts that do not exceed market. If the first-in, first-out (FIFO) method of accounting for inventories had been used by the company, inventories would have been higher than that reported at December 31, 1998, 1997 and 1996, by $18.2 million, $21.5 million and $21.3 million, respectively. The remaining inventories are stated at the lower of cost or market using the FIFO method, except for stores supplies and certain manufacturing supplies, which are accounted for on a moving average cost basis.

Goodwill Resulting from Business Acquisitions - Goodwill resulting from business acquisitions consists of the excess of the acquisition cost over the fair value of the net assets of the businesses acquired. Goodwill is amortized on a straight-line basis over 15 to 20 years. Amortization of goodwill resulting from business acquisitions was $9.1 million, $5.6 million and $4.1 million in 1998, 1997 and 1996, respectively. At December 31, 1998, accumulated amortization of goodwill was $21.3 million. Subsequent to acquisitions, the company continues to evaluate whether events and circumstances have occurred that indicate the remaining estimated useful life of goodwill may warrant revision or that the remaining balance of goodwill is not recoverable. Recoverability is determined by comparing the undiscounted net cash flows of the assets to which the goodwill applies to the net book value, including goodwill, of those assets.

Plant and Equipment - Plant and equipment are recorded at cost and are depreciated over the estimated useful lives of the assets using principally the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. Useful lives for financial reporting purposes are 20 years for land improvements, 33 years for buildings, and five to 20 years for machinery and equipment.

The company's policy is to capitalize interest incurred on debt during the course of major projects that exceed one year in construction. Interest capitalized in 1998, 1997 and 1996 was $1.6 million, $3.1 million and $7.5 million, respectively.

Maintenance and repair costs are charged to expense as incurred, and renewals and improvements that extend the useful life of the assets are added to the plant and equipment accounts.

Research and Development - Research and development costs are charged to expense as incurred. Research and development expenses in 1998, 1997 and 1996 were approximately $7.3 million, $6.8 million and $6.5 million, respectively.

Timber and Timberlands - Timber and timberlands are recorded at cost, less amortization for cost of timber harvested. Amortization is computed on the units-of-production method. Timber carrying costs are expensed as incurred.

Accounts Payable - The company's banking system provides for the daily replenishment of major bank accounts for check-clearing requirements. Accordingly, there were negative book cash balances of $24 million, $30 million and $12 million at December 31, 1998, 1997 and 1996, respectively. Such balances result from outstanding checks that had not yet been paid by the bank and are reflected in accounts payable in the Consolidated Balance Sheets.

Environmental Matters - The company recognizes a liability for environmental remediation costs when it is probable a liability has been incurred and the amount can be reasonably estimated. The liabilities are developed based on currently available information and are generally recognized no later than completion of a remedial feasibility study. The company accrues closure costs and discounted amounts for long-term care costs for its landfills over their estimated useful lives. As of December 31, 1998, the company had accrued $5.9 million of the anticipated $7.1 million for such costs.

Income Taxes - Deferred income taxes have been provided for temporary differences arising from differences in bases of assets and liabilities for tax and financial reporting purposes. Deferred income taxes are recorded on temporary differences at the tax rate expected to be in effect when the temporary differences reverse.

Net Income per Share - Effective January 1, 1997, the company adopted the requirements of SFAS No. 128, "Earnings per Share," and, accordingly, basic earnings per share is calculated based on the weighted average number of common shares outstanding during the year, while diluted earnings per share is calculated based on the dilutive effect of potential common shares. All prior period amounts have been restated for comparable purposes.

Basic and diluted earnings per share are reconciled as follows:

	For the years ended December 31	
	1997	1996
(In thousands, except per share data)	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Net sales	$1,953,449	$1,820,659
Net income	150,538	244,267
Net income per share - basic	3.37	5.50

This pro forma information reflects all adjustments that are, in the opinion of management, necessary to a fair statement of the results.

3. Long-term Debt and Lines of Credit. A summary of long-term debt as of December 31 is as follows:

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Term loan from a financial			

institution, unsecured, with interest at 7.05%, due June 30, 2000	$ 30,000	$ 30,000	$ 30,000
Term loan from a financial institution, unsecured, with interest at 7.40%, due June 30, 2005	55,000	55,000	55,000
Term loan from a financial institution, secured by equipment, with interest at 9.94%, repurchased in September 1997	-	-	23,467
Term loan from a financial institution, secured by equipment, with interest at 12.08%, due January 1, 2007, repurchased in May and June 1998	-	30,241	-
Senior Notes with interest at 6.71% to 7.14%, due October 31, 2004, to October 31, 2017	277,000	277,000	-
Senior Notes with interest at 6.93% to 7.30%, due May 8, 2009, to May 8,2023	160,000	-	-
Industrial Revenue Bonds with interest at 4.20% at December 31, 1998, reset weekly, due July 1, 2012	5,000	5,000	-
First Priority Senior Secured Notes of Inter Lake Papers, Inc. with 9.25% interest, $19,473 face amount and due February 1, 2002	20,369	20,620	-
Second Priority Senior Secured Notes of Inter Lake Papers, Inc. with 9.875% interest, $1,099 face amount and due May 1, 2006	1,195	1,204	-
Revolving credit agreements with financial institutions, unsecured, with a weighted average interest rate of 5.35% and 5.91%, respectively	400,000	440,000	-
Line of credit agreements with financial institutions, unsecured, with a weighted average interest rate of 6.08%, 6.91% and 5.96%, respectively	106,000	9,600	164,000
Total long-term debt	$1,054,564	$ 868,665	$ 272,467

The company has a $699 million unsecured revolving credit agreement with 15 participating financial institutions with an expiration date of September 26, 2002. This agreement has a competitive bid loan option with varying rates of interest. The company pays the banks a facility fee under this agreement.

The company has $335 million in unsecured lines of credit with seven financial institutions. There are no commitment fees for these lines of credit. Amounts due under these lines of credit have been classified as long-term debt because the company has the intent and the unused facilities to refinance the loans on a long-term basis.

The debt agreements contain restrictions on net worth and other matters.

The company recorded an extraordinary loss of $4.6 million after taxes as a result of the early redemption of a $143.8 million face value term loan. This term loan was assumed as part of the operating lease buyout on production equipment at Lake Superior Paper Industries, which occurred partly in 1997 and was completed in January 1998 (see Note 4). The loss consisted primarily of a prepayment penalty and costs associated with the early redemption, net of the write-off of the remaining debt premium and net of tax benefits of $3.1 million. The redemption of the 12.08% debt was financed with proceeds from the $160 million private placement notes with interest rates between 6.93% and 7.30%.

As of December 31, 1998, the maturities of long-term debt are as follows:

<S>	<C>	<C>
(In thousands)	1999	$ -
	2000	30,000
	2001	-
	2002	420,369
	2003	-
	Thereafter	604,195

4. Leases. The company sold certain assets for $136 million in December 1997. The assets were leased back from the purchaser over a period of 16 years. The lease is being accounted for as an operating lease, and the resulting gain of $17 million is being amortized over the life of the lease. The lease requires the company to pay customary operating and repair expenses and to observe certain operating restrictions and covenants. The lease contains renewal options at lease termination and purchase options at amounts approximating fair market value in 2005, 2010 and at lease termination.

The company also sold certain assets for $253 million and $169 million in May 1996 and September 1996, respectively. The assets were leased back from the purchaser over a period of 15 years. Under the agreements, the company will maintain deposits, initially in the amount of $393 million, which together with interest earned are expected to be sufficient to fund the company's lease obligations, including the repurchase of the assets. These lease agreements contain restrictions on net worth and other matters. These transactions are being accounted for as financing arrangements, and the resulting gains are amortized over a 15-year period. At December 31, 1998, the company recorded assets for the deposits from the sale proceeds of $457 million and liabilities for the lease obligations of $484 million. $18.6 million of both the deposits and lease obligations are recorded as current. The net amount of capital lease assets at December 31, 1998, is $261 million.

The company also leases certain manufacturing facilities, office space, and machinery and equipment under various operating lease agreements, which have remaining lease terms of two to five years. Rent expense under all operating leases was approximately $11.0 million, $33.8 million and $35.3 million for 1998, 1997 and 1996, respectively.

In January 1998, the company completed the exercise of its early purchase option to buy out an operating lease on production equipment at Lake Superior Paper Industries by paying $149.3 million in cash and assuming $120.4 million in debt. The company had previously purchased a portion of the equipment in December 1997 by paying $38.9 million in cash and assuming $30.2 million in debt. The total transaction resulted in an increase in fixed assets of $338.8 million.

Future scheduled minimum lease payments under capital and noncancelable operating leases as of December 31, 1998, are as follows:

(In thousands)	Operating Leases	Capital Leases
<S>	<C>	<C>
1999	$ 13,533	$ 23,242
2000	11,506	26,969
2001	10,947	28,334
2002	9,900	29,769
2003	7,559	31,276
Thereafter	65,556	857,084
Total minimum lease payments	$ 119,001	996,674
Imputed interest		(512,478)
Present value of capitalized lease payments		484,196
Less current portion (included in other current liabilities)		18,583
Long-term capitalized lease obligations		$ 465,613

5. Fair Values of Financial Instruments. The carrying amounts and fair values of the company's financial instruments at December 31 were as follows:

	1998		1997		1996	
(In thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 3,230	$ 3,230	$ 13,169	$ 13,169	$ 12,928	$ 12,928
Restricted cash related to leases	457,012	457,012	439,675	439,675	423,618	423,618
Long-term debt, including current maturities	1,054,564	1,072,071	868,665	875,534	272,467	275,222

The following methods and assumptions were used by the company in estimating fair values for financial instruments:

Cash, cash equivalents and restricted cash - The carrying amount approximates fair value due to the relatively short period to maturity of these instruments.

Long-term debt - The fair value of the company's long-term debt is estimated based on current rates offered to the company for debt of the same remaining maturities.

6. Risk Management. The company periodically uses interest rate lock and swap agreements to manage its exposure to interest rate changes. Payments or receipts for fluctuations in interest rates under these agreements are recorded as adjustments to interest expense and were not material in any period. At December 31, 1998, the company had outstanding interest rate swap agreements with a notional principal amount of $50 million that convert floating-rate debt to fixed-rate debt. The company neither holds nor issues financial instruments for trading purposes.

7. Employee Pension and Other Benefit Plans. The company and its subsidiaries sponsor pension plans covering substantially all employees. Retirement benefits are provided based on employees' years of service and earnings. Normal retirement age is 65, with provisions for earlier retirement. The company's funding policy is to contribute amounts to the plans when deductible for income tax purposes. This policy generally includes amortization of unfunded prior service costs over a 10-year period.

The company also provides certain noncontributory medical, dental and life insurance benefits to qualifying retirees. These benefits are paid from a trust that holds corporate and U.S. Treasury debt securities and corporate equities.

The postretirement benefits for both active and retired employees of Inter Lake Papers, Inc. were continued after the acquisition. The amounts herein reflect the assumption of these additional liabilities and costs.

Summarized information on the company's postretirement plans is as follows:

	Pension Benefits			Other Benefits		
	12/31/98	12/31/97	12/31/96	12/31/98	12/31/97	12/31/96
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(In thousands)						
Change in benefit obligation						
Benefit obligation at beginning of year	$ 480,029	$ 444,637	$ 437,927	$ 221,325	$ 157,705	$ 149,905
Service cost	16,769	13,760	13,867	5,792	4,619	4,194

Interest cost	33,117	31,247	29,730	15,039	11,736	10,636
Amendments	2,648	-	-	-	-	-
Acquisition	-	-	-	-	54,610	-
Net actuarial loss/ (gain)	21,592	13,172	(15,769)	5,313	(399)	96
Benefits paid	(24,571)	(22,787)	(21,118)	(9,221)	(6,946)	$ (7,126)
Benefit obligation at end of year	529,584	480,029	444,637	238,248	221,325	157,705
Change in plan assets						
Fair value of plan assets at beginning of year	615,648	514,314	468,312	52,637	39,463	33,141
Actual return on plan assets	41,815	123,937	62,877	741	9,076	4,549
Employer contributions	200	184	4,244	12,902	11,044	8,899
Benefits paid	(24,571)	(22,787)	(21,118)	(9,221)	(6,946)	(7,126)
Fair value of plan assets at end of year	633,092	615,648	514,315	57,059	52,637	39,463
Net amount recognized						
Funded status	103,508	135,619	69,677	(181,189)	(168,688)	(118,242)
Unrecognized prior service cost	19,151	19,072	21,640	(16,657)	(18,051)	(19,445)

Unrecognized transition (asset)	(14,188)	(17,027)	(19,866)	-	-	-
Unrecognized net actuarial loss/ (gain)	(121,526)	(148,938)	(80,334)	30,166	21,830	28,509
(Accrued) benefit cost	$ (13,055)	$ (11,274)	$(8,883)	$(167,680)	$(164,909)	$(109,178)
Amounts recognized in the statement of financial position consist of:						
Prepaid benefit cost	22,605	17,415	14,342	-	-	-
Accrued benefit liability	(35,660)	(28,689)	(23,225)	(167,680)	(164,909)	$(109,178)
Net amount recognized	$ (13,055)	$ (11,274)	$(8,883)	$(167,680)	$(164,909)	$(109,178)
Weighted-average assumptions at end of year Discount rate	6.75%	7.00%	7.25%	6.75%	7.00%	7.25%
Expected return on plan assets	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

For measurement purposes, the health care cost trend rates are as follows:

For participants who retired before January 1, 1995, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 5% for 2001 and remain at that level thereafter.

For participants who retired after January 1, 1995, a 5.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1998. The rate was assumed to decrease gradually to 4% for 2001 and remain at that level thereafter.

	Pension Benefits			Other Benefits		
(In thousands)	12/31/98	12/31/97	12/31/96	12/31/98	12/31/97	12/31/96
Components of net periodic benefit cost						
Service cost	$ 16,769	$ 13,760	$ 13,867	$ 5,792	$ 4,619	$ 4,194
Interest cost	33,117	31,247	29,730	15,039	11,736	10,636
Expected return on plan assets	(46,855)	(41,990)	(34,013)	(4,446)	(3,490)	(2,819)
Amortization of prior service cost	2,568	2,568	2,568	(1,394)	(1,394)	(1,394)
Amortization of transition (asset)	(2,839)	(2,839)	(2,839)	-	-	-
Recognized net actuarial loss/(gain)	(779)	(172)	49	682	702	1,387
Net periodic benefit cost	$ 1,981	$ 2,574	$ 9,362	$ 15,673	$ 12,173	$ 12,004

The net actuarial loss/(gain) in excess of a 10% corridor, the prior service cost and the transition (asset) are being amortized over the average remaining service period of active participants at the date established on a straight-line basis.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $8.6 million, $4.1 million and $0, respectively, as of December 31, 1998, and $8.5 million, $3.9 million and $0, respectively, as of December 31, 1997.

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

	1% Increase	1% Decrease
(In thousands)		
Effect on total of service and interest cost components	$3,747	($2,948)
Effect on postretirement benefit obligation	32,069	(25,914)

8. Shareholders' Investment. In April 1989, the shareholders approved a Stock Option Plan providing for granting of options to directors, officers and all other nonunion employees. In April 1998, the company adopted a similar plan, the 1998 Incentive Compensation Plan. This plan provides for the granting of options, stock appreciation rights, stock or cash awards to directors, officers and all other nonunion employees. The company accounts for these plans under Accounting Principles Board Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined consistent with FASB Statement No. 123, basic earnings per share would have been reduced by $.01, $.02 and $.01 for the years ended December 31, 1998, 1997 and 1996, respectively. Because the Statement No. 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The plans reserved 10 million shares of common stock to be issued at prices equal to 100% of the fair market value of the shares on the date the option is granted. Options are exercisable not earlier than six months and not later than 10 years after the date of the grant.

Of the 2,302,480 options outstanding at December 31, 1998, 966,682 have exercise prices between $17.56 and $23.38, with a weighted average exercise price of $20.28 and a weighted average remaining contractual life of 3.41 years. 965,104 of these options are exercisable with a weighted average exercise price of $20.28. The remaining 1,335,798 options have exercise prices between $24.06 and $32.97, with a weighted average exercise price of $26.92 and a weighted average remaining contractual life of 8.17 years. 424,323 of these options are exercisable with a weighted average exercise price of $26.13.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1998, 1997 and 1996, respectively: risk-free interest rates of 4.95%, 5.79% and 6.38%; expected dividend yields of 3.20%, 3.15% and 3.42%; expected lives of 10, 10, and 10 years; and expected volatility of 26.05%, 27.75% and 29.50% for 1998 options, 19.25% and 18.81% for 1997 options and 16.41% and 16.57% for 1996 options.

An analysis of the stock option plans at December 31, 1998, 1997 and 1996 follows:

<S>	1998 Shares <C>	Weighted Average Exercise Price <C>	1997 Shares <C>	Weighted Average Exercise Price <C>	1996 Shares <C>	Weighted Average Exercise Price <C>
Outstanding at beginning of year	2,411,328	$ 22	2,331,104	$ 21	2,078,556	$ 19
Granted	534,728	29	475,258	24	417,400	27
Exercised	(617,664)	19	(338,358)	19	(150,168)	18
Expired or canceled	(25,912)	27	(56,676)	24	(14,684)	24
Outstanding at end of year	2,302,480	24	2,411,328	22	2,331,104	21
Exercisable at end of year	1,389,427	22	1,611,150	20	1,650,978	19
Weighted average fair value of options granted	$ 8.09		$ 6.30		$ 5.96	

There are also 15 million shares of Class A Preferred Stock authorized with a par value of $.01 per share, to be issued at the discretion of the Board of Directors. As of December 31, 1998, none of the shares had been issued.

9. Income Taxes.

The provision for income taxes includes the following components:

(In thousands) <S>	1998 <C>	1997 <C>	1996 <C>
Current:			
Federal	$ 29,383	$ 39,040	$ 76,312
State	3,695	7,882	13,707
Total current	33,078	46,922	90,019
Deferred:			
Federal	33,311	23,591	17,408
State	1,851	1,837	2,458
Total deferred	35,162	25,428	19,866
Total provision	$ 68,240	$ 72,350	$ 109,885

The following summarizes the major differences between the U.S. statutory tax rates and the company's effective tax rates:

	1998	1997	1996
Statutory federal tax rates	35.0%	35.0%	35.0%
State income taxes	2.7	3.3	4.0
Other items	2.3	(.3)	(1.0)
Effective tax rates	40.0%	38.0%	38.0%

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of the enacted tax laws. The net deferred tax liability is comprised of the following:

(In thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Deferred tax assets:			
Postretirement benefits	$ 66,524	$ 65,395	$ 43,331
Accrued vacation	12,866	10,029	9,118
Net operating loss carryforward	51,191	50,322	-
AMT credit	3,546	1,403	-
Tax credit carryforward	11,757	7,875	1,487
Capital loss carryforward	8,974	8,449	-
Valuation allowance	(10,504)	(7,907)	-
Other	20,321	23,184	18,820
Total deferred tax assets	164,675	158,750	72,756
Deferred tax liabilities:			
Plant and equipment	(476,184)	(432,265)	(288,152)
Equity method investments	(10,140)	(10,576)	(8,711)
Other	(11,778)	(13,428)	(15,182)
Total deferred tax liabilities	(498,102)	(456,269)	(312,045)
Net deferred tax liability	$(333,427)	$(297,519)	$(239,289)

The consolidated balance sheets reflect current deferred income taxes of $16.2 million, $12.4 million and $12.7 million in prepaid expenses and a long-term deferred income tax liability of $349.6 million, $309.9 million and $252.0 million at December 31, 1998, 1997 and 1996, respectively.

As of December 31, 1998, the company had tax carryforwards of approximately $75.5 million, which expire from 1999 through 2013. Due to the uncertainty of the realization of certain tax carryforwards, the company has established a valuation allowance against these carryforwards in the amount of $10.5 million.

10. Other Commitments. The company has agreed to purchase paper mill process steam from the City of Duluth Steam District No. 2 Cooperative Association at a unit cost to be determined based upon operating, maintenance and capital costs of the steam plant. In addition, the company pays an amount equal to the principal and interest requirements on $7.3 million of outstanding Steam Utility Revenue Bonds as of December 31, 1998, which mature at various times through April 1, 2002, and certain other costs, principally capital expenditures. The company

paid $2.8 million in 1998, 1997 and 1996, to service these bonds. Annual payments for the principal and interest portion of these bonds are expected to be $2.8 million in 1999 through 2001, with a final payment of $.7 million in 2002.

As of December 31, 1998, the company had capital expenditure commitments outstanding of approximately $153.8 million.

11. Segment Information. The company's principal business is the manufacture of paper and paper-related products. Consolidated Papers, Inc. is a leading manufacturer of coated and supercalendered printing papers. The company is also the nation's leading manufacturer of coated specialty papers used in consumer product packaging and labeling. Other products and services include recycled pulp made from printed, preconsumer and postconsumer scrap paper, paperboard, paperboard products, corrugated products and hospitality and lodging services provided at a company-owned hotel.

The company's headquarters and major operating facilities are all located in the United States. Some forestlands and a small wood chip production facility are located in Canada. These Canadian operations account for $.6 million of consolidated total assets.

The principal markets for the company's products are in the United States. Export sales, primarily to Canada, amounted to $88.2 million in 1998, $65.8 million in 1997 and $37.4 million in 1996.

Sales to one customer amounted to 13.6%, 14.3% and 13.0% of consolidated net sales in 1998, 1997 and 1996, respectively. Sales to another customer amounted to 10.1% and 10.2% of net sales in 1998 and 1997.

The company is managed along product lines including coated and supercalendered printing papers, coated specialty papers, paperboard products, and corrugated products. Several operating divisions producing groundwood-free, groundwood and supercalendered printing papers have been aggregated into the coated and supercalendered printing papers reportable segment because these operating segments are similar in economic characteristics, products, production processes, type of customer and distribution methods. The coated specialty papers, paperboard products and corrugated products operating segments do not meet the quantitative thresholds for a reportable segment and thus are included in the "Other" category.

The coated and supercalendered printing papers reportable segment derives revenues from the sale of printing papers used by commercial printers and publishers for magazines, annual reports, advertising brochures, catalogs, coupons and newspaper inserts. The "Other" category includes the sales of coated specialty papers (used for flexible packaging, pressure-sensitive labels and technical papers), recycled pulp, paperboard products and corrugated products, as well as revenues from the company-owned hotel.

Segment sales include intersegment sales valued at arm's-length transfer prices. Segment operating profit is revenue less direct and allocable operating expenses. Segment identifiable assets are those which are directly used in or identified to segment operations. Corporate items include nonoperating overhead, selling, general and administrative expense, research and development expenditures, interest expense, inter-segment eliminations, and other income and deductions items. Corporate assets are principally cash and cash equivalents, certain nontrade receivables, prepaid items, equity method investments, and certain nonoperating fixed assets.

Financial information by business segment follows:

(In thousands)	Printing Papers	Other	Corporate Items	Total
<S>	<C>	<C>	<C>	<C>
1998				
Revenues	$1,751,226	$ 281,690	$ (43,601)	$1,989,315
Segment profit (loss)	323,475	16,575	(161,781)	178,269
Total assets	2,754,789	325,538	547,159	3,627,486
Capital expenditures	315,459	29,663	3,734	348,856
Depreciation and amortization	160,514	18,168	(4,434)	174,248
1997				
Revenues	$1,440,005	$ 284,820	$ (45,514)	$1,679,311
Segment profit (loss)	264,710	28,578	(102,894)	190,394
Total assets	2,514,870	313,684	518,956	3,347,510
Capital expenditures	181,582	50,338	4,278	236,198
Depreciation and amortization	105,063	21,248	2,289	128,600
1996				
Revenues	$1,296,536	$ 277,122	$ (28,567)	$1,545,091
Segment profit (loss)	325,654	44,133	(80,617)	289,170
Total assets	1,575,482	401,015	555,745	2,532,242
Capital expenditures	175,501	108,550	3,842	287,893
Depreciation and amortization	87,808	17,867	2,145	107,820

QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of selected quarterly financial data for 1998 and 1997:

(Dollars in thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<S>	<C>	<C>	<C>	<C>	<C>
1998					
Net sales	$ 517,009	$ 508,437	$ 491,580	$ 472,289	$ 1,989,315
Gross profit	104,127	94,045	69,584	72,294	340,050
Net income after extraordinary item	39,043	27,100	17,179	19,035	102,357
Net income per share after extraordinary					

item - diluted	.43	.30	.19	.21	1.13
1997					
Net sales	$ 379,841	$ 392,975	$ 396,795	$ 509,700	$ 1,679,311
Gross profit	64,445	70,748	60,287	97,808	293,288
Net income	28,056	30,376	23,776	35,836	118,044
Net income per share - diluted	.31	.34	.26	.40	1.31

Per share amounts restated to reflect the two-for-one stock split of May, 1998.

1998 amounts reflect a $4.6 million after taxes extraordinary loss on debt extinguishment.

1997 amounts reflect the acquisition, effective October 1, 1997, of Inter Lake Papers, Inc. formally Repap USA.

Net income per share is based upon the weighted average number of shares outstanding during the period.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of
Consolidated Papers, Inc.:

We have audited the accompanying consolidated balance sheets of Consolidated Papers, Inc. (a Wisconsin corporation) and subsidiaries as of December 31, 1998, 1997 and 1996, and the related consolidated statements of income, shareholders' investment and cash flows (see Pages 15, 16, 17, and 18) for each of the years in the three-year period ended December 31, 1998. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Papers, Inc. and subsidiaries as of December 31, 1998, 1997 and 1996, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedule listed in the index at item 14 is the responsibility of the Company's management and is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

/S/ARTHUR ANDERSEN LLP
ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
January 14, 1999.

SIGNATURES

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

CONSOLIDATED PAPERS, INC.
Registrant

/s/Carl R. Lemke	March 26, 1999
Carl R. Lemke,	Date
Assistant Secretary	

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