

SECURITIES AND EXCHANGE COMMISSION

FORM 424B1

Prospectus filed pursuant to Rule 424(b)(1)

Filing Date: **1999-03-26**
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FILER

CENTRAL NEWSPAPERS INC

CIK: **854094** | IRS No.: **350220660** | State of Incorporation: **IN** | Fiscal Year End: **1226**
Type: **424B1** | Act: **33** | File No.: **333-67077** | Film No.: **99574053**
SIC: **2711** Newspapers: publishing or publishing & printing

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Business Address

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STREET
PHOENIX AZ 85004
3172319200*

Filed pursuant to Rule 424(b)(1)
Reg No. 333-67077

2,324,956 Shares

[CNI LOGO]

Class A Common Stock

All of the shares of common stock in the offering are being sold by the Nina Mason Pulliam Charitable Trust. Central Newspapers, Inc. will not receive any of the proceeds from the sale of the shares being sold by the charitable trust.

The Class A common stock is listed on the New York Stock Exchange under the symbol "ECP." The last reported sale price of the Class A common stock was \$31 3/8 per share.

See "Risk Factors" on page 6 to read about certain factors you should consider before buying shares of the Class A common stock.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

	Per Share	Total
	-----	-----
<S>	<C>	<C>
Public offering price.....	\$ 30.50	\$70,911,158.00
Underwriting discount.....	\$ 1.525	\$ 3,545,557.90
Proceeds, before expenses, to the charitable trust.....	\$28.975	\$67,365,600.10

</TABLE>

The underwriters may, under certain circumstances, purchase up to an additional 348,743 shares from the charitable trust at the public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on March 31, 1999.

GOLDMAN, SACHS & CO.

DONALDSON, LUFKIN & JENRETTE

Prospectus dated March 25, 1999.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which we have previously filed (File No. 1-10333) with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are incorporated herein by reference and made a part hereof:

1. Our Annual Report on Form 10-K for the fiscal year ended December 27, 1998, which incorporates by reference certain portions of (a) our 1998 Annual Report to Shareholders and (b) our proxy statement for the 1999 Annual Meeting of Shareholders; and
2. The Description of Capital Stock contained in our Registration Statement on Form 10 filed September 13, 1989.

All documents we file with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and prior to the termination of the offering of the shares will be deemed to be incorporated by reference herein and to be part hereof from the date of filing of such documents. In the case of a conflict, statements in documents most recently

filed with the Commission should be relied upon.

We will provide to you, without charge, a copy of the documents which have been or may be incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into such documents). Oral or written requests for such copies should be directed to Central Newspapers, Inc., 200 East Van Buren Street, Phoenix, Arizona 85004, Attention: Chief Financial Officer (telephone 602-444-1100).

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements appearing elsewhere, or incorporated by reference, in this prospectus.

CNI

We publish the only major daily newspapers in the greater Phoenix metropolitan area and central Indiana. Our flagship newspapers are The Arizona Republic in Phoenix and The Indianapolis Star in Indianapolis. These newspapers have been published for over a century. According to circulation statistics compiled by the Newspaper Association of America, The Arizona Republic has been one of the fastest growing major daily morning newspapers in the country over the last three years. According to our internal records, circulation penetration as of December 31, 1998 in homes and businesses was:

<TABLE>
<CAPTION>

	DAILY	SUNDAY
	-----	-----
<S>	<C>	<C>
- The Arizona Republic	40%	51%
- The Indianapolis Star and the Indianapolis News	42%	60%

</TABLE>

We have benefited from the continuing economic growth and development of our key markets. With 2.9 million residents in the greater Phoenix metropolitan area, Phoenix is the nation's seventh largest city. In the greater Phoenix metropolitan area, growth across several diverse economic sectors, from manufacturing and construction to trade and services, has outpaced the national average over the past three years. In addition, Phoenix led the nation in job growth for 1997 with a 6.0% increase, and preliminary data indicates that Phoenix again led the nation in 1998 with a job growth rate of approximately 5.5%. The 1998 average annual unemployment rate of 2.6% in the greater Phoenix Metropolitan area was below the national unemployment rate of 4.5%. Its manufacturing base, a substantial portion of which comes from high technology, is projected by the Greater Phoenix Economic Council to grow faster than the national rate.

The greater Indianapolis metropolitan area, with 1.5 million residents, has also experienced solid economic and population growth, and the preliminary 1998 average annual unemployment rate of 2.4% was well below the national average. Its economy is anchored by a large and diverse industrial base, including such major corporations as Eli Lilly and Company, Conseco, Inc., and Dow AgroSciences. Large downtown development projects such as the Convention Center, the RCA Dome and Circle Centre, a large retail shopping center, have also bolstered the regional economy.

We also own and operate several smaller newspapers in Central Indiana and Louisiana, as well as:

- Westech ExpoCorp., which organizes job fairs for the high tech industry;
- High Technology Careers, which publishes High Technology Careers Magazine;
- Virtual Job Fair (<http://www.vjf.com>), an internet-based resume posting and research service;
- Homebuyer's Fair, Inc., which provides Internet services and information for people who are moving and corporations that are relocating their employees;
- Carantin & Co., Inc., which provides direct marketing support services to its clients; and

- a commercial printer.

We have consistently grown our revenues and net income over the last five years. For the five fiscal years ended December 27, 1998, we recorded compound annual growth in revenues of 10.0%. For the fiscal year ended December 27, 1998, we generated revenues of \$752.7 million and net income of \$88.5 million. In 1998, we derived 75% of our revenue from advertising, 20% from circulation, and 5% from other sources. Key drivers of our financial success include the expansion

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of advertising and circulation revenue in our existing markets, the implementation of certain cost-cutting measures, the repurchase of our common stock, and the development of product line extensions to meet the information needs of the market we serve.

Our financial objective is to continue to build value for our shareholders by focusing on the strengths inherent in our current markets while selectively pursuing acquisitions. The principal elements of our strategy are as follows:

- ENHANCE ADVERTISING AND CIRCULATION REVENUE BASE. Controlling the only major daily newspapers in our key markets affords us a competitive advantage in attracting and maintaining advertising, especially compared to other advertising vehicles such as radio and television broadcasting stations, each of which individually reach a significantly smaller audience. We continue to expand our advertising revenue base by developing long-term relationships with key advertising accounts and promoting cross-selling opportunities. We also recently reorganized the sales and marketing departments at both The Arizona Republic and The Indianapolis Star, incorporating more sales-based incentives into the compensation structure, which we believe will produce greater advertising revenue.

Our daily home-delivered subscription base represents more than 85% of total circulation. The industry average is approximately 74%. This large subscription base adds to the stability of our revenues, and we continue to emphasize and improve the quality of daily home delivery.

- CONTINUE TO ACHIEVE COST EFFICIENCIES. We have recently identified several areas for more efficient cost management and have begun to pursue these opportunities. Initiatives in the recent past include:
 - the closing of The Phoenix Gazette in January 1997;
 - the consolidation of The Muncie Star and the Muncie Evening Press into The Star Press in May 1996;
 - the implementation of client server computer systems in Phoenix; and
 - the consolidation of the editorial function in Indianapolis.

We continue to pursue opportunities like these, with a particular focus on increasing production automation, improving distribution and enhancing workforce productivity.

- SELECTIVELY PURSUE BRAND-ENHANCING ACQUISITIONS AND NEW PRODUCT DEVELOPMENTS. We pursue acquisitions where we believe we can add or derive significant value from our operating expertise or line extension opportunities. Recent acquisitions include:
 - the purchase of the Alexandria Daily Town Talk newspaper in March 1996;
 - the purchase of Westech in February 1997;
 - the purchase of Homebuyer's Fair in October 1997 and National School Reporting Services, Inc. in September 1998; and
 - the purchase of Carantin & Co., Inc. in December 1998.

Additional product developments include the development of web sites for our major newspapers.

Our corporate headquarters' address is 200 East Van Buren Street, Phoenix, Arizona 85004 and our telephone number is (602) 444-1100.

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SELLING SHAREHOLDER

The Nina Mason Pulliam Charitable Trust indirectly acquired 10,147,200 shares of Class A common stock and 7,465,000 shares of Class B common stock from the estate of Nina Mason Pulliam, the widow of our founder. On October 23, 1998, we repurchased 5,000,000 shares of Class A common stock from the charitable trust at \$30 per share. In addition, in November 1998, we repurchased 3,000,000 shares of our Class A common stock from the charitable trust at \$33.50 per share, pursuant to the exercise of an option. We also have an agreement with the charitable trust which provides that:

- We will register up to 2,673,699 shares of Class A common stock for sale by the charitable trust under the federal securities laws. The offering made by this prospectus is pursuant to this provision.
- The charitable trust may not otherwise sell any shares of Class A common stock before September 21, 1999.

See "Selling Shareholder" on page 34 to read about the beneficial ownership of shares of our common stock by the charitable trust. See "Description of Capital Stock" on page 32 for additional information with respect to the terms of the Class A and Class B common stock.

THE OFFERING

The following information assumes that the underwriters do not exercise the option granted by the charitable trust to purchase additional shares in the offering, which is more fully described in the section of this prospectus entitled "Underwriting," and assumes that the charitable trust will convert 1,777,560 shares of Class B common stock into 177,756 shares of Class A common stock in order to facilitate this offering.

<TABLE> <S>	<C>
Class A common stock offered by the charitable trust.....	2,324,956
Common stock outstanding after the offering:	
Class A common stock.....	34,647,686
Class B common stock.....	60,888,440
New York Stock Exchange symbol.....	"ECP"
Use of Proceeds.....	We will not receive any of the proceeds from this offering

</TABLE>

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RISK FACTORS

You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, our business, financial condition or results of operations could be materially affected. As a result, the trading price of our Class A common stock could decline, and you may lose all or part of your investment.

This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this prospectus.

DEPENDENCE ON SUBSCRIPTION BASE

We derive a major source of revenue from our sale of newspapers through subscriptions. Our daily home-delivered subscription base represents more than 85% of our total circulation, which exceeds the newspaper industry average of approximately 74%. While our large subscription base adds relative stability to our revenue base and we continue to improve the quality of daily home delivery, our circulation is still largely dependent on such factors as our market position, preferences of readers, and the development of new forms of information dissemination (e.g. Internet). Any decline in circulation due to such factors could have a material adverse effect on our financial condition and results of operations.

DEPENDENCE ON LOCAL ECONOMIES

Our advertising revenues and, to a lesser extent, circulation revenues are primarily dependent on the size and demographic characteristics of the local population, the local economic conditions and the local weather conditions. If any of these factors were to be adversely affected, our financial condition or results of operations could be adversely affected.

NEWSPAPER INDUSTRY COMPETITION

Competition for advertising expenditures and newspaper sales comes from alternative sources of news and information, like regional and national newspapers, television, radio, magazines, direct mail and the Internet. A switch to these alternative sources of news and information by advertisers or consumers could materially impact our revenues and operating costs.

Competition for advertising expenditures is based largely upon advertiser results, readership, advertising rates, demographics and circulation levels. Competition for newspaper sales is based largely upon the content of the newspaper, its price and the effectiveness of its distribution. Our control of the only major daily newspapers in each of our key markets is of critical importance in maintaining both sales and advertising. Thus, any direct competition in our respective markets could impair our significant market position and consequently have an adverse effect on our revenues and operating costs.

COLLECTIVE BARGAINING AGREEMENTS

Approximately 35% of our employees are covered by a total of 23 collective bargaining agreements. Given the large number of collective bargaining agreements, we are frequently involved in labor negotiations. As of March 8, 1999, we were involved in ongoing negotiations with respect to four different bargaining agreements, involving approximately 330 employees engaged in various trades at our facilities. No assurance can be given as to the outcome of these negotiations or as to the impact of such negotiations or agreements in the future.

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DEPENDENCE ON NEWSPRINT

Significant increases in newsprint costs, or an insufficient supply could have a material adverse effect on our financial condition or results of operations. This is because newsprint is the basic raw material used in our business. We consumed approximately 182,000 metric tons of newsprint in fiscal year 1998, and our consumption is estimated to be approximately 191,000 tons in 1999. This increase is due primarily to anticipated lineage and circulation gains in 1999. We currently obtain our newsprint from a number of suppliers, both foreign and domestic, a majority of which are under long-term contracts.

Newsprint costs are cyclical and vary widely from period to period. Price changes are the major factor in these fluctuations. Likewise, our newsprint costs are affected by our changing volume needs. Our volume increase of 1.5% for 1998 over the comparable 1997 period was related to increased advertising lineage and circulation gains. We anticipate that newsprint expense comparisons will be about the same in 1999.

Given the fluctuations in newsprint costs, we cannot predict whether any increase in costs of newsprint will occur or the amount or timing of any increase.

FLUCTUATION OF QUARTERLY RESULTS

Generally, newspaper companies tend to follow a distinct and recurring seasonal revenue pattern. The first quarter of the year (January-March) tends to be the weakest quarter because advertising volume is then at its lowest level. The fourth quarter (October-December) tends to be the strongest quarter, as it includes heavy holiday season advertising. Our business reflects this seasonality, with our peak revenues and profits generally occurring in the second and fourth quarter of each year. We expect that seasonal fluctuations in revenue will continue to affect our results of operations in future periods. Therefore, results of operations in any period should not be considered indicative of the results to be expected for any future periods.

RISKS IN GROWTH STRATEGY

Our growth strategy of strengthening our presence in our existing markets presents risks inherent in assessing the value, strengths and weaknesses of acquisition opportunities, in evaluating the costs of new growth opportunities and in expanding into new products and improving our operating efficiency. We are unable to predict the number or timing of future acquisition opportunities, or whether any such opportunities will meet our acquisition criteria. Moreover,

if such acquisitions occur, we are unable to predict whether they will be a success.

Likewise, our growth strategy also depends on our ability to achieve cost efficiencies through increasing production automation, improving distribution and enhancing work force productivity. There can be no assurances that we will be able to successfully implement this strategy in the future.

CONTROL BY EUGENE C. PULLIAM TRUST

Presently, a majority of our voting power is held by the Eugene C. Pulliam Trust, which owns approximately 73% of our Class B common stock and approximately 69% of our combined voting power. The concentration of voting control by this trust affects decisions made on behalf of the Company. For example, this trust has the ability to elect all of the members of the Board of Directors and thus control the policies and operations of our businesses. Thus, circumstances may occur in which the interest of this trust may be in conflict with the interest of the holders of Class A common stock.

ANTI-TAKEOVER EFFECT OF THE EUGENE C. PULLIAM TRUST

The price that a third party may be willing to pay for Class A common stock may be affected by the anti-takeover effect of certain trust provisions. Under the terms of the Eugene C. Pulliam Trust, the trustees are directed not to take or approve any action by us that would cause the trust to have less voting power with respect to us or any corporation into which we are merged or consolidated, than its proportion of the voting

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power at the time of the execution of the trust (54%). Specifically, the trust's provisions prohibit it from selling, exchanging, pledging or otherwise disposing of its stock, as well as approving any reorganization or recapitalization, including mergers and consolidations, that would dilute the trust's voting power. As a result, this may make it more difficult for a third party to acquire a majority of our outstanding capital stock. In addition, such provisions could also limit the price certain investors might be willing to pay in the future for shares of our common stock. Likewise, certain provisions of Indiana law applicable to us could also delay, deter or prevent a merger, tender offer, or other takeover attempts.

INTEREST RATE EXPOSURE

On October 23, 1998, we repurchased 5,000,000 shares of Class A common stock from the Nina Mason Pulliam Charitable Trust for \$150.8 million, which includes related interest cost. In addition, in November 1998, we repurchased 3,000,000 shares of our Class A common stock from the charitable trust for \$100.5 million. These repurchases were financed with a \$300 million revolving credit facility. As a result of this indebtedness, our earnings are more susceptible to interest rate fluctuations than before.

POTENTIAL LITIGATION EXPOSURE

We are from time to time named as defendants in litigation in which the plaintiffs claim significant damages. As a newspaper company, we are especially susceptible to libel and invasion of privacy actions. As a result, there is a risk that an adverse judgment may have a material adverse effect on our financial condition or results of operations.

RISK OF YEAR 2000 NONCOMPLIANCE

We have developed a comprehensive program to identify, evaluate, test, upgrade or replace each of our computer and non-computer based systems in connection with Year 2000 readiness.

Despite these efforts, we could potentially experience a disruption in our operations as a result of potential noncompliance of certain vendors, financial institutions, governmental agencies or other third parties or external systems. This disruption could potentially affect various aspects of our business operations, including the timeliness and content of certain newspapers or online products. At this time, we are unable to determine whether the consequences of Year 2000 failures would have a material impact on our results of operations, liquidity or financial condition.

In this prospectus, "CNI," "we," "us" and "our" refer to Central Newspapers, Inc. and its consolidated subsidiaries. In addition, the "charitable trust" or the "selling shareholder" refers to the Nina Mason Pulliam Charitable Trust. Except as otherwise indicated, all information contained in this prospectus has been adjusted to reflect a two-for-one split of our Class A and Class B common stock effected in January 1999.

AVAILABLE INFORMATION

We file annual, quarterly, and special reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). These reports, proxy statements and other information can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following Regional Offices of the Commission: New York Regional Office, 7 World Trade Center, Suite 1300, New York, New York 10048 and Chicago Regional Office, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material may be obtained at prescribed rates from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, the Commission maintains a Website on the Internet (<http://www.sec.gov>) that contains these reports, proxy statements and other information. These reports, proxy statements and other information are also available for inspection and copying at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which the Class A common stock is listed.

We have filed with the Commission a Registration Statement on Form S-3 (of which this prospectus is a part) under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Class A common stock offered hereby. This prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained in this prospectus as to the contents of any contract or any other document are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit or schedule to the Registration Statement, each such statement being qualified in all respects by such reference and the exhibits and schedules thereto. For further information with respect to Central Newspapers, Inc. and the Class A common stock, you should read the Registration Statement, including the exhibits filed as a part thereof. The Registration Statement and the exhibits thereto may be inspected without charge at the office of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549 and copies thereof may be obtained from the Commission at prescribed rates.

PRICE RANGE OF CLASS A COMMON STOCK AND DIVIDEND POLICY

The Class A common stock is listed on the New York Stock Exchange under the symbol "ECP." The Class B common stock is not publicly traded. The following table sets forth the high and low reported sale prices for the Class A common stock for the periods indicated as reported on the New York Stock Exchange Composite Tape and the dividends declared and subsequently paid with respect to the Class A common stock and the Class B common stock for such periods:

<TABLE>

<CAPTION>

	CLASS A COMMON STOCK PRICE		DIVIDENDS PER SHARE	
	HIGH	LOW	CLASS A	CLASS B
<S>	<C>	<C>	<C>	<C>
1996				
First quarter.....	\$18 15/16	\$15 3/8	\$0.085	\$0.0085
Second quarter.....	19 3/16	17 1/16	0.085	0.0085
Third quarter.....	19 11/16	16 11/16	0.095	0.0095
Fourth quarter.....	22 1/8	19 1/8	0.095	0.0095

			\$0.360	\$0.0360
			=====	=====
1997				
First quarter.....	\$25 3/8	\$21 11/16	\$0.095	\$0.0095
Second quarter.....	35 13/16	23 15/16	0.095	0.0095
Third quarter.....	38 1/8	32 15/16	0.105	0.0105
Fourth quarter.....	38 7/16	32 11/16	0.105	0.0105
			-----	-----
			\$0.400	\$0.0400
			=====	=====
1998				
First quarter.....	37 1/8	31 1/32	\$0.105	\$0.0105
Second quarter.....	37 15/32	30 13/16	0.105	0.0105
Third quarter.....	35 1/16	28 1/2	0.120	0.0120
Fourth quarter.....	35	27 19/32	0.120	0.0120
			-----	-----
			\$0.450	\$0.0450
			=====	=====
1999				
First quarter(*).....	38 1/4	33 1/2	\$0.120	\$0.0120
* through March 8, 1999				

</TABLE>

On March 8, 1999, the reported last sale price for the Class A common stock was \$35 1/16 per share on the New York Stock Exchange.

While future dividends will be subject to the discretion of our Board of Directors, the Board of Directors currently intends to continue the policy of paying cash dividends on a quarterly basis. However, future dividends will depend upon our results of operations, financial condition, capital expenditure program and other factors, some of which are beyond our control. There can be no assurance as to whether or when our Board of Directors will change the current policy regarding dividends.

USE OF PROCEEDS

All of the shares of Class A common stock being offered hereby are being sold by the selling shareholder. We will not receive any proceeds from the offering.

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CAPITALIZATION

The following table sets forth our capitalization as of December 27, 1998, and reflects our repurchases of an aggregate of 8,000,000 shares of Class A common stock from the charitable trust. Funding for these repurchases came from borrowings under a \$300 million revolving credit facility.

<TABLE>
<CAPTION>

	DECEMBER 27, 1998

	(IN THOUSANDS)
<S>	<C>
Cash and cash equivalents.....	\$ 24,774
	=====
Short-term borrowings.....	\$ 52,072
Long-term debt.....	200,025
Redeemable preferred stock issued by subsidiary.....	18,920
Shareholders' equity:	
Preferred Stock, issuable in series:	
Authorized -- 25,000,000 shares	
Issued -- none.....	--
Class A common stock -- without par value:	
Authorized -- 150,000,000 shares	
Issued -- 34,446,180 shares.....	30,937
Class B common stock -- without par value:	
Authorized -- 130,000,000 shares	
Issued -- 62,691,000.....	63
Retained earnings.....	112,104
Unamortized value of restricted stock.....	(1,407)
Net unrealized gain on available-for-sale securities.....	1,466

Total shareholders' equity.....	143,163

Total capitalization.....	\$414,180
	=====

</TABLE>

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data in the following table for each of the five fiscal years in the period ended December 27, 1998 have been derived from our consolidated financial statements which, for the fiscal years ended December 28, 1997 and December 27, 1998, have been audited by PricewaterhouseCoopers LLP and, with respect to the other fiscal years, have been audited by Olive LLP, independent auditors. The selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto appearing elsewhere in this prospectus and the other documents incorporated herein by reference.

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<TABLE>
<CAPTION>

	FISCAL YEAR ENDED				
	DECEMBER 25, 1994	DECEMBER 31, 1995 (1)	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Operating revenues:					
Advertising.....	\$395,450	\$446,693	\$479,474	\$541,311	\$562,408
Circulation.....	121,823	129,537	134,133	143,153	150,446
Other.....	2,429	3,671	6,708	31,673	39,836
	-----	-----	-----	-----	-----
	519,702	579,901	620,315	716,137	752,690
	-----	-----	-----	-----	-----
Operating expenses:					
Compensation.....	217,078	222,748	228,316	239,783	243,637
Newsprint and ink.....	76,247	110,085	113,171	105,467	112,937
Other operating costs.....	116,944	129,362	137,875	177,829	196,746
Depreciation and amortization.....	26,639	28,487	35,528	42,022	45,418
Asset impairment cost.....	--	--	4,226	--	525
Work force reduction cost.....	7,064	3,328	1,340	9,999	854
	-----	-----	-----	-----	-----
	443,972	494,010	520,456	575,100	600,117
	-----	-----	-----	-----	-----
Operating income.....	75,730	85,891	99,859	141,037	152,573
Other income-net.....	4,965	8,154	4,009	2,152	428
	-----	-----	-----	-----	-----
Income before income taxes.....	80,695	94,045	103,868	143,189	153,001
Provision for income taxes.....	32,847	38,048	42,431	58,797	63,125
	-----	-----	-----	-----	-----
Income before minority interest and equity in affiliate.....	47,848	55,997	61,437	84,392	89,876
Minority interest in subsidiaries.....	(2,977)	(1,409)	(1,629)	(2,566)	(2,326)
Equity in affiliate, net of tax.....	(3,550)	(590)	1,726	(331)	992
Net income.....	\$ 41,321	\$ 53,998	\$ 61,534	\$ 81,495	\$ 88,542
	=====	=====	=====	=====	=====
Net income per common share:					
Basic.....	\$ 0.78	\$ 1.01	\$ 1.16	\$ 1.58	\$ 1.83
Diluted.....	\$ 0.77	\$ 1.00	\$ 1.14	\$ 1.54	\$ 1.78
	=====	=====	=====	=====	=====
Average common shares outstanding:					
Basic.....	53,242	53,302	53,238	51,464	48,498
Diluted.....	53,650	53,738	54,076	52,946	49,880
STATEMENT OF CASH FLOWS DATA:					
Net cash provided by operating activities.....	\$ 41,897	\$ 62,283	\$122,015	\$153,823	\$133,494
Net cash used by investing activities.....	(27,530)	(42,463)	(73,037)	(70,706)	(54,638)
Net cash used by financing activities.....	(14,405)	(15,783)	(38,971)	(82,342)	(91,006)
OTHER DATA:					
EBITDA(2).....	\$109,433	\$117,706	\$140,953	\$193,058	\$199,370
EBITDA margin.....	21.1%	20.3%	22.7%	27.0%	26.5%
Capital expenditures.....	\$ 23,256	\$ 58,676	\$ 46,530	\$ 25,135	\$ 34,809
Net cash provided by operating activities, excluding					

the effect of trading securities.....	87,579	79,913	81,344	142,192	134,949
BALANCE SHEET DATA:					
Cash and cash equivalents.....	\$ 22,105	\$ 26,142	\$ 36,149	\$ 36,924	\$ 24,774
Total assets.....	500,444	547,204	586,972	614,311	629,359
Working capital.....	132,907	137,818	92,323	64,739	13,113
Long-term debt.....	2,678	2,678	2,678	--	200,025
Shareholders' equity.....	319,762	358,741	387,550	382,279	143,163

</TABLE>

(1) 53-week year.

(2) Earnings before non-operating income and interest expense (other income-net), taxes, depreciation, amortization and costs associated with asset impairments and workforce reductions "special charges" ("EBITDA"). We believe that EBITDA is a valuable indicator of pre-tax profitability and also is used commonly by the financial and investment community to analyze communications and media companies. However, EBITDA is not derived pursuant to generally accepted accounting principles ("GAAP") and therefore should not be construed as an alternative to operating income or as a measure of liquidity. EBITDA as defined herein may not be comparable to other similar measurements, as entities define these non-GAAP measurements in different ways.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This document contains material that is forward-looking in nature. From time to time, we may provide forward-looking statements relating to such matters as anticipated financial performance, business prospects, and similar matters. We may identify these forward-looking statements by the use of words such as "anticipate," "believe," "expect," "plan," "foresee," or derivations thereof. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for these statements. We want to ensure that these statements are accompanied by meaningful cautionary language to comply with the safe harbor under the Act. We assume no obligation to update any forward-looking statements. A variety of factors could cause our actual results to differ materially from the expectations expressed in the forward-looking statements, including, but not limited to, the following:

- declines in circulation due to changing reader preferences and/or new forms of information dissemination;
- economic weakness in geographic markets;
- weakness in advertising categories due to factors including retail consolidations, declines in the advertising budgets of major customers, and increased competition from print and non-print products and new competitors emerging in our markets;
- the negative impact of issues related to labor agreements;
- unexpected fluctuations in the price of newsprint;
- an increase in distribution and/or production costs over anticipated levels; and
- an increase in actual interest rates over expected rates.

GENERAL

Our principal line of business is newspaper publishing. We derive revenues primarily from advertising and newspaper sales in the Phoenix, Arizona and Indianapolis, Indiana metropolitan areas. We also own:

- an 80% interest in the Westech group of companies, which is predominantly in the jobs fair business;
- a 13.5% interest in Ponderay Newsprint Company, a partnership that owns a newsprint mill in the State of Washington;
- an 89% interest in Homebuyer's Fair, Inc., which provides internet-based services and information for people who are moving and for corporations that are relocating employees, as well as information regarding schools across the nation; and

- a 100% interest in Carantin & Co., Inc., which provides direct marketing support services to its clients.

You should read the following information with our fiscal 1998 consolidated financial statements, including the accompanying notes.

Our business tends to be seasonal, with peak revenues and profits generally occurring in the second and fourth quarters of each year. The results for 1996, 1997 and 1998 reflect these seasonal patterns.

RECENT EVENTS

On March 9, 1999, the Board of Directors elected Kathryn L. Munro and Myrta J. Pulliam as new directors.

On January 22, 1999, Dan Quayle resigned from our Board of Directors to concentrate on his campaign for the Republican United States Presidential nomination.

On January 20, 1999, Eugene S. Pulliam, publisher of The Star and The News in Indian-

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apolis, and executive vice president and director of CNI, died at the age of 84.

On December 16, 1998, we acquired 100% of Carantin & Co., Inc., a Phoenix-based company that provides direct marketing support services to its clients.

On December 8, 1998, our board of directors declared a two-for-one split of the Class A and Class B common stock. The board also declared a dividend of \$0.12 per share of its Class A common stock and \$0.012 on its Class B common stock. The stock split and cash dividend were distributed on January 8, 1999 to holders of record of Class A and Class B common stock as of the close of business on December 18, 1998. We have restated all shares and per share amounts in this prospectus to reflect the stock split.

In addition, on December 8, 1998, it was announced that Frank E. Russell would retire as chairman of CNI at the end of the year. The board elected current president and chief executive officer Louis A. Weil as chairman of the Company effective December 31, 1998.

On October 23, 1998, we repurchased 5,000,000 shares of Class A common stock from the Nina Mason Pulliam Charitable Trust at \$30 per share (plus interest from September 16, 1998), or a total of \$150.8 million. In addition, in November 1998, we repurchased 3,000,000 shares of Class A common stock from the charitable trust at \$33.50 per share, or a total of \$100.5 million. We financed these repurchases with a \$300 million revolving credit facility consisting of a \$200 million five-year facility and a \$100 million 365-day revolving credit facility. We may use the credit facility for general corporate purposes, including the repurchase of common stock.

In December 1997, the Board of Directors authorized additional repurchases of up to \$100 million of our Class A common stock over a three-year period. We may purchase the shares on the open market or in privately negotiated transactions. We have repurchased a total of 2,039,660 shares under this authorization through December 27, 1998 at a total cost of about \$65.5 million. These numbers do not include the stock repurchase described in the previous paragraph.

In October 1997, we acquired an 80% interest in Homebuyer's Fair, Inc., which provides internet-based services and information for people who are moving and for corporations that are relocating employees. In September 1998, Homebuyer's Fair acquired 100% of National School Reporting Services, Inc., which provides internet-based information regarding schools across the nation. As a result of the transaction, we now own 89% of the combined entity, with an option to purchase the remaining 11% on or after December 31, 2001.

See Note 3 of the Notes to Consolidated Financial Statements for additional information regarding common stock repurchases and acquisitions.

RESULTS OF OPERATIONS

We achieved our fifth consecutive year of record revenues and profits in 1998. The following table summarizes our operating income, net income, and

earnings per share for 1996, 1997 and 1998:

<TABLE>
<CAPTION>

(IN MILLIONS, EXCEPT SHARE DATA)	FISCAL YEAR ENDED(1)			EXCLUDING SPECIAL CHARGES		
	1996	1997	1998	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Operating Income.....	\$ 99.9	\$141.0	\$152.6	\$105.4	\$151.0	\$154.0
Net Income.....	61.5	81.5	88.5	64.8	87.4	89.4
Basic EPS.....	1.16	1.58	1.83	1.22	1.70	1.84
Diluted EPS.....	1.14	1.54	1.78	1.20	1.65	1.79

</TABLE>

(1) All three years included work force reduction and/or asset impairment costs ("special charges") that decreased earnings.

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Net income in 1998 (excluding special charges) increased 2.3% over 1997 primarily due to:

- a 3.9% increase in advertising revenue;
- other revenue growth of 25.8% from increased online, direct marketing, job fairs, and specialty publication revenue;
- effective cost controls which resulted in only a 1.6% increase in compensation expense and a 1.5% increase in newsprint consumption;
- our average newsprint cost per ton increasing only 5.6%; and
- other operating costs increasing only 10.6% as detailed below under operating expenses.

OPERATING REVENUE

Our major sources of operating revenue are derived principally from advertising and newspaper copy sales. Advertising currently accounts for about 75% of our consolidated revenue. Circulation revenue from the sale of newspaper copies accounts for approximately 20%. The remaining 5% is derived from other revenue sources such as online, database marketing, job fair revenue and special publications. The following table summarizes our operating revenue for the 1996, 1997 and 1998 fiscal years:

<TABLE>
<CAPTION>

(IN MILLIONS)	FISCAL YEAR ENDED			1996-1997	1997-1998
	1996	1997	1998	% CHANGE	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>
Advertising.....	\$479.5	\$541.3	\$562.4	12.9	3.9
Circulation.....	134.1	143.1	150.4	6.7	5.1
Other.....	6.7	31.7	39.8	372.2	25.8
TOTAL OPERATING REVENUE.....	\$620.3	\$716.1	\$752.6	15.4	5.1

</TABLE>

Gains in advertising revenue primarily resulted from increases in advertising linage (column inches of printed material that has appeared in the newspaper) and rates. Advertising rates were adjusted at varying times throughout the year and in varying amounts based on local market conditions for each type of advertising category. Our major market linage was as follows:

<TABLE>
<CAPTION>

(IN THOUSANDS)	FULL RUN LINAGE IN SIX COLUMN INCHES (1)			1996-1997	1997-1998
	1996	1997	1998	% CHANGE	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>
BY CATEGORY:					
Retail.....	2,507.2	2,679.8	2,776.6	6.9	3.6
National.....	325.4	460.2	469.9	41.4	2.1
Classified.....	2,817.6	3,110.8	3,134.0	10.4	0.8
TOTAL.....	5,650.2	6,250.8	6,380.5	10.6	2.1

</TABLE>

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<TABLE>
<CAPTION>

(IN THOUSANDS)	FULL RUN LINAGE IN SIX COLUMN INCHES (1)			1996-1997	1997-1998
	1996	1997	1998	% CHANGE	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>
BY MAJOR MARKET:					
Phoenix.....	2,668.6	2,828.9	2,904.4	6.0	2.7
Indianapolis.....	2,981.6	3,421.9	3,476.1	14.8	1.6
TOTAL.....	5,650.2	6,250.8	6,380.5	10.6	2.1

</TABLE>

(1) For comparability, linage statistics for 1996, 1997, and 1998 exclude linage of The Phoenix Gazette, which ceased publication in January 1997.

Advertising revenue in 1998 improved by \$21.1 million, or 3.9%, from 1997 on a 2.1% increase in full-run run-of-paper linage. Advertising revenue in 1997 increased 12.9% from 1996 on a 10.6% increase in full-run run-of-paper linage. The 1998 advertising revenue increase primarily resulted from gains in classified recruitment in both major markets and retail gains in the Phoenix market.

Circulation revenue for 1996, 1997 and 1998 was \$134.1 million, \$143.1 million and \$150.4 million, respectively, for increases of 6.7% for the 1997 period and 5.1% for the 1998 period. The increase in 1997 and 1998 resulted primarily from a circulation distribution system change in Indianapolis, which began in 1997 (resulting in a revenue increase of \$10.7 million in 1997 and \$4.3 million in 1998). A March 1998 increase in the home-delivered price of The Arizona Republic and a new tiered pricing structure based on subscription term launched in Indianapolis in February 1998 also contributed to the revenue gain. The closure of The Phoenix Gazette in January 1997 did not have a significant impact on revenues because The Arizona Republic gains in daily circulation were greater than Gazette losses. The combined average daily and Sunday circulation for Phoenix and Indianapolis were:

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED			1996-1997	1997-1998
	1996	1997	1998	% CHANGE	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>
COMBINED AVERAGE DAILY CIRCULATION:					
Phoenix.....	455,131	460,184	467,276	1.1	1.5
Indianapolis.....	285,355	271,712	267,985	(4.8)	(1.4)
SUNDAY AVERAGE CIRCULATION:					
Phoenix.....	583,162	583,288	585,890	--	0.5
Indianapolis.....	402,884	391,727	390,479	(2.8)	(0.3)

</TABLE>

Other revenue increased \$8.2 million in 1998, or 25.8%, due to revenue gains from online, direct marketing, job fairs, and specialty publications.

OPERATING EXPENSES

Our operating expenses fall into four main categories. Compensation expense, which includes fringe benefits, currently accounts for about 41% of our total costs. Newsprint and ink account for about 19% and other operating costs about 33% of total costs. Depreciation and amortization account for the remainder, which is about 7.0%. The following table summarizes our costs

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(excluding special charges) for the 1996, 1997 and 1998 fiscal years:

<TABLE>

<CAPTION>

(IN MILLIONS)	FISCAL YEAR ENDED			1996-1997	1997-1998
	1996	1997	1998	% CHANGE	% CHANGE
<S>	<C>	<C>	<C>	<C>	<C>
Compensation.....	\$228.3	\$239.8	\$243.6	5.0	1.6
Newsprint and Ink.....	113.2	105.5	112.9	(6.8)	7.1
Other Operating Costs.....	137.9	177.8	196.8	29.0	10.6
Depreciation and Amortization.....	35.5	42.0	45.4	18.3	8.1
TOTAL COSTS (excluding special charges).....	\$514.9	\$565.1	\$598.7	9.8	6.0

</TABLE>

Compensation costs, which include payroll and fringe benefits, increased 5.0% to \$239.8 million in 1997 and 1.6% to \$243.6 million in 1998. The Indianapolis circulation distribution system change and the closure of The Phoenix Gazette in January 1997 accounted for a 3.7% reduction in headcount in 1997 compared to 1996. Headcount for 1998 compared with 1997 decreased approximately 2.1% primarily because the Indianapolis circulation distribution system changed from a carrier-based distribution arrangement to an agency-based work force. Increases in compensation costs in 1998 resulted from merit increases and an increase in employee benefits primarily related to a rise in health care costs.

Newsprint and ink expense decreased 6.8% to \$105.5 million in 1997 and increased 7.1% to \$112.9 million in 1998. The 1997 newsprint expense reduction from 1996 primarily resulted from decreasing prices. The 1998 increase in newsprint expense was due to a 1.5% increase in newsprint consumption and a 5.6% increase in the average cost per ton of newsprint consumed. Increases in newsprint consumption primarily resulted from higher advertising linage in both major markets and product enhancements in Indianapolis.

Other operating costs for 1996, 1997 and 1998 were \$137.9 million, \$177.8 million and \$196.8 million, respectively, representing a 1997 increase of 29.0% and a 1998 increase of 10.6%. Major items contributing to the 1998 increase included:

- a change in the circulation delivery system in Indianapolis which began in 1997 and increased 1998 expense by \$6.3 million and 1997 expense by \$11.0 million;
- costs associated with outside printing of inserts and special publications;
- promotional/marketing programs in both major markets;
- higher Arizona Republic delivery costs;
- increased bad debt expense; and
- expenses related to the Westech job fair business.

In addition to the increase resulting from the change in the circulation delivery system in 1997, other items contributing to the 1997 versus 1996 increase included operating expenses associated with computer system design enhancements, increased delivery cost of the Arizona Republic, and a new promotional program in Phoenix.

Depreciation and amortization expense was \$35.5 million, \$42.0 million, and \$45.4 million for 1996, 1997 and 1998, respectively. The 1997 increase resulted from a new office building and client server computer system in Phoenix, new distribution centers and inserting equipment at both major locations, and amortization of goodwill associated with the acquisitions. The 1998 increase was primarily due to information technology projects in Phoenix and pagination and remodeling projects in Indianapolis.

In 1996, we recognized asset impairment costs for a Phoenix office building held for sale and a charge for the premature retirement of a Phoenix conveyor system. These losses were recorded using the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." During 1998, we recognized asset impairment costs of \$0.5 million representing the cost of exiting buildings in Muncie, Indiana, including site demolition and asset write-offs.

We recorded work force reduction costs in all three years. The 1996 amount relates primarily to voluntary early retirement programs in Indianapolis and

work force reduction costs related to the consolidation of the Muncie, Indiana subsidiary's morning and evening newspapers. In 1997, \$10.0 million in work force reduction costs were recorded. Approximately \$4.2 million of these costs resulted from the closure of The Phoenix Gazette where approximately 85 positions were eliminated. The balance of the costs related to composing room and transportation work force reductions of 40 individuals and the conversion from the carrier-based work force to an agent-based circulation arrangement, both in Indianapolis. In 1998, \$0.8 million in costs primarily related to transportation and state circulation work force reductions of 20 individuals in Indianapolis were recorded.

NON-OPERATING ITEMS

Other non-operating income, (primarily investment income), was \$5.5 million, \$4.3 million and \$4.5 million for 1996, 1997 and 1998, respectively. This income is primarily interest and dividends on available investable cash. Reductions from the 1996 level resulted from increased cash requirements for acquisitions and repurchases of common stock in 1997 and 1998. Other non-operating expenses were \$1.5 million, \$2.2 million and \$4.1 million for 1996, 1997 and 1998, respectively. The 1998 increase of \$2.0 million primarily resulted from an increase in interest expense related to higher debt levels associated with the purchase of Class A common stock from the Nina Mason Pulliam Charitable Trust in the last quarter of 1998, as described more fully in the "Recent Events" section above.

Income tax expense for 1996, 1997 and 1998 was \$42.4 million, \$58.8 million and \$63.1 million, respectively, reflecting effective tax rates of 40.8%, 41.1% and 41.3%, respectively. The increase in the effective tax rates was the result of non-tax deductible goodwill associated with acquisitions offset, in part, by tax benefits from filing a consolidated state income tax return in Arizona.

EQUITY IN AFFILIATE

Our investment in Ponderay is accounted for using the equity method, which reflects our share of Ponderay's net income or loss. Ponderay's operating results include interest expense on its long-term debt. Equity income (loss) from Affiliate, net of tax, was \$1.7 million, \$(0.3) million and \$1.0 million in 1996, 1997 and 1998, respectively. These changes were mostly attributable to fluctuations in newsprint prices realized by Ponderay over the respective periods. We do not anticipate making additional cash investments in Ponderay during 1999. For further discussion see Note 8 to the 1998 Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities is our primary source of liquidity. Net cash provided by operating activities for 1996, 1997 and 1998 was \$122.0 million, \$153.8 million and \$133.5 million, respectively. Net cash provided by operating activities, excluding the effects of net proceeds from (or purchases of) trading securities for 1996, 1997 and 1998 was \$81.3 million, \$142.2 million and \$134.9 million, respectively. Changes between all years were primarily attributable to increases in earnings and/or changes in working capital. The principal uses of cash in 1997 and 1998 were the repurchases of Class A common stock, capital expenditures, acquisitions, the payment of dividends, and repayment of short-term debt. As of December 27, 1998, our available cash and cash equivalents and investments totaled \$37.4 million, down \$11.0 million from the end of 1997. Working

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capital for the same period was \$13.1 million, down \$51.6 million from \$64.7 million at December 28, 1997 due primarily to the use of the credit facility for the repurchase of Class A common stock.

Total capital expenditures for 1998 were \$34.8 million compared with \$25.1 million for the comparable 1997 period. We plan approximately \$32 million of capital expenditures in 1999. As of December 27, 1998, we had no significant formal commitments related to future capital expenditures.

See "Recent Events" above for information regarding common stock purchases and acquisitions.

The Board of Directors declared dividends of \$0.45 per share on the Class A common stock and \$0.045 on the Class B common stock during 1998. Total Class A

and B dividends paid during 1998 were \$21.8 million.

We have demonstrated a consistent ability to generate net cash flow from operations. Management believes that existing cash and investments, net cash flows from operations and currently available bank credit resources are sufficient to enable us to maintain our current level of operations. We expect financing for future investing opportunities to come from a combination of existing cash, new debt facilities, and/or the use of equity.

INFLATION AND CHANGING PRICES

Over the past several years, the impact of inflation on our operations has become less significant because of lower overall inflation rates. However, we and the newspaper industry as a whole have experienced wide fluctuations in newsprint pricing. Variations in newsprint pricing can have a significant impact on earnings for any given year. We have attempted to offset newsprint price increases through the conservation of newsprint and through increased advertising and circulation rates.

NEW ACCOUNTING STANDARDS

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share," which established new standards in reporting earnings per share. This standard is effective for reporting periods ending after December 15, 1997, including interim periods, and therefore has been adopted in this prospectus by us. Earnings per share amounts for all prior periods have been restated.

YEAR 2000

Our Year 2000 project is on schedule to meet its objectives. We have developed a comprehensive program to identify, evaluate, test, upgrade, or replace each of our computer and non-computer based systems in connection with Year 2000 readiness. We have devoted significant resources to the program, including the development of a Year 2000 project team, which reports to senior management on a regular basis, and the construction of a test environment dedicated to the Year 2000 testing process. The Chief Information Officer reports progress at every regularly scheduled Board of Directors meeting and on a weekly basis to our Operating Committee.

We have been actively implementing new systems and technology since 1995 for reasons unrelated to Year 2000, and these actions have resulted in a number of our major information technology systems becoming Year 2000 compliant.

The discovery phase of our program has been completed and we have performed several review audits to ensure that all susceptible systems have been identified, including client server, desktop, and all systems with embedded computer chips. All desktop systems, application software, and servers have been updated to a compliant level and all database modules are in the process of being upgraded. We completed the remediation and testing phase for the embedded computer chip systems in December 1998. The testing phase of the project is proceeding and we have completed testing of all significant systems.

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We have requested letters of compliance from each of our vendors and, wherever possible, we have worked with our vendors to determine an appropriate testing and compliance process. This process was completed in December 1998. During early 1999, we anticipate using a third party auditor to review the project. In addition, certain employees have attended a number of Year 2000 training programs and outside consultants have been hired when necessary.

Total costs associated with our Year 2000 project are estimated to be approximately \$8.5 million, of which approximately \$6.5 million was incurred in 1998 with the remainder to be incurred in 1999.

Despite the efforts described above, we could potentially experience a disruption in our operations as a result of potential non-compliance of certain vendors, financial institutions, governmental agencies or other third parties or external systems. This disruption could potentially affect various aspects of our business operations including the timeliness and content of certain newspapers or online products. At this time, we are unable to determine whether the consequences of Year 2000 failures would have a material impact on our results of operations, liquidity or financial condition.

In an effort to minimize any disruption, we are in the process of creating a comprehensive contingency plan to address potential Year 2000 scenarios. Such plans include maintaining an inventory of critical supplies such as newsprint, ink, and other consumables for at least a 30-45 day production cycle as well as creating a smaller newspaper product designed to maximize advertising content.

BUSINESS

CNI

We publish the following newspapers which had average circulation as set forth below for the fiscal year ended December 27, 1998:

- The Arizona Republic, average daily circulation of 467,276.
- The Indianapolis Star, average daily circulation of 232,266.
- The Indianapolis News, a daily afternoon newspaper, average daily circulation of 35,719.
- The Alexandria Daily Town Talk, serving Rapides Parish, Louisiana and its outlying areas, average circulation of 37,742 daily and 44,131 Sunday.
- The Star Press, in Muncie, Indiana, average circulation of 36,058 daily and 39,958 Sunday.
- The Vincennes Sun-Commercial, in Vincennes, Indiana, average circulation of 12,323 daily and 14,286 Sunday.
- The Daily Ledger, average daily circulation of 11,800.
- nine controlled circulation newspapers which are home-delivered and free to readers serving the northern suburbs of Indianapolis, average weekly circulation of 107,000.

We own an 80% interest in the Santa Clara, California-based Westech companies which consist of:

- Westech ExpoCorp., an organizer of job fairs for the high tech industry;
- High Technology Careers, publisher of High Technology Careers Magazine;
- Virtual Job Fair (<http://www.vjf.com>), an internet-based resume posting and research service; and
- JobsAmerica, an organizer of job fairs for service industry positions.

We also own an 89% interest in Homebuyer's Fair, Inc., which provides Internet services and information for people who are moving and corporations that are relocating their employees, as well as information regarding schools across the nation. We also own 100% of Carantin & Co., Inc., a direct marketing service company, a minority interest in a newsprint mill in the State of Washington and a commercial printer.

We seek to maintain our position as both the primary source of news and information for our readers as well as the most effective way for advertisers to reach their target markets. To this end, we manage our newspapers with a commitment to the highest standards of product quality and journalistic excellence. For example, The Arizona Republic was the first major daily newspaper in the country to have its pages fully composed by computer generation, enabling us to deliver higher quality products. Since 1990, our newspapers have won Pulitzer prizes for investigative reporting and political cartooning, as well as numerous other awards from industry organizations such as the American Association of Sunday and Feature Editors, the Society for Newspaper Design and the National Press Photographers' Association, among others.

The following is a list of Internet addresses for CNI and its subsidiaries:

- Alexandria Newspapers, which includes Alexandria Daily Town Talk, McCormick Graphics and Press Works: <http://www.thetowntalk.com>.
- Carantin & Co., Inc.: <http://www.carantin.com>.
- Career Services, Inc., which includes Westech ExpoCorp., JobsAmerica and High Technology Careers Magazine: <http://www.vjf.com>.
- Central Newspapers, Inc.: <http://www.centralnews.com>.
- Homebuyer's Fair, Inc.: <http://www.homefair.com> and <http://www.theschoolreport.com>.

- Indianapolis Newspapers, which includes The Indianapolis Star and The Indianapolis News: <http://www.starnews.com>.
- Muncie Newspapers, which includes The Muncie Star Press and The Advertiser Group: <http://www.thestarpress.com>.
- Phoenix Newspapers, which includes The Arizona Republic and The Arizona Business Gazette: <http://www.azcentral.com>.

THE ARIZONA REPUBLIC

In Phoenix, we currently publish The Arizona Republic, one of the fastest growing major daily morning newspapers in the United States, together with the Arizona Business Gazette, a weekly newspaper. We originally acquired a 30% interest in The Arizona Republic and The Phoenix Gazette in 1946. We have owned 100% of these newspapers since 1977. On January 18, 1997, we stopped publishing The Phoenix Gazette. We were able to convert approximately 85% of the subscribers of The Phoenix Gazette to The Arizona Republic.

CIRCULATION

Approximately 87% of the daily and 73% of the Sunday circulation of The Arizona Republic was home delivered as of December 27, 1998, with the remainder being single copy sales. The circulation level of The Arizona Republic is seasonal due to the large number of part-year residents in the Phoenix area. Typically, circulation for The Arizona Republic achieves its highest levels in February and March and decreases during the late spring and summer months. During 1997, the seasonal variation was approximately 100,475 daily and 103,434 Sunday. The following table shows the average paid daily circulation for The Arizona Republic and The Phoenix Gazette for the periods shown. The figures for fiscal years ended 1996 and 1997 are based upon reports issued by the ABC, an independent agency that audits the circulation of daily and Sunday newspapers, and include circulation outside the Phoenix metropolitan statistical area ("MSA"). The figures for the fiscal year ended December 27, 1998 are based upon our records. Net circulation revenue for the periods shown is based upon our records.

<TABLE>

<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997 (1)	DECEMBER 27, 1998
The Arizona Republic (Sunday).....	583,162	583,068	585,890
The Arizona Republic (Daily).....	406,725	460,406	467,276
The Phoenix Gazette (Daily).....	48,406	--	--
Net circulation revenue (in thousands).....	\$87,790	\$86,800	\$90,170

</TABLE>

(1) Combined daily circulation includes The Arizona Republic and The Phoenix Gazette, and net circulation revenue includes The Phoenix Gazette, through January 18, 1997, the last day of its publication.

The Arizona Business Gazette contains business news and legal notices relating to the Phoenix metropolitan area. The average paid circulation of the Arizona Business Gazette was 10,491, 10,561 and 7,348 for 1996, 1997 and 1998, respectively.

The home-delivered pricing structure for seven day subscriptions is based on length of subscription. The home-delivered price for The Arizona Republic(seven days) in the Phoenix MSA, ranges from \$3.25 per week for a fifty-two week subscription to \$3.80 per

week for an eight-week subscription. There is also a four-week direct bank debit option of \$3.25 per week. The home-delivered price for The Arizona Republic (six days) is \$2.50 per week for all subscription terms. A weekend package comprising the Sunday paper and the Friday and Saturday edition is offered at \$3.00 per week. The single copy price of the morning paper is \$0.50 and \$2.00 for the Sunday paper.

ADVERTISING

The newspapers generate revenue from two primary types of advertisements,

"run-of-paper," which are printed in the body of the newspaper, and "preprinted," which are furnished by the advertiser and inserted into the newspaper. We derive the majority of our advertising revenue for our Arizona newspapers from run-of-paper advertisements. However, like other major newspapers, The Arizona Republic has experienced an increase in advertisers' use of preprinted advertisements in recent years. Because preprinted advertisements are furnished by the advertisers and can be distributed by alternate means, revenues and profits from preprinted advertisements are generally lower than those from run-of-paper advertisements. To encourage use of run-of-paper advertisements, we structure our advertising rates to provide more favorable rates to high volume and frequent run-of-paper advertisers.

We also structure our advertising format to accommodate the numerous communities that comprise the Phoenix metropolitan area. The Arizona Republic publishes "Community" sections that are inserted in up to twelve zoned editions on certain days of the week. Zoned editions, which include news stories and advertisements targeted to specific communities or geographic areas, provide an important means of competing with news coverage of local newspapers and thereby promote circulation. Other part-run sections are also provided to accommodate the needs of advertisers for more targeted distribution.

The combined run-of-paper advertising linage for our Arizona newspapers for the periods shown and the combined advertising revenues of the newspapers for such periods are set forth in the following table:

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED(1)		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
<S>	<C>	<C>	<C>
Advertising linage --			
run-of-paper (in thousands of six column inches):			
Full-run.....	2,669	2,829	2,904
Part-run.....	1,091	1,182	1,322
Weekly.....	243	242	185
Net advertising revenue.....	\$302,294	\$333,583	\$351,681

</TABLE>

(1) Linage statistics for 1996, 1997 and 1998 excludes linage of The Phoenix Gazette, which ceased publication in January 1997. Net advertising revenue includes The Phoenix Gazette.

DISTRIBUTION

We distribute The Arizona Republic primarily by home delivery through a network of independent contractors. We have implemented a centralized billing system that removes the responsibility for billing and collection from the independent contractors. Newspapers are distributed to the independent contractor network by an outside company which has been under contract for over forty years.

PRODUCTION

The Arizona Republic's editing and composing functions are performed primarily at its facility in downtown Phoenix. The

Arizona Republic was the first major daily newspaper in the country to have its pages fully composed by computer generation, enabling us to produce a higher quality product. Electronic pagination allows entire pages of the newspaper to be formatted at a computer terminal. Composed pages are electronically transmitted from the newspaper's downtown facility to its two satellite production facilities.

The Arizona Republic's two satellite production facilities are located in Deer Valley, which is north of downtown Phoenix, and in Mesa, Arizona. The Deer Valley facility includes four offset presses and related production equipment, as well as circulation, advertising and editorial-offices. This facility began production during the first quarter of 1992 with full operation commencing in the third quarter of 1992. The Mesa facility began operation in 1982 and has been subsequently expanded and upgraded. It has three offset presses and related production equipment. We own an additional undeveloped site in western Maricopa County for a possible satellite production facility to meet future growth.

In Indianapolis, our primary newspapers are The Indianapolis Star (mornings and Sunday) and The Indianapolis News (evenings). We formed Indianapolis Newspapers, a division of Indiana Newspapers, Inc. ("INI") in 1948, through which we currently publish The Indianapolis Star and The Indianapolis News. At the end of 1996, we owned 90.2% of the voting equity of INI and had the right to elect INI's Board of Directors. On January 3, 1997, we acquired the remaining voting equity of INI through the issuance of nonvoting preferred stock of INI with an aggregate liquidation value of \$18,920,000, entitling the holders to aggregate annual dividends of \$1,324,000. The preferred stock is callable in five years by INI and is redeemable at any time by the holders at the stated value plus any accrued but unpaid dividends.

CIRCULATION

Approximately 81% of the daily and 78% of the Sunday circulation of The Indianapolis Star and 78% of the daily circulation of The Indianapolis News was home-delivered as of December 27, 1998, with the remainder being single copy sales.

The following table shows the average paid daily circulation for The Indianapolis Star and The Indianapolis News for the last three fiscal years. The figures for 1996 and 1997 are based upon reports issued by the ABC and include circulation outside the Indianapolis metropolitan statistical area. The figures for the fiscal year ended December 27, 1998 are based upon our records. Net circulation revenue is based upon our records.

<TABLE>

<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
<S>	<C>	<C>	<C>
The Indianapolis Star (Sunday).....	402,884	391,820	390,479
The Indianapolis Star (Daily).....	230,932	228,421	232,266
The Indianapolis News (Daily).....	54,423	41,165	35,719
Net circulation revenue (In thousands).....	\$37,205	\$46,444	\$ 50,020

</TABLE>

The home-delivered price for The Indianapolis Star (seven days) in the Indianapolis metropolitan statistical area ranges from \$3.60 to \$3.80 per week based on the subscription term and type. The home-delivered price for The Indianapolis News (six days) ranges from \$1.80 to \$1.98 per week. The single copy price is \$0.50 for each daily paper. The home-delivered price of the

Sunday newspaper is \$1.80, and the single copy price is \$1.75.

ADVERTISING

As is the case for the Arizona newspapers, our Indianapolis newspapers derive the majority of their advertising revenues from run-of-paper advertisements. The Indianapolis Star and The Indianapolis News have also experienced an increase in advertisers' use of preprinted advertisements in recent years. To encourage use of run-of-paper advertisements, we structure our advertising rates to provide more favorable rates to high volume and frequent run-of-paper advertisers. The combined run-of-paper advertising lineage for The Indianapolis Star and The Indianapolis News for the past three fiscal years and the combined advertising revenue of the newspapers for such periods are set forth in the following table:

<TABLE>

<CAPTION>

	FISCAL YEAR ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
<S>	<C>	<C>	<C>
Advertising lineage -- run-of-paper (in thousands of six column inches):			
Full-run.....	2,982	3,422	3,476
Net advertising revenue.....	\$149,658	\$167,212	\$170,946

</TABLE>

DISTRIBUTION

Through 1996, we distributed The Indianapolis Star and The Indianapolis News primarily by home delivery through a network of approximately 3,200 carriers. Carriers are independent contractors who purchase newspapers from us and resell them at a markup to their customers.

In 1997, our Indianapolis newspapers converted from a carrier-based delivery system to an agency-based distribution system for the Indianapolis metropolitan area and its eight surrounding counties. We replaced approximately 1,350 carriers with 79 independent delivery agents, who are paid on a commission basis.

In 1998, we converted the home-delivered system in the State area of Indiana to an agency-based distribution system. We replaced approximately 250 carriers with 14 delivery agents, who are paid on a commission basis. We believe the conversions have:

- allowed for uniform pricing;
- resulted in higher levels of customer satisfaction; and
- helped facilitate the creation of customer data bases.

PRODUCTION

The Indianapolis Star and The Indianapolis News merged their editorial news staffs in 1995 and share production and distribution facilities. All editorial and production functions are handled from our facility in downtown Indianapolis, which is equipped with six offset presses and related production and distribution equipment.

The Indianapolis Star and The Indianapolis News have recently implemented several formatting changes to promote greater standardization and customization. The weather, editorial and obituary sections are now anchored daily on the same pages, and there are weekday stand-alone classified and automotive sections, as well as a four-page daily "Metro" section with local coverage for each of the major metropolitan distribution areas.

SMALLER NEWSPAPERS

In March 1996, we purchased 100% of the outstanding common stock of McCormick

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& Company, Inc., now Alexandria Newspapers, Inc., the parent company of the Alexandria Daily Town Talk newspaper and McCormick Graphics, Inc., a commercial printing subsidiary. The Alexandria Daily Town Talk serves Rapides Parish in Central Louisiana and the outlying areas within a 50 mile radius, with a population base of approximately 282,000. For the fiscal year ended December 27, 1998, the average paid circulation of the Alexandria Daily Town Talk was 37,742 daily and 44,131 Sunday.

We also publish The Star Press (mornings and Sundays) in Muncie, Indiana -- we formerly published two newspapers in the Muncie market, The Muncie Star and the Muncie Evening Press, but merged the two newspapers into The Star Press in May 1996 in order to improve product quality and cost efficiency. The Star Press serves Muncie and east central Indiana, which has a population base of just over 370,000. For the fiscal year ended December 27, 1998, the average paid circulation of The Star Press was 36,058 daily and 39,958 Sunday.

We publish The Daily Ledger (which for 1998 had an average daily circulation of 11,800) and nine controlled circulation newspapers (which for 1998 had an average weekly circulation of 107,000) that serve the northern suburbs of Indianapolis, the fastest growing area of metropolitan Indianapolis.

We publish the Vincennes Sun-Commercial, a daily newspaper that serves the city of Vincennes, Indiana, with a population of approximately 24,700. For the fiscal year ended December 27, 1998, the average paid circulation of the Vincennes Sun-Commercial was 12,323 (five days) and 14,286 Sunday.

The revenues earned by these smaller publications represented approximately 7.0%, 6.0% and 6.0% in 1996, 1997 and 1998, respectively, of our total revenues.

WESTECH

In February 1997, we acquired an 80% interest in the Santa Clara, California-based Westech companies. Westech consists of Westech ExpoCorp, which

organizes job fairs for the high tech industry; High Technology Careers, which publishes High Technology Careers Magazine and Virtual Job Fair (<http://www.vjf.com>), an internet-based resume posting and research service; and JobsAmerica, which organizes job fairs for service industry positions.

Westech has enjoyed rapid growth in recent years and had approximately \$32.2 million of revenue in 1998. Operating margins in this business have historically been higher than those associated with the newspaper publishing industry.

We believe that the acquisition of Westech is a strategic extension of our business of matching employers and employees. A substantial portion of our revenues are derived from recruitment advertising and, historically, recruitment advertising has been the most important means for employers to find qualified employees and for job seekers to find employment. We believe that:

- recruitment classified advertising will continue to be an important avenue for job placement in the future;
- an increasing number of placements will be made using the Internet and job fairs; and
- the acquisition of Westech should ensure that we are well positioned to provide career services information to employers and employees through a variety of cost-effective channels.

Westech operates predominantly in the western half of the United States.

HOMEBUYER'S FAIR

In October, 1997, we purchased an 80% interest in Homebuyer's Fair, Inc. Homebuyer's Fair is a Phoenix-based Internet company, which provides services and information for people who are moving and for corporations that are relocating their employees. We considered this acquisition to be a strategic extension of our print classified advertising business. In September, 1998, we enhanced this line extension by acquiring National School Reporting Services, Inc., a leading provider of information about schools and school systems across the nation. This

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school information is important to a large percentage of people going through the relocation process.

CARANTIN & CO., INC.

In December, 1998, we acquired Carantin & Co., Inc., a Phoenix-based company that provides direct mail and other direct marketing support services to its clients. This acquisition will enhance the direct marketing and database marketing capabilities of CNI.

CLASSIFIED VENTURES

We own a 3% interest in Classified Ventures, an independent company owned by a consortium of newspaper companies whose mission is to be the preeminent online national classified service in the automotive, apartments and new homes classified categories. Classified Ventures utilizes both national sales personnel and sales representatives from our newspapers to sell advertising and services. Investment in this business fits with our strategy of new business development and protection of our classified business.

RAW MATERIALS -- PONDERAY NEWSPRINT COMPANY

We consumed approximately 182,000 metric tons of newsprint in fiscal year 1998 and expect that consumption will increase in 1999 due primarily to anticipated lineage gains. We currently obtain newsprint from a number of suppliers, both foreign and domestic, under long-term contracts, standard in the industry, which offer dependable sources of newsprint at current market rates.

To provide us with an additional source of newsprint for a portion of our needs, we joined with four other newspaper publishing companies and a major newsprint manufacturer in forming a general partnership, Ponderay Newsprint Company ("Ponderay"), to own and operate a newsprint mill in Usk, Washington. The mill began operations in December 1989. We are required to purchase on an annual basis the lesser of 13.5% of Ponderay's newsprint production or 28,400 metric tons on a "take if tendered" basis until the related debt recorded by Ponderay is repaid.

COMPETITION

We face competition for advertising revenue from television, radio, the

Internet and direct mail programs, as well as competition for advertising and circulation from suburban neighborhood and national newspapers and other publications. Competition for advertising is based upon:

- circulation levels;
- readership demographics;
- advertising rates; and
- advertiser results.

Competition for circulation is generally based upon:

- content;
- journalistic quality; and
- the price of the newspaper.

In Phoenix, several suburban newspapers owned by major media corporations operate in cities that are part of the Phoenix metropolitan area and compete with The Arizona Republic for advertising and circulation. The most significant of these competitors is Thomson Corporation, which owns five daily newspapers in the East Valley region. These newspapers had a combined paid daily circulation of 93,407, compared to 186,003 for The Arizona Republic in this region in 1997, the period for which the latest ABC audit figures are available. The Arizona Republic recently introduced four new "Community" sections in order to maintain its position as the leading source of news and information in this region. In Indianapolis, our newspapers do not experience significant direct competition from suburban newspapers.

EMPLOYEES -- LABOR

As of December 27, 1998, we had approximately 4,984 employees (including 1,105 part-time employees), 35% of whom were covered by a total of 23 collective bargaining agreements. Given the large number of collective bargaining agreements,

we are frequently involved in labor negotiations. As of March 8, 1999, we were involved in ongoing negotiations with respect to four different bargaining agreements, involving approximately 330 employees engaged in various trades at our facilities. No assurance can be given as to the outcome of these negotiations or as to their impact on us. We have never had a significant strike or work stoppage at our operations and we consider our labor relationships with our employees to be satisfactory.

LEGAL PROCEEDINGS

We become involved from time to time in various claims and lawsuits in the ordinary course of our business, including libel and invasion of privacy actions, and we are involved from time to time in various governmental and administrative proceedings. Our management believes that the outcome of any pending claims or proceedings will not have a significant adverse effect on us.

MANAGEMENT

Our executive officers and directors are:

<TABLE>
<CAPTION>

NAME	AGE	POSITION WITH CNI
----	---	-----
<S>	<C>	
Louis A. Weil, III.....	58	Chairman, President and Chief Executive Officer of CNI
Thomas K. MacGillivray.....	38	Vice President and Chief Financial Officer
Eric S. Tooker.....	37	Vice President, General Counsel and Secretary
Dale A. Duncan.....	44	Publisher, President and General Manager of Indianapolis Newspapers
John F. Oppedahl.....	54	Publisher and Chief Executive Officer of Phoenix Newspapers, Inc.
William A. Franke.....	62	Director

L. Ben Lytle.....	52	Director
Frank E. Russell.....	78	Director
Richard Snell.....	68	Director
Kathryn L. Munro.....	50	Director
Myrta J. Pulliam.....	51	Director

</TABLE>

LOUIS A. WEIL, III has been Chairman of CNI's Board of Directors since December 31, 1998 and President and Chief Executive Officer since January 1996. He served as Publisher and Chief Executive Officer of The Arizona Republic and The Phoenix Gazette and Executive Vice President of Phoenix Newspapers, Inc. between July 1991 and January 1996. Mr. Weil served as Publisher of Time from May 1989 to July 1991 and President and Publisher of The Detroit News from May 1987 to May 1989. Mr. Weil serves as an independent director of Prudential's Domestic Equity, Domestic Fixed Income, Global Fixed Income and Municipal Bond mutual funds. He has been a Director of CNI since 1991.

THOMAS K. MACGILLIVRAY has been Vice President since April 1997 and Chief Financial Officer since January 1996. Previously, he was Director of Investments from April 1993 to December 1995. He was Vice President and Equity Portfolio Manager for Sovran Capital Management from January 1989 to March 1993.

ERIC S. TOOKER has been Vice President since April 1997 and General Counsel and Secretary since June 1996. From November 1989 through May 1996, he was Associate General Counsel at Conseco, Inc.

DALE A. DUNCAN has been Publisher since January 1999, and President and General Manager of Indianapolis Newspapers since January 1998. From 1995 until assuming his current position, Mr. Duncan was Vice President, ABC Publishing Group, where he directed the operations of the Oakland Press, Pontiac, MI; The Belleville News-Democrat, Illinois; and the Times Leader, Wilkes-Barre, PA. Mr. Duncan also served as President and Publisher of the Oakland Press from 1995 to 1997 and was the President and Publisher of the Times Leader from 1986 to 1994.

JOHN F. OPPEDAHL has been Publisher and Chief Executive Officer of Phoenix Newspapers, Inc. since January 1996. Previously, he was Executive Editor of Phoenix Newspapers, Inc. since 1993 and Managing Editor of The Arizona Republic from 1989 to 1993.

WILLIAM A. FRANKE has been the Chairman and Chief Executive Officer of America West Holdings Corporation, an aviation and travel service company, since February 1997 and the Chairman of the Board of its principal subsidiary, America West Airlines, Inc., an airline carrier. Mr. Franke

was the subsidiary's Chief Executive Officer from December 1993 until February 1997, and its President from May 1996 until February 1997. He is a director of America West Holdings Corporation, America West Airlines, Inc., Phelps Dodge Corporation, Beringer Wine Estates, Mtel Latin America, Inc. and AirTransport Association of America. He is a director and Chairman of the Board of Airplanes Limited and a controlling trustee and Chairman of Airplanes U.S. Trust, entities involved in aircraft financing and leasing. He has been a director of CNI since 1990.

L. BEN LYTLE has been President and Chief Executive Officer of Anthem Insurance Companies, Inc., an insurance holding company, since 1989 and presently serves as Chairman of the Board of Directors of its major subsidiaries. He is a director of Acordia, Inc., IPALCO, Inc., Duke REIT, and Bank One, Indianapolis, N.A. He has been a Director of CNI since April 1997.

FRANK E. RUSSELL was Chairman of CNI's Board of Directors and Assistant Secretary of CNI from January 1996 through December 1998. Mr. Russell served as President and Chief Executive Officer of CNI from 1979 through 1995. He has been a Director of CNI since 1974. Mr. Russell is one of three trustees of the selling shareholder.

RICHARD SNELL has been Chairman of the Board and Chief Executive Officer of Pinnacle West Capital Corporation, a utility holding company and Chairman of the Board of Arizona Public Service Company since 1990. He is also a director of Aztar Corporation and Bank One Arizona Corporation. He has been a Director of CNI since September 1996.

KATHRYN L. MUNRO has been a Partner in the Tahoma Venture Fund since February 1999. Ms. Munro served as the Chief Executive Officer, Southwest Banking Group for Bank of America from 1996 until 1998. She served as President, Bank of America Arizona from 1994 through 1996. She served on the Bank of America Arizona Board from 1994 through 1998. From 1993 to 1994, Ms. Munro served as Executive Vice President and Manager of the Retail Systems and Services Division of Seafirst Bank in Seattle, Washington. She has served as Chair on the Board of Directors for the Valley of the Sun United Way; Vice

Chair, Board of Directors, University of Arizona Foundation; and Vice Chair, Bank Administration Institute. She is a member of the Boards of Directors of the Heard Museum; Greater Phoenix Leadership; Morrison Institute for Public Policy; Barrow Neurological Institute; and Fresh Start Women's Foundation. She also serves on the corporate board of directors for Flow International, Inc. and on the national advisory board for the University of Arizona School of Business. Ms. Munro has been a Director of CNI since March 9, 1999.

MYRTA J. PULLIAM has been the Director of Electronic News and Information for Indianapolis Newspapers since 1994. Ms. Pulliam served as the Assistant Managing Editor/News at The Indianapolis Star from 1991 through 1994. From 1986 to 1991, she was the Assistant Managing Editor/Graphics at The Indianapolis Star. Ms. Pulliam has over thirty years of experience in the newspaper industry. She has served on the Queens College Alumni Board, the Read Indiana Literacy Foundation Development Board, and the Indianapolis Museum of Art Board of Trustees. She has been a director of CNI since March 9, 1999.

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 150,000,000 shares of Class A common stock, without par value (the "Class A common stock"), 130,000,000 shares of Class B common stock, without par value (the "Class B common stock"), and 25,000,000 shares of Preferred Stock (the "Preferred Stock"). As of March 8, 1999, 34,469,930 shares of Class A common stock were issued and outstanding, 62,666,000 shares of Class B common stock, convertible into 6,266,600 shares of Class A common stock, were issued and outstanding, and no shares of Preferred Stock have been issued. As of March 8, 1999, the Class A common stock was held by approximately 343 shareholders of record and the Class B common stock was held by 24 shareholders of record. All outstanding shares are legally issued, fully paid and nonassessable.

CLASS A COMMON STOCK AND CLASS B COMMON STOCK

VOTING RIGHTS

Our Articles of Incorporation provide that each share of Class A common stock entitles the holder thereof to one-tenth of a vote per share on all matters on which shareholders are entitled to vote. Each share of Class B common stock entitles the holder thereof to one vote per share on all matters on which shareholders are entitled to vote.

In general, matters submitted to the vote of the shareholders, such as the election of directors, are voted on by holders of the Class A common stock and the Class B common stock voting together as a single class. Holders of Class A common stock and Class B common stock are not entitled to vote cumulatively for the election of directors. The holders of the Class B common stock hold approximately 95% of the combined voting power of the outstanding Class A common stock and Class B common stock. Under the Indiana Business Corporation Law, however, holders of Class A common stock are also entitled to vote as a separate class to approve amendments to our Articles of Incorporation that modify rights, preferences and powers that affect the rights of the holders adversely, or to increase the number of authorized shares of Class A common stock.

DIVIDEND AND LIQUIDATION RIGHTS

Each share of Class A common stock and Class B common stock is entitled to receive dividends if and when declared by our Board of Directors. Our Articles of Incorporation provide that dividends must be paid on both the Class A common stock and the Class B common stock at any time that dividends are paid on either. It is further provided that each share of Class B common stock is entitled to receive only 10% of any dividend or other distribution in cash; stock, other than Class A common stock or Class B common stock; or other property, including any liquidating distribution, made with respect to each share of Class A common stock. To the extent that a stock dividend is involved, holders of Class A common stock are entitled to receive only Class A common stock in respect of those shares and holders of Class B common stock are entitled to receive only Class B common stock in respect of those shares. Furthermore, the Articles of Incorporation provide that stock dividends on a class of common stock may not be paid without a concomitant stock dividend for the other class of common stock.

The Class A common stock is freely transferable, subject to applicable securities laws. The Class B common stock is also freely transferable, subject to applicable securities laws; however, the Class B common stock has not been registered under the Securities Act of 1933, as amended, and we do not plan at any time in the future to register such stock. No trading market currently exists for the Class B common stock and it is not anticipated that such a market will develop.

To allow holders of shares of Class B common stock to have access to trading, our

Articles of Incorporation provide that each share of Class B common stock is convertible at any time at the option of the holder into one-tenth of a share of Class A common stock. A shareholder desiring to sell an equity interest represented by Class B common stock could thereby convert and sell, consistent with applicable securities laws, shares of Class A common stock.

PREFERRED STOCK

No shares of preferred stock have been issued. The Board of Directors, without further shareholder action, is authorized to issue up to 25,000,000 shares of preferred stock and establish the:

- designations;
- dividend rights;
- dividend rate;
- conversion rights;
- voting rights;
- terms of redemption;
- liquidation preference; and
- all other preferences and rights of any series of preferred stock.

However, shares of preferred stock may not be given voting rights without the prior approval of holders of a majority of the outstanding shares of Class B common stock.

CERTAIN PROVISIONS OF INDIANA
CORPORATE LAW AND THE
EUGENE C. PULLIAM TRUST

Certain provisions of Indiana law applicable to us could delay, deter or prevent a merger, tender offer or other takeover attempt of us. Such provisions include those pertaining to "control shares," which only have voting rights to the extent approved by disinterested shareholders and limitations upon business combinations involving us and any "interested shareholder." Interested shareholders are generally defined to include any holder of 10% or more of the corporation's voting securities. The foregoing provisions have limited effect on us in light of the provisions of the Eugene C. Pulliam Trust, which has voting control of us.

Under the terms of this trust, the trustees are directed not to take or approve any action by us that would cause the trust to have less voting power with respect to us or any corporation into which we are merged or consolidated, than its proportion of the voting power of us at the time of the execution of the trust. At the time this trust was established it had stock representing 54% of all outstanding voting common stock of us. The trust specifies that this limitation shall last for the duration of the trust, except that this limitation shall become void if the trustees (1) unanimously determine that a substantially complete loss of the value of the property held in the trust is seriously threatened and (2) obtain the written consent of two-thirds of the beneficiaries

of the trust (which consist of descendants of Eugene C. Pulliam). By its terms, the trust will terminate twenty-one years after the death of the survivor of the class consisting of the descendants of Eugene C. Pulliam living at the time of the most recent amendment to the trust in May 1973. As of March 8, 1999, the trust owned 45,815,000 shares of Class B common stock representing approximately 73% of the outstanding Class B common stock and approximately 69% of our combined voting power.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Class A common stock and Class B common stock is Norwest Bank Minnesota, NA.

SELLING SHAREHOLDER

The table below sets forth the beneficial ownership of our Class A common stock by the charitable trust as of March 8, 1999 and reflects the repurchases of an aggregate of 8,000,000 shares by us from the charitable trust, and the sale of the shares offered hereby. The selling shareholder is a charitable trust which, indirectly, received all of its shares of Class A common stock in a bequest from the Estate of Nina Mason Pulliam. Mr. Frank E. Russell, one of the three trustees of the charitable trust, was the Chairman of the Board of Directors of Central Newspapers, Inc. until his retirement effective December 31, 1998; however, he remains a member of the Board of Directors of CNI.

<TABLE>
<CAPTION>

NAME	SHARES BENEFICIALLY OWNED PRIOR TO THE REPURCHASES AND THE OFFERING (1)		SHARES SOLD TO US	SHARES TO BE SOLD IN THE OFFERING (2) (3)	SHARES BENEFICIALLY OWNED AFTER THE REPURCHASES AND THE OFFERING (3)	
	NUMBER	PERCENT			NUMBER	PERCENT
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Nina Mason Pulliam Charitable Trust.....	10,893,700	22.4%	8,000,000	2,324,956	568,744	1.4%

</TABLE>

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- (1) Includes 746,500 shares of Class A common stock attributable to 7,465,000 shares of Class B common stock.
 - (2) Includes 177,756 shares of Class A common stock attributable to 1,777,560 shares of Class B common stock.
 - (3) Assumes that the option granted the underwriter to purchase additional shares is not exercised.

LEGAL MATTERS

Certain legal matters in connection with the offering will be passed upon for us by Henderson, Daily, Withrow & DeVoe, Indianapolis, Indiana, for the selling shareholder by Barnes & Thornburg, Indianapolis, Indiana, and for the Underwriters by Davis Polk & Wardwell, New York, New York.

EXPERTS

The consolidated financial statements of Central Newspapers, Inc. as of December 27, 1998 and December 28, 1997 and for the fiscal years then ended, included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Central Newspapers, Inc. as of December 29, 1996, set forth herein, have been included in reliance on the report of Olive LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Central Newspapers, Inc.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Central Newspapers, Inc. and its subsidiaries at December 27, 1998 and December 28, 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above. The financial statements of Central Newspapers, Inc. for the year ended December 29, 1996, prior to restatement of earnings per share for the adoption of Statement of Financial Accounting Standard No. 128, were audited by other independent accountants whose report dated February 3, 1997 expressed an unqualified opinion on those financial statements. We have audited the adjustments that were applied to restate the 1996 earnings per share. In our opinion, such adjustments are appropriate and have been properly applied to the 1996 financial statements.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
January 29, 1999

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CENTRAL NEWSPAPERS, INC.

CONSOLIDATED STATEMENT OF INCOME

<TABLE>

<CAPTION>

	52 WEEKS ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
	<C>	<C>	<C>
Operating revenues:			
Advertising.....	\$479,474	\$541,311	\$562,408
Circulation.....	134,133	143,153	150,446
Other.....	6,708	31,673	39,836
	-----	-----	-----
	620,315	716,137	752,690
	-----	-----	-----
Operating expenses:			
Compensation.....	228,316	239,783	243,637
Newsprint and ink.....	113,171	105,467	112,937
Other operating costs.....	137,875	177,829	196,746
Depreciation and amortization.....	35,528	42,022	45,418
Work force reduction cost.....	1,340	9,999	854
Asset impairment cost.....	4,226		525
	-----	-----	-----
	520,456	575,100	600,117
	-----	-----	-----
Operating income.....	99,859	141,037	152,573
Other income (principally interest income)....	5,486	4,318	4,545
Other expenses.....	(1,477)	(2,166)	(4,117)
	-----	-----	-----
Income before income taxes.....	103,868	143,189	153,001
Provision for income taxes.....	42,431	58,797	63,125
	-----	-----	-----
Income before minority interest and equity in affiliate.....	61,437	84,392	89,876
Minority interest in subsidiaries.....	(1,629)	(2,566)	(2,326)
Equity in net earnings (loss) of affiliate....	1,726	(331)	992
	-----	-----	-----
Net income.....	\$ 61,534	\$ 81,495	\$ 88,542
	=====	=====	=====
Net income per common share:			

Basic.....	\$ 1.16	\$ 1.58	\$ 1.83
Diluted.....	1.14	1.54	1.78
Average common shares outstanding:			
(combined Class A and equivalent Class B shares)			
Basic.....	53,238	51,464	48,498
Diluted.....	54,076	52,946	49,880

See accompanying notes to consolidated financial statements.

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CENTRAL NEWSPAPERS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<TABLE>

<CAPTION>

	DECEMBER 28, 1997	DECEMBER 27, 1998
	(IN THOUSANDS, EXCEPT SHARE DATA)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 36,924	\$ 24,774
Marketable securities.....	11,524	12,636
Accounts receivable (net of allowances of \$2,959 and \$2,602).....	89,707	90,858
Inventories.....	10,320	11,841
Deferred income tax benefits.....	7,919	8,430
Other current assets.....	5,712	11,253
Total current assets.....	162,106	159,792
Property, plant and equipment:		
Land.....	18,616	18,985
Buildings and improvements.....	122,409	135,725
Leasehold improvements.....	4,412	687
Machinery and equipment.....	383,626	407,211
Construction in progress.....	8,071	8,237
	537,134	570,845
Less accumulated depreciation.....	250,451	287,136
	286,683	283,709
Other assets:		
Land held for development.....	3,116	5,229
Goodwill and other intangibles.....	122,729	127,349
Investment in Affiliate.....	8,321	9,848
Other.....	31,356	43,432
	165,522	185,858
TOTAL ASSETS.....	\$614,311	\$629,359

</TABLE>

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<TABLE>

<CAPTION>

	DECEMBER 28, 1997	DECEMBER 27, 1998
	(IN THOUSANDS, EXCEPT SHARE DATA)	
<S>	<C>	<C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 19,672	\$ 23,088
Short-term bank debt.....	10,000	52,072
Accrued compensation.....	20,061	19,305
Dividends payable.....	5,613	5,217
Accrued expenses and other liabilities.....	16,825	18,208
Federal and state income taxes.....	1,578	

Deferred revenue.....	23,618	28,789
Total current liabilities.....	97,367	146,679
Deferred income taxes.....	26,882	26,703
Long-term debt.....		200,025
Postretirement and other noncurrent liabilities.....	86,997	91,001
Minority interest in subsidiaries.....	1,866	2,868
Redeemable preferred stock issued by subsidiary.....	18,920	18,920
Shareholders' equity:		
Preferred stock -- issuable in series:		
Authorized -- 25,000,000 shares		
Issued -- none		
Class A common stock -- without par value:		
Authorized -- 150,000,000 shares		
Issued and outstanding -- 44,035,252 and 34,446,180		
shares.....	29,934	30,937
Class B common stock -- without par value:		
Authorized -- 130,000,000 shares		
Issued and outstanding -- 62,691,000 shares.....	63	63
Retained earnings.....	352,531	112,104
Unamortized value of restricted stock.....	(1,924)	(1,407)
Unrealized gain on available-for-sale securities.....	1,675	1,466
	382,279	143,163
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$614,311	\$629,359

</TABLE>

See accompanying notes to consolidated financial statements.

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CENTRAL NEWSPAPERS, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		RETAINED EARNINGS	UNAMORTIZED VALUE OF RESTRICTED STOCK	UNREALIZED GAIN ON AVAILABLE FOR-SALE SECURITIES
	SHARES	AMOUNT	SHARES	AMOUNT			
	(IN THOUSANDS, EXCEPT SHARE DATA)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1995...	47,041,222	\$18,967	63,106,000	\$63	\$338,436		\$1,275
Net income (52 weeks).....					61,534		
Dividends declared:							
Class A common stock.....					(16,856)		
Class B common stock.....					(2,272)		
Exercise of stock options.....	309,400	3,928					
Repurchase of Class A common stock.....	(980,200)	(539)			(17,477)		
Issuance of restricted stock...	105,000	1,903				\$(1,903)	
Amortization of restricted stock.....						276	
Change in net unrealized gain on available-for-sale securities.....							215
BALANCE AT DECEMBER 29, 1996...	46,475,422	\$24,259	63,106,000	\$63	\$363,365	\$(1,627)	\$1,490
Net income (52 weeks).....					81,495		
Dividends declared:							
Class A common stock.....					(17,866)		
Class B common stock.....					(2,512)		
Exercise of stock options.....	348,864	6,144					
Repurchase of Class A common stock.....	(2,864,534)	(1,600)			(71,852)		
Repurchase of Class B common stock.....			(35,000)		(99)		
Issuance of restricted stock, net of cancellations.....	37,500	1,131				(1,131)	
Amortization of restricted							

stock.....						834	
Common stock conversion.....	38,000		(380,000)				
Change in net unrealized gain on available-for-sale securities.....							185
BALANCE AT DECEMBER 28, 1997...	44,035,252	\$29,934	62,691,000	\$63	\$352,531	\$(1,924)	\$1,675

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<TABLE>
<CAPTION>

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		RETAINED EARNINGS	UNAMORTIZED VALUE OF RESTRICTED STOCK	UNREALIZED GAIN ON AVAILABLE FOR-SALE SECURITIES
	SHARES	AMOUNT	SHARES	AMOUNT			
			(IN THOUSANDS, EXCEPT SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (52 weeks).....					88,542		
Dividends declared:							
Class A common stock.....					(18,543)		
Class B common stock.....					(2,821)		
Exercise of stock options.....	431,088	8,913					
Repurchase of Class A common stock.....	(10,039,660)	(8,552)			(307,605)		
Repurchase of Class B common stock.....							
Issuance of restricted stock, net of cancellations.....	19,500	642				(642)	
Amortization of restricted stock.....						1,159	
Change in net unrealized gain on available-for-sale securities.....							(209)
BALANCE AT DECEMBER 27, 1998...	34,446,180	\$30,937	62,691,000	\$63	\$112,104	\$(1,407)	\$1,466

</TABLE>

See accompanying notes to consolidated financial statements.

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CENTRAL NEWSPAPERS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

	52 WEEKS ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Operating activities:			
Net income.....	\$ 61,534	\$ 81,495	\$ 88,542
Items which did not use (provide) cash:			
Depreciation and amortization.....	35,528	42,022	45,418
Postretirement and pension benefits.....	2,050	6,593	(589)
Asset impairment cost.....	4,226		525
Change in unrealized gain (loss) on trading securities.....	821	96	119
Minority interest in earnings of subsidiaries.....	1,629	2,566	2,326
Equity loss (earnings) in Affiliate.....	(1,864)	331	(992)
Deferred income taxes.....	(1,543)	(583)	(2,323)
Amortization of restricted stock awards.....		834	1,159
Other.....	634	1,465	(261)
Change in current assets and liabilities net of acquisitions:			
Net proceeds from (purchases of) trading securities.....	40,671	11,631	(1,454)
Accounts receivable.....	(26,320)	2,985	9,331

Inventories.....	1,835	(1,409)	(1,521)
Other current assets.....	2,363	(1,826)	(6,116)
Accounts payable.....	(1,041)	1,606	(2,142)
Accrued compensation.....	(317)	2,935	(756)
Accrued expenses and other liabilities...	(1,617)	949	3,668
Federal and state income taxes.....	3,338	(1,905)	(3,199)
Deferred revenue.....	88	4,038	1,759
	-----	-----	-----
Net cash provided by operating activities.....	122,015	153,823	133,494
	-----	-----	-----
Investing activities:			
Purchases of property, plant and equipment.....	\$ (46,530)	\$ (25,135)	\$ (34,809)
Purchase of land held for development.....			(2,113)
Proceeds from disposition of assets.....	1,975	407	177
Purchases of available-for-sale securities.....	(24,659)		
Proceeds from available-for-sale securities.....	62,243	2,057	283
Acquisitions (net of cash acquired).....	(60,509)	(44,219)	(9,244)
Other.....	(5,557)	(3,816)	(8,932)
	-----	-----	-----
Net cash used by investing activities.....	(73,037)	(70,706)	(54,638)
	-----	-----	-----

</TABLE>

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<TABLE>
<CAPTION>

	52 WEEKS ENDED		
	DECEMBER 29, 1996	DECEMBER 28, 1997	DECEMBER 27, 1998
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Financing activities:			
Cash dividends paid.....	\$ (18,647)	\$ (20,111)	\$ (21,760)
Dividends paid to minority interest.....	(989)	(1,159)	(1,324)
Proceeds from exercise of stock options.....	2,882	3,279	8,913
Borrowings of short-term debt.....		39,400	207,000
Repayments of short-term debt.....		(29,400)	(165,000)
Borrowings of long-term debt.....			200,000
Repayments of long-term debt.....	(4,200)	(800)	(2,678)
Repurchase of common stock.....	(18,017)	(73,551)	(316,157)
	-----	-----	-----
Net cash used by financing activities.....	(38,971)	(82,342)	(91,006)
	-----	-----	-----
Increase (decrease) in cash and cash equivalents.....	10,007	775	(12,150)
Cash and cash equivalents, beginning of period.....	26,142	36,149	36,924
	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 36,149	\$ 36,924	\$ 24,774
	=====	=====	=====
Supplemental cash flow information:			
Issuance by subsidiary of redeemable preferred stock in exchange for Class A common stock of subsidiary.....		\$ 18,920	
Income taxes paid.....	\$ 40,798	62,172	\$ 63,965
Interest paid.....	615	1,706	1,717
Issuance of restricted stock.....	276	834	642

</TABLE>

See accompanying notes to consolidated financial statements.

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 -- NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations -- Central Newspapers, Inc. and its subsidiaries (the

"Company") are primarily engaged in the publishing and distribution of newspapers. Revenues are principally derived from advertising and newspaper sales in the Phoenix, Arizona and Indianapolis, Indiana metropolitan areas. The Company also has an 80% interest in the Westech group of companies which are predominantly in the jobs fair business and a 13.5% interest in Ponderay Newsprint Company ("Affiliate"), a partnership formed to own a newsprint mill in the State of Washington.

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.

Principles of Consolidation -- The consolidated financial statements include the accounts of the Company and all wholly-owned and majority-owned subsidiaries. Investments in companies in which the Company exercises significant influence are accounted for using the equity method. All significant intercompany accounts and transactions have been eliminated.

Fiscal Year -- The Company's fiscal year ends on the last Sunday of the calendar year. The fiscal years 1996, 1997 and 1998 included 52 weeks.

Revenue Recognition -- Advertising revenue is recognized when the advertisement appears in the newspaper. Deferred subscription revenue, which primarily represents amounts received from customers in advance of newspaper delivery, is included in revenue over the subscription term.

Cash Equivalents -- The Company considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Marketable Securities -- Management determines the classification of its investments in debt and equity securities at the time of purchase. Securities classified as available-for-sale are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity. Securities classified as trading securities are carried at fair value with unrealized gains and losses reported in earnings. The cost of securities sold is based on the specific identification method. All marketable debt securities and preferred stock are classified as current assets. Certain available-for-sale equity securities are classified as noncurrent assets.

Concentrations of Credit Risk -- Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents, trade accounts receivable and investments in marketable securities. The Company places its temporary cash with financial institutions and limits the amount of credit exposure to any one financial institution. Accounts receivable are with customers located primarily in the immediate geographical area of each city of publication. The Company reviews a customer's credit history before extending credit and establishes an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historic trends and other information. The Company, by policy, limits the type and amount of its investments in marketable securities.

Inventories -- Newsprint is valued at the lower of cost or market on the last-in, first-out (LIFO) method. Other inventories are valued at the lower of cost or market using the first-in, first-out (FIFO) and moving average methods.

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Property, Plant and Equipment -- Property, plant and equipment are carried at cost. Depreciation is computed using primarily the straight-line method based on the estimated useful lives of the assets. The principal estimated useful lives range from three to 15 years for machinery and equipment and 10 to 40 years for buildings and leasehold improvements.

Investment in Affiliate -- The Company uses the equity method of accounting for its 13.5% partnership interest in Ponderay Newsprint Company.

Goodwill and Other Intangibles -- Goodwill acquired before 1970 is not being amortized. Goodwill and other intangibles acquired after 1970 are being amortized on a straight-line basis over periods of 15 to 40 years. Amortization expense amounted to \$1,928,000 in 1996, \$4,945,000 in 1997 and \$5,507,000 in 1998. Accumulated amortization was \$9,130,000 and 11,184,000 at the end of 1997 and 1998, respectively.

The Company reviews goodwill and other intangibles for impairment whenever events or changes in circumstances indicate that the carrying value may not be

recoverable. If the undiscounted expected future cash flows from use of the asset are less than its carrying value, an impairment loss would be recognized.

Income Taxes -- The Company provides for the determination of deferred tax liabilities and assets at the end of each period based on the difference between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect when taxes are actually paid or recovered. The Company files a consolidated federal income tax return with its wholly and majority-owned subsidiaries.

Net income per common share -- Basic EPS is computed based upon the weighted average number of common shares outstanding in each year. The Class B common stock is included in the computation as if converted to Class A common stock at a ratio of 10 shares of Class B common stock to one share of Class A common stock.

Diluted EPS includes the effect of stock options granted under the Company's Amended and Restated Stock Compensation Plan, calculated using the treasury stock method.

On December 8, 1998, the Board of Directors declared a two-for-one split of the Class A and Class B common stock which was distributed on January 8, 1999 to shareholders of record as of the close of business on December 18, 1998. All shares and per share amounts presented herein, have been retroactively restated to reflect the impact of the split.

Asset Impairment -- The Company adopted Statement of Financial Accounting Standard ("SFAS") No. 121, "Accounting for the impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," in the first-quarter of 1996. The statement establishes accounting standards for recognizing and measuring impairment of long-lived assets, and requires reducing the carrying amount of any impaired asset to fair value.

Reclassifications -- Certain amounts in the financial statements have been reclassified to conform to the 1998 presentation.

2 -- BASIC AND DILUTED EARNINGS PER SHARE

The following is a reconciliation of the numerators and denominators of the basic

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

and diluted EPS computations as required by SFAS No. 128, "Earnings Per Share":

<TABLE>

<CAPTION>

	1996	1997	1998
	----	----	----
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
<S>	<C>	<C>	<C>
Basic EPS Computation:			
Numerator (Net income).....	\$61,534	\$81,495	\$88,542
Denominator:			
Average Common Shares Outstanding.....	53,238	51,464	48,498
Basic EPS.....	\$ 1.16	\$ 1.58	\$ 1.83
Diluted EPS Computation:			
Numerator (Net income).....	\$61,534	\$81,495	\$88,542
Denominator:			
Average Common Shares Outstanding.....	53,238	51,464	48,498
Stock Options.....	838	1,482	1,382
TOTAL.....	54,076	52,946	49,880
Diluted EPS.....	\$ 1.14	\$ 1.54	\$ 1.78

</TABLE>

3 -- ACQUISITIONS, REDEEMABLE PREFERRED STOCK AND STOCK REPURCHASES

On October 23, 1998, pursuant to a September 21, 1998 agreement, we repurchased and retired 5,000,000 shares of Class A common stock from the Nina Mason Pulliam Charitable Trust at \$30 per share (plus interest from September 16, 1998) for a total consideration of \$150.8 million. In addition, in November 1998, we repurchased and retired 3,000,000 shares of our Class A common stock, pursuant to the exercise of an option from the Charitable Trust, at \$33.50 per share for a total consideration of \$100.5 million. These repurchases were financed with a \$300 million revolving credit facility arranged by First Chicago Capital Markets, Inc. (a subsidiary of Bank One Corporation), and syndicated to

a group of banks. This \$300 million revolving credit facility, which closed on November 10, 1998 consists of a \$200 million five-year and a \$100 million 365-day revolving credit facility. The credit facility may be used for general corporate purposes, including the repurchase of common stock. Under the credit facility, we can choose among loans with interest rates based on either an Alternative Base Rate (fixed rate), an Adjusted LIBOR (floating rate), or a Competitive Bid (a floating rate loan based on bids solicited from the lenders) as those terms are defined in the credit agreement. We must maintain compliance with certain covenants under the terms of the credit facility.

At our annual meeting of shareholders on May 15, 1998, our shareholders approved an increase in the number of authorized shares of Class A common stock from 75,000,000 to 150,000,000 shares and Class B common stock from 50,000,000 to 130,000,000 shares.

In December 1997, the Board of Directors authorized additional repurchases of up to \$100.0 million of our Class A common stock. The shares may be purchased within the subsequent three years on the open market or in privately negotiated transactions. We have repurchased and retired a total of 2,039,660 shares under this authorization through December 27, 1998 at a total cost of approximately \$65.5 million. This authorization replaces the March 19, 1996, repurchase program under which we repurchased

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1,490,000 shares of Class A common stock at a cost of approximately \$33.2 million.

In October 1997, we acquired an 80% interest in Homebuyer's Fair, Inc. which provides internet-based services and information for people who are moving and corporations that are relocating employees. In September 1998, Homebuyer's Fair acquired 100% of National School Reporting Services, Inc. which provides internet-based information related to schools across the nation. As a result of the transaction, we now own 89% of the combined entity, with an option to purchase the remaining 11% on or after December 31, 2000.

In May 1997, we repurchased and retired an aggregate of 2,354,734 shares of Class A common stock from three non-profit organizations at a total cost of \$58.6 million.

In February 1997, the Company acquired 80% of the Santa Clara, California based Westech group of companies for \$34,800,000. The transaction was recorded using purchase accounting. The group, which had 1997 sales of \$32,200,000, includes Westech ExpoCorp., which organizes job fairs for the high-technology industry, High Technology Careers, which publishes High Technology Careers Magazine and Virtual Job Fair, an internet-based resume posting and research service, and JobsAmerica, which organizes job fairs for service industry positions. The transaction generated \$32,400,000 of goodwill which is being amortized on a straight line basis over 15 years. In June 1997, Westech acquired the assets of Target Career Fairs, a Boston-based company that organizes job fairs for the high-technology industry in the eastern portion of the U.S., including the cities of Boston, Raleigh, Orlando, Philadelphia and St. Louis. Target had 1996 revenues of approximately \$3,000,000. The Company has an option to purchase the remaining 20% of Westech.

In January 1997, the Company acquired the remaining 9.8% of Indianapolis Newspapers, Inc. ("INI") common stock that it did not already own. This transaction was accomplished by issuing to the minority shareholders an aggregate of 1,892 shares of newly created, non-voting, INI preferred stock, with an aggregate stated value of \$18,920,000 in exchange for the shares of INI common stock owned by them. The preferred stock provides for aggregate annual dividends of \$1,324,000 on a cumulative basis, is callable in five years by INI, and is redeemable at any time by the shareholders of INI at the stated value plus accrued but unpaid dividends. The total acquisition consideration of \$18,920,000 was accounted for using the purchase method of accounting. This transaction resulted in goodwill of \$8,468,000 and a reduction of the minority interest of \$9,244,000.

In March 1996, the Company acquired 100% of the outstanding common stock of

McCormick and Company, Inc. ("McCormick"), the parent company of the Alexandria Daily Town Talk newspaper of Louisiana and McCormick Graphics, Inc., a commercial printing subsidiary. The purchase price of approximately \$62,000,000 was paid entirely with cash. The amount of the purchase price allocated to goodwill was approximately \$47,473,000 and is being amortized over forty years. Historical pro-forma results have not been presented for the acquisitions described above as the results are immaterial.

4 -- EMPLOYEE BENEFIT PLANS AND POSTRETIREMENT OBLIGATIONS

The Company has defined benefit plans to provide pension benefits to all employees who have met certain eligibility requirements. Benefits are based primarily on length of service, wages earned, age and the amount of optional employee contributions. The Company's policy is to fund at least the minimum amount required by ERISA. Assets of the plans consist primarily of stocks, bonds and short-term investments.

The Company sponsors postretirement medical and life insurance plans which are

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

available to most of its employees. In order to be eligible for these plans, employees must retire from the Company and have been covered under an active plan. The level of benefits provided depends on the year of retirement and years of service. The plans are contributory with periodic adjustments in the amount of contributions by retirees. The Company's policy is to fund these benefits as claims and premiums are paid.

The Company's pension benefits and other postretirement benefits consisted of:

<TABLE>

<CAPTION>

(IN THOUSANDS)	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	1997	1998	1997	1998
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Change in Benefit Obligation				
Net benefit obligation at beginning of year.....	\$217,140	\$234,556	\$ 89,899	\$ 87,630
Service cost.....	6,572	6,918	3,185	3,056
Interest cost.....	16,437	16,983	6,092	5,738
Plan participants' contributions.....	543	426	630	727
Plan amendments.....			(121)	(1,213)
Actuarial (gain) loss.....	9,536	15,668	(6,887)	(3,345)
Gross benefits paid.....	(15,672)	(16,173)	(5,168)	(5,509)
	-----	-----	-----	-----
Net benefit obligation at end of year.....	\$234,556	\$258,378	\$ 87,630	\$ 87,084
	=====	=====	=====	=====
Change in Plan Assets				
Fair value of plan assets at beginning of year....	\$241,397	\$279,735		
Actual return on plan assets.....	53,467	44,033		
Employer contributions.....		7,039	\$ 4,538	\$ 4,782
Plan participant's contributions.....	543	426	630	727
Gross benefits paid.....	(15,672)	(16,173)	(5,168)	(5,509)
	-----	-----	-----	-----
Fair value of plan assets at end of year.....	\$279,735	\$315,060	\$ --	\$ --
	=====	=====	=====	=====
Funded status at end of year.....	\$ 45,179	\$ 56,682	\$ (87,630)	\$ (87,084)
Unrecognized net actuarial (gain) loss.....	(39,559)	(47,465)	1,330	(1,903)
Unrecognized prior service cost.....	2,792	2,348	(1,189)	(1,867)
Unrecognized net transition obligation (asset)....	(4,981)	(3,698)		
	-----	-----	-----	-----
Net amount recognized at end of year.....	\$ 3,431	\$ 7,867	\$ (87,489)	\$ (90,854)
	=====	=====	=====	=====

</TABLE>

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

<TABLE>

<CAPTION>

	PENSION BENEFITS			OTHER POSTRETIREMENT BENEFITS		
	1996	1997	1998	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Weighted-average assumptions December 31						
Discount rate.....	7.50%	7.25%	6.75%	7.50%	7.25%	6.75%
Expected return on plan assets.....	9.00%	9.00%	9.00%	N/A	N/A	N/A
Rate of compensation increase.....	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to 5 percent for 2000 and remain at that level thereafter.

Components of net periodic benefit cost
(In Thousands)

<TABLE>
<CAPTION>

	PENSION BENEFITS			OTHER POSTRETIREMENT BENEFITS		
	1996	1997	1998	1996	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Service cost.....	\$ 6,861	\$ 6,572	\$ 6,918	\$ 2,859	\$ 3,185	\$ 3,056
Interest cost.....	14,575	16,437	16,983	5,974	6,092	5,738
Expected return on assets.....	(17,144)	(18,587)	(20,447)			
Amortization of:						
Transition obligation (asset).....	(1,283)	(1,283)	(1,283)			
Prior service cost.....	444	444	444	(1,927)	(1,947)	(478)
Actuarial (gain) loss.....	39	(10)	(12)	128	38	(169)
Total net periodic benefit cost.....	\$ 3,492	\$ 3,573	\$ 2,603	\$ 7,034	\$ 7,368	\$ 8,147

</TABLE>

Other postretirement benefits include medical benefits for retirees and their spouses, retiree life insurance, and executive life insurance. Phoenix Newspapers, Inc. also provides dental and vision benefits for retirees and their spouses. In 1997, Phoenix Newspapers, Inc. amended its postretirement benefit plan to provide a Medicare Risk HMO option for their post-65 retirees.

The company has a wage deferral plan qualified under Section 401 (k) of the Internal Revenue Code that covers all eligible employees. Company matching contributions to this plan were \$4,600,000, \$4,517,000 and \$4,488,000 for 1996, 1997 and 1998, respectively.

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

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

	ONE PERCENTAGE POINT INCREASE	ONE PERCENTAGE POINT DECREASE
<S>	<C>	<C>
Effect on total of service and interest cost components.....	\$1,206,502	\$ (909,578)
Effect on postretirement benefit obligation.....	\$9,372,676	\$ (7,166,507)

</TABLE>

5 -- WORK FORCE REDUCTION

The Company has reduced its work force in response to The Phoenix Gazette closure, changes in distribution methods in Indianapolis, economic conditions, increasing costs and changes in technology. Early retirement incentive programs contributed to the staff reductions. Employees were offered early retirement benefits through a non-qualified supplemental retirement plan and those terminated due to job eliminations received severance payments. Work force reduction costs include retirement benefits, severance payments, carrier

conversion incentives, agency signing bonuses and professional support. Work force reduction costs were \$1,340,000, \$9,999,000 and \$854,000 for 1996, 1997 and 1998, respectively.

6 -- INCOME TAXES

The provision for income taxes, exclusive of tax effects from equity in earnings of Affiliate, consisted of:

<TABLE>

<CAPTION>

	1996	1997	1998
	----	----	----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
State:			
Currently payable.....	\$ 8,007	\$ 10,903	\$ 12,075
Deferred.....	(301)	(60)	(865)
	-----	-----	-----
	7,706	10,843	11,210
	-----	-----	-----
Federal:			
Currently payable.....	35,967	48,477	53,373
Deferred.....	(1,242)	(523)	(1,458)
	-----	-----	-----
	34,725	47,954	51,915
	-----	-----	-----
Provision for income taxes.....	\$ 42,431	\$ 58,797	\$ 63,125
	=====	=====	=====

</TABLE>

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Components of net deferred income tax liability are as follows:

<TABLE>

<CAPTION>

	1996	1997	1998
	----	----	----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Depreciation.....	\$ 55,533	\$ 57,796	\$ 56,666
Pension.....	2,490	2,878	2,752
Other.....	1,647	1,933	1,526
	-----	-----	-----
Gross deferred tax liability.....	59,670	62,607	60,944
	-----	-----	-----
Postretirement benefits.....	(33,938)	(35,488)	(38,494)
Vacation.....	(3,995)	(3,767)	(3,769)
Other.....	(2,398)	(4,351)	(2,757)
	-----	-----	-----
Gross deferred tax asset.....	(40,331)	(43,606)	(45,020)
	-----	-----	-----
Net deferred income tax liability.....	\$ 19,339	\$ 19,001	\$ 15,924
	=====	=====	=====

</TABLE>

Reconciliation of the U.S. federal statutory tax rate to the effective tax rate is presented below:

<TABLE>

<CAPTION>

	1996		1997		1998	
	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal statutory tax rate.....	\$36,354	35.0%	\$50,116	35.0%	\$53,550	35.0%
State taxes net of federal tax effect...	5,009	4.8	7,048	5.0	7,286	4.8
Goodwill and other.....	1,068	1.0	1,633	1.1	2,289	1.5
	-----	-----	-----	-----	-----	-----
Provision for income taxes.....	\$42,431	40.8%	\$58,797	41.1%	\$63,125	41.3%
	=====	=====	=====	=====	=====	=====

</TABLE>

7 -- INVENTORIES

Newsprint inventory, valued at LIFO, amounted to \$7,710,000 and \$9,639,000 at the end of 1997 and 1998. If the FIFO inventory valuation method had been exclusively used for newsprint, the value would have been \$5,139,000 and

\$5,627,000 higher, respectively. Other inventories, consisting primarily of newspaper production supplies, amounted to \$2,610,000 and \$2,202,000 at the end of 1997 and 1998.

8 -- INVESTMENT IN AFFILIATE

The Company, through its subsidiaries, has a 13.5% partnership interest in Ponderay Newsprint Company, which was formed to own a newsprint mill in the State of Washington. Under the terms of a loan agreement, the Company has guaranteed certain partnership bank debt in the amount of \$16,875,000.

The Company has committed to purchase for use in Phoenix the lesser of 13.5% of annual newsprint production or 28,400 metric tons on a "take if tendered" basis until the debt is repaid. Newsprint purchased from Ponderay amounted to \$23,735,000 during 1997 and \$19,042,000 during 1998.

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Summarized financial data for Affiliate:

<TABLE>
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	1996 ----	1997 ----	1998 ----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Results of operations:			
Net sales.....	\$160,979	\$131,330	\$144,776
Net income (loss).....	22,399	(4,040)	11,304
Financial position			
Current assets.....	\$ 17,934	\$ 22,150	\$ 22,872
Property and equipment, at cost -- net.....	263,013	250,038	233,747
Other assets.....	3,098	2,433	1,844
	-----	-----	-----
	\$284,045	\$274,621	\$258,463
	=====	=====	=====
Current liabilities.....	\$ 18,336	\$ 29,018	\$ 34,194
Long-term debt (\$125 million guaranteed by partners).....	200,048	183,982	151,343
Partners' capital.....	65,661	61,621	72,926
	-----	-----	-----
	\$284,045	\$274,621	\$258,463
	=====	=====	=====

</TABLE>

Summary of the Company's investment in Affiliate:

<TABLE>
<CAPTION>

	1996 ----	1997 ----	1998 ----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Investment, beginning of year.....	\$ 5,843	\$ 8,867	\$ 8,321
Equity in partnership income (loss).....	3,024	(546)	1,527
	-----	-----	-----
Investment, end of year.....	\$ 8,867	\$ 8,321	\$ 9,848
	=====	=====	=====
Equity in Affiliate:			
Equity in partnership income (loss).....	\$ 3,024	\$ (546)	\$ 1,527
Current income tax expense.....	(1,425)	(377)	(1,087)
Deferred tax benefit.....	265	593	552
Other.....	(138)	(1)	--
	-----	-----	-----
Equity in net earnings (loss) of Affiliate.....	\$ 1,726	\$ (331)	\$ 992
	=====	=====	=====

</TABLE>

9 -- SHORT-TERM BORROWINGS AND LONG-TERM DEBT

In November 1998, the Company entered into a \$100,000,000 unsecured, committed, 365 day credit agreement and a \$200,000,000 unsecured, committed, five year credit agreement. Of such borrowings, \$252,000,000 was drawn to fund the repurchase of stock. As of December 27, 1998, \$52,000,000 remained outstanding on the 365 day revolving credit line, and all \$200,000,000 remained outstanding on the five year facility both at annual interest rates approximating 5.5%. Compliance with certain covenants under the terms of the credit facilities must be maintained. As of December 27, 1998, the

CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Company is in compliance with all such covenants.

Included in 1997 accrued expenses and other liabilities is \$2,678,000 relating to the 50-year 4 1/2% debentures due and paid December 1, 1998.

Interest expense on these facilities and other debt amounted to \$618,000 in 1996, \$1,710,000 in 1997 and \$3,922,000 in 1998. Such amounts are included in other expense.

10 -- RENTAL EXPENSE AND LEASE COMMITMENTS

Rental expense for 1996, 1997 and 1998 amounted to, \$5,000,000, \$5,532,000 and \$6,341,000, respectively. Future obligations for minimum annual rentals under noncancelable long-term leases are not significant.

11 -- CAPITAL STOCK AND STOCK COMPENSATION PLAN

Class A common stock is entitled to 1/10 of a vote per share. The Class B common stock has one vote per share while its dividend and liquidation distributions are 1/10 of the amount of Class A common stock. Class B common stock may be converted into Class A common stock at a ratio of ten shares of Class B common stock for one share of Class A common stock. The Eugene C. Pulliam Trust ("Trust") owns Class B common stock which provides the Trust the majority voting control of the Company. At December 27, 1998, the Company has reserved 4,350,486 shares of Class A common stock for issuance under its Stock Compensation Plan, 1,000,000 shares for issuance under its 401(k) plan and 6,269,100 shares for issuance upon conversion of Class B common stock.

Dividends declared per share:

<TABLE>
<CAPTION>

	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Class A common stock.....	\$.36	\$.40	\$.45
Class B common stock.....	.036	.040	.045

</TABLE>

The Company's Stock Compensation Plan provides for the granting of stock options and the issuance of restricted stock grants to certain officers, key employees and members of the Board of Directors. Options issued under this plan are granted at prices determined by the Stock Option Committee of the Board of Directors but not less than fair market value on the date of the grant. Options granted may be incentive or non-qualified options with a term of 10 years. Options granted before December 25, 1995, and Board of Director member options are currently exercisable. Options granted in 1995 and prior to September 13, 1996, are exercisable three years from date of grant and options granted after September 13, 1996, become exercisable ratably over a three year period beginning on the first anniversary of the grant.

The Company has historically accounted for employee stock compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Under APB No. 25, no compensation costs are recognized if options are granted at an exercise price equal to the current market value of the stock. SFAS No. 123, "Accounting for Stock-Based Compensation," was adopted by the Company on January 1, 1996. As permitted by SFAS No. 123, the Company has elected to continue accounting for employee stock compensation under the APB No. 25 rules, but disclose pro forma results using SFAS No. 123's alternative accounting treatment, which calculates the total compensation expense to be recognized as the fair value of the award at the date of grant. The fair value of options granted in 1996, 1997 and 1998 was estimated on the grant date using the

CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Black-Scholes option pricing model using the following assumptions:

<TABLE>
<CAPTION>

	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Risk-free interest rates.....	6.5-6.6%	6.2%	5.5%
Dividend yields.....	2.0%	1.2%	1.2%
Expected volatility.....	27.0%	29.0%	30%
Weighted average expected life of options.....	4-6 years	4 years	4 years
Fair market value per share granted.....	\$5.21	\$7.12	\$11.72

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effects on net income and earnings per share of this statement are as follows:

	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE DATA)			
Net income:			
As reported.....	\$61,534	\$81,495	\$88,542
Pro forma.....	60,316	79,656	85,817
Earnings per share:			
As reported			
Basic.....	\$ 1.16	\$ 1.58	\$ 1.83
Diluted.....	1.14	1.54	1.78
Pro forma Basic.....	\$ 1.14	\$ 1.55	\$ 1.77
Diluted.....	1.12	1.51	1.72

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of the status of the Company's Stock Compensation Plan as of and for the three years ended December 27, 1998:

	SHARES RESERVED FOR GRANTS	SHARES UNDER OPTION	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>
Outstanding, December 31, 1995.....	5,606,200	2,702,200	\$12.09
Granted.....		678,000	18.68
Exercised.....	(309,400)	(309,400)	9.60
Cancelled.....		(103,000)	13.29
Restricted Shares.....	(105,000)		
Outstanding, December 29, 1996.....	5,191,800	2,967,800	\$13.82
Granted.....		247,950	24.23
Exercised.....	(353,226)	(353,226)	10.77
Cancelled.....		(20,100)	16.08
Restricted shares, -- net.....	(37,500)		
Outstanding, December 28, 1997.....	4,801,074	2,842,424	\$15.09
Granted.....		718,200	36.00
Exercised.....	(431,088)	(431,088)	12.46
Cancelled.....		(34,504)	23.22
Restricted shares, -- net.....	(19,500)		
Outstanding, December 27, 1998.....	4,350,486	3,095,032	\$20.21

The following table summarizes information about stock options outstanding at December 27, 1998:

	OUTSTANDING			EXERCISABLE	
	SHARES	AVERAGE LIFE (A)	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
EXERCISE PRICE RANGE					

<S>	<C>	<C>	<C>	<C>	<C>
\$ 5.00-\$14.99	1,070,800	5.1	\$11.97	1,070,800	\$11.98
\$15.00-\$24.99	1,289,532	7.4	\$18.11	861,514	\$17.20
\$25.00-\$34.99	8,000	8.3	\$25.88	2,667	\$25.88
\$35.00-\$44.99	726,700	9.2	\$36.00	6,000	\$36.25
	3,095,032	7.0	\$20.21	1,940,891	\$19.89

</TABLE>

(a) Weighted average contractual life remaining in years

The Company issued restricted stock grants to certain key executives who have a critical impact on the long-term performance of the Company. The Compensation Committee of the Board of Directors awarded 105,000, 38,500 and 19,500 shares of stock in 1996, 1997 and 1998, respectively, whereby transfer restrictions lapse at the end of five years from the award date or as early as three years upon achieving certain perform-

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CENTRAL NEWSPAPERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ance goals. On February 23, 1999, transfer restrictions lapsed on 76,000 shares of restricted stock granted in 1996. The restricted stock grants have all the rights of shareholders, including the right to receive dividends, except for conditions regarding transferability of shares or upon the termination of employment. Upon issuance of the shares, unearned compensation equivalent to the market value at the date of grant was recorded as unamortized value of restricted stock and is being charged to earnings over the period during which the restrictions lapse. During 1996, 1997, and 1998 compensation expense in the amount of \$276,000, \$834,000 and \$642,000, respectively, has been recorded related to these restricted stock grants.

12 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments approximate the fair value. The Company has guaranteed \$16,875,000 of Ponderay debt. The carrying value approximates the guaranteed amount.

13 -- CONTINGENCIES

There are various libel and other legal actions that have arisen in the normal course of business and are now pending against the Company. It is the opinion of management that final disposition of such litigation will not have any material adverse effect on the Company's financial position or results of operations.

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UNDERWRITING

The selling shareholder and the underwriters for the offering (the "Underwriters") named below have entered into an underwriting agreement with respect to the Class A common stock being offered. Subject to certain conditions, each Underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co. and Donaldson, Lufkin & Jenrette Securities Corporation are the representatives of the Underwriters.

<TABLE>

<CAPTION>

Underwriters	Number of Shares
Goldman, Sachs & Co.....	1,002,478
Donaldson, Lufkin & Jenrette Securities Corporation.....	1,002,478
Bear, Stearns & Co. Inc.....	40,000
A.G. Edwards & Sons, Inc.....	40,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	40,000
Morgan Stanley & Co. Incorporated.....	40,000
Salomon Smith Barney Inc.....	40,000
Wasserstein Perella Securities, Inc.....	40,000
City Securities Corporation.....	20,000
First Union Capital Markets Corp.....	20,000

McDonald Investments, Inc., A Keycorp Company.....	20,000
Sutro & Co. Incorporated.....	20,000

Total.....	2,324,956
	=====

</TABLE>

If the Underwriters sell more shares than the total number set forth in the table above, the Underwriters have an option to buy up to an additional 348,743 shares from the selling shareholder to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the Underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and the total underwriting discounts and commissions to be paid to the Underwriters by the selling shareholder. Such amounts are shown assuming both no exercise and full exercise of the Underwriters' option to purchase additional shares.

<TABLE>
<CAPTION>

Paid by the Selling Shareholder

	No Exercise	Full Exercise
	-----	-----
<S>	<C>	<C>
Per share.....	\$ 1.525	\$ 1.525
Total.....	\$3,545,557.90	\$4,077,390.98

</TABLE>

Shares sold by the Underwriters to the public will initially be offered at the public offering price set forth on the cover of this prospectus. Any shares sold by the Underwriters to securities dealers may be sold at a discount of up to \$0.85 per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the Underwriters to certain other brokers or dealers at a discount of up to \$0.10 per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

CNI, the selling shareholder, the Eugene C. Pulliam Trust, as well as the directors and other executive officers of CNI, have agreed that, during the period beginning from the date of this prospectus and continuing and including the date 90 days after the date of the prospectus, they will not offer, sell, contract to sell or otherwise dispose of any shares of Class A common stock or any

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security convertible into or exchangeable for shares of Class A common stock without the prior written consent of Goldman, Sachs & Co., except as otherwise provided in the Underwriting Agreement.

In connection with the offering, the Underwriters may purchase and sell shares of Class A common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of shares than they are required to purchase in the offerings. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Class A common stock while the offering is in progress.

The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such Underwriter in stabilizing or short covering transactions.

These activities by the Underwriters may stabilize, maintain or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The selling shareholder estimates, that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$85,000.

CNI and the selling shareholder have agreed to indemnify several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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2,324,956 Shares
CENTRAL NEWSPAPERS, INC.
Class A Common Stock

[CNI LOGO]

GOLDMAN, SACHS & CO.

DONALDSON, LUFKIN & JENRETTE
Representatives of the Underwriters