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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1998

OR

\- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 1-9824

THE McCLATHY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	52-2080478
(State of Incorporation)	(IRS Employer Identification Number)

2100 "Q" Street, Sacramento, CA. 95816
(Address of principal executive offices)

(916) 321-1846
(Registrant's telephone number)

Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

The number of shares of each class of common stock outstanding as of May 8, 1998:

Class A Common Stock	15,838,523
Class B Common Stock	28,675,912

THE McCLATCHY COMPANY

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PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements

THE McCLATCHY COMPANY
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In thousands)

ASSETS	March 31, 1998	December 31, 1997 Restated
CURRENT ASSETS		
Cash	$ 60,465	$ 8,671
Trade receivables (less allowances of $4,095 in 1998 and $2,162 in 1997)	121,470	93,069
Other receivables	4,393	2,143
Newsprint, ink and other inventories	16,046	11,735
Deferred income taxes	22,928	8,477
Other current assets	6,025	2,717
	231,327	126,812
PROPERTY, PLANT AND EQUIPMENT		
Buildings and improvements	203,514	160,443
Equipment	437,840	371,312
	641,354	531,755
Less accumulated depreciation	(255,074)	(246,236)
	386,280	285,519
Land	57,024	34,199
Construction in progress	12,287	5,468
	455,591	325,186
INTANGIBLES - NET	1,561,673	393,215
OTHER ASSETS	85,660	12,585
TOTAL ASSETS	$ 2,334,251	$ 857,798

See notes to consolidated financial statements

THE McCLATCHY COMPANY
CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In thousands, except share amounts)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31, 1998	December 31, 1997 Restated
CURRENT LIABILITIES		
Current bank debt	$ 21,675	
Accounts payable	48,490	$ 35,613
Accrued compensation	66,280	27,956

Income taxes	26,204	1,877
Unearned revenue	35,102	19,308
Carrier deposits	4,351	3,980
Other accrued liabilities	43,564	9,709
	245,666	98,443
LONG-TERM BANK DEBT	1,103,325	94,000
OTHER LONG-TERM OBLIGATIONS	76,847	40,406
DEFERRED INCOME TAXES	144,725	57,894
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY		
Common stock $.01 par value:		
Class A - authorized 100,000,000 shares, issued 15,821,488 in 1998 and 9,421,383 in 1997	158	94
Class B - authorized 60,000,000 shares, issued 28,675,912 in 1998 and 28,685,912 in 1997	287	287
Additional paid-in capital	265,300	74,354
Retained earnings	497,943	492,320
	763,688	567,055
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,334,251	$ 857,798

THE McCLATCHY COMPANY
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	1998	1997 Restated
REVENUES - NET		
Newspapers:		
Advertising	$ 127,287	$ 116,643
Circulation	28,238	26,958
Other	5,566	4,233
	161,091	147,834
Non-newspapers	2,872	2,787
	163,963	150,621
OPERATING EXPENSES		
Compensation	68,394	63,408
Newsprint and supplements	27,067	21,346
Depreciation and amortization	14,473	13,250
Other operating expenses	31,364	29,702
	141,298	127,706
OPERATING INCOME	22,665	22,915
NONOPERATING (EXPENSES) INCOME		
Interest expense	(4,037)	(2,668)
Partnership income (loss)	200	(400)
Gain on sale of certain business operations	-	6,594
Other - net	433	103
INCOME BEFORE INCOME TAX PROVISION	19,261	26,544
INCOME TAX PROVISION	10,016	11,113
NET INCOME	$ 9,245	$ 15,431
NET INCOME PER COMMON SHARE:		
Basic	$ 0.24	$ 0.41
Diluted	$ 0.24	$ 0.41
WEIGHTED AVERAGE		

NUMBER OF COMMON SHARES:		
Basic	38,989	37,823
Diluted	39,102	37,984

See notes to consolidated financial statements

THE McCLATCHY COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three Months Ended March 31, 1998	1997 Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,245	$ 15,431
Reconciliation to net cash provided:		
Depreciation and amortization	14,506	13,287
Partnership (income) losses	(200)	400
Gain on sale of certain business operations	-	(6,594)
Changes in certain assets and liabilities - net	6,140	12,124
Other	(43)	(675)
Net cash provided by operating activities	29,648	33,973
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(4,907)	(6,938)
Merger of Cowles Media Company	(1,099,070)	
Proceeds from sale of certain business operations	178,538	11,400
Other - net	-	1
Net cash (used) provided by investing activities	(925,439)	4,463
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,125,000	-
Repayment of long-term debt	(175,370)	(35,000)
Payment of cash dividends	(3,622)	(3,597)
Other - principally stock issuances in employee plans	1,577	1,607
Net cash provided (used) by financing activities	947,585	(36,990)
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,794	1,446
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8,671	5,877
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 60,465	$ 7,323
OTHER CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes (net of refunds)	$ 2,726	$ 5,624
Interest paid (net of capitalized interest)	$ 1,382	$ 2,702
MERGER		
Fair value of assets acquired	$ 1,548,238	
Fair value of liabilities assumed	(286,949)	
Issuance of common stock	(189,157)	
Fees & expenses	29,067	
Less cash acquired	(2,129)	
Net cash paid	$ 1,099,070	

See notes to consolidated financial statements

THE McCLATCHY COMPANY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share and per share amounts)

	Par Value Class A	Par Value Class B	Additional Paid-In Capital	Restated Retained Earnings	Treasury Stock At Cost	Restated Total
BALANCES,						
DECEMBER 31, 1996	$ 89	$288	$ 67,534	$437,527	$ (371)	$505,067
Net income (3 months)				15,431		15,431
Dividends paid ($.095 per share)				(3,597)		(3,597)
Issuance of 101,457 Class A shares under employee stock plans	1		1,606			1,607
Tax benefit from stock plans			320			320
Retirement of treasury stock			(371)		371	
BALANCES, MARCH 31, 1997	90	288	69,089	449,361	-	518,828
Net income (9 months)				53,801	-	53,801
Dividends paid ($.285 per share)				(10,842)		(10,842)
Conversion of 156,375 Class B shares to Class A	1	(1)				
Issuance of 246,900 Class A shares under employee stock plans	3		4,199			4,202
Tax benefit from stock plans			1,066			1,066
BALANCES, DECEMBER 31, 1997	94	287	74,354	492,320	-	567,055
Net income				9,245		9,245
Dividends paid ($.095 per share)				(3,622)		(3,622)
Conversion of 10,000 Class B shares to Class A	-	-				
Issuance of 84,858 Class A shares under employee stock plans	1			1,576		1,577
Issuance of 6,305,247 Class A shares for Cowles merger	63			189,094		189,157
Tax benefit from stock plans			276			276
BALANCES, MARCH 31, 1998	$ 158	$287	$265,300	$497,943	$ -	$763,688

See notes to consolidated financial statements

THE McCLATCHY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The McClatchy Company (the "Company") and its subsidiaries are engaged primarily in the publication of newspapers located in Minnesota, California, Washington state, Alaska and North and South Carolina.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Significant intercompany items and transactions have been eliminated. In preparing the financial statements, management makes 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.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the Company's financial position, results of operations, and cash flows for the interim periods presented. All adjustments are normal recurring entries except for the change in the method of accounting for inventories discussed at note 3. Such financial statements are not necessarily indicative of the results to be expected for the full year.

During 1997, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards (SFAS) No. 130 (Reporting Comprehensive Income), which requires that an enterprise report, by major components and as a single total, the change in its net assets during the period from nonowner sources. The Company has no items of comprehensive income which differ from its net income. Accordingly, adoption of this statement in 1998 has not impacted the Company's consolidated financial position, results of operations or cash flows.

NOTE 2. MERGER OF COWLES MEDIA COMPANY

On March 19, 1998 the Company acquired all of the outstanding shares of Cowles Media Company (Cowles) in a transaction valued at approximately $1.4 billion, including the assumption of $77,350,000 in existing Cowles debt. Cowles publishes the Star Tribune newspaper, which serves the Twin Cities of Minneapolis and St. Paul. Cowles also owned four separate subsidiaries that publish business magazines, special-interest magazines and home improvement books. Simultaneously with the close of the merger, the Company sold the magazine and book publishing subsidiaries. The combined proceeds, plus debt and other liabilities assumed by the buyers in those transactions, were $208.1 million. These proceeds were used to repay debt associated with the Cowles merger.

In connection with the Cowles merger, the Company paid 15% of the consideration by issuing 6,305,247 shares of Class A Common Stock in exhange for Cowles shares, and paid cash for the remaining shares at a value of $90.50 per Cowles share. The Class A shares were exchanged using a ratio of 3.01667 shares of McClatchy Class A Common for each Cowles share. The Company obtained bank debt through a syndicate of banks and financial institutions to finance the cash requirements of the merger and to refinance its existing debt (see note 4). Results of the Star Tribune have been included in the Company's results beginning March 20, 1998.

The non-newspaper businesses were valued at fair market value based upon the net after-tax proceeds received by the Company on March 19, 1998, and accordingly, no gain or loss was realized on the sale.

The primary asset retained by the Company is the Star Tribune, the largest newspaper in Minnesota with daily circulation of 373,000 and Sunday circulation of 673,000. The Star Tribune is now the Company's largest newspaper.

The merger was accounted for as a purchase, and accordingly, assets acquired and liabilities assumed have been recorded at their fair market values. Assets retained by the Company included approximately $53,564,000 of current assets, $134,865,000 of property, plant and equipment, $1,173,597,000 of intangible assets and $69,901,000 of other assets. Intangible assets include approximately $1,038,000,000 of goodwill which is being amortized over 40 years. In addition to assuming Cowles' long-term debt, a total of $209,599,000 of deferred taxes and other liabilities were assumed. The Company is continuing to assess the value of certain assets and liabilities, including identifiable intangible assets, severance and other liabilities and will adjust its carrying values as final determinations are made.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and its subsidiaries for the three month periods ended March 31, 1998 and 1997, as though the Cowles merger had taken place on January 1, 1997:

	1998	1997
Revenues	$ 246,652	$ 237,580
Net (loss) income	(29,655)	4,247
Diluted earnings per share	$ (0.65)	$ 0.10

Cowles Media Company donated $10,000,000 to the Cowles Media Foundation and incurred significant investment banking, legal and other costs associated with the transaction in the first quarter of 1998, contributing to a loss in the pro forma results.

NOTE 3. CHANGE IN METHOD OF ACCOUNTING FOR NEWSPRINT INVENTORY

The Company has accounted for newsprint inventories by the first-in, first-out (FIFO) method beginning January 1, 1998, whereas in all prior years inventories were valued using the last-in, first-out (LIFO) method. The new method of accounting for newsprint inventory was adopted to provide for a better matching of revenues and expenses. Additionally, the change will enable the financial reporting to parallel the way management assesses the financial and operational performance of its newspapers. The financial statements of prior years have been restated to apply the new method retroactively, and accordingly, retained earnings as of December 31, 1996 have been increased by $1,953,000 to reflect the restatement. The effect of the accounting change on net income as previously reported for the quarter ended March 31, 1997 is as follows (in thousands):

Net income as previously reported	$ 15,357
Adjustment for effect of change in accounting for newsprint inventories applied retroactively	74
Net income as adjusted	$ 15,431

The adjustment did not result in a change to basic net income per share for the period but increased diluted net income per share by $0.01.

NOTE 4. LONG-TERM BANK DEBT AND OTHER LONG-TERM OBLIGATIONS

On July 28, 1995 the Company entered into a bank credit agreement providing for borrowings up to $310,000,000. At December 31, 1997, the Company had long-term bank debt of $94,000,000 and this debt was refinanced with the new credit agreement obtained in connection with the Cowles merger. See note 2 and the discussion below.

At December 31, 1997, the Company had an outstanding interest rate swap that effectively converted $50,000,000 of debt under its Credit Agreement to a fixed rate debt at a rate of 6.0%. The swap was terminated upon the closing of the Cowles merger, with no significant loss to the Company.

The Company entered into a bank credit agreement (Credit Agreement) with a syndicate of banks and financial institutions providing for borrowings of up to $1,265,000,000 to finance the Cowles merger and refinance its existing debt, along with $77,350,000 of Cowles existing debt. The Credit Agreement includes term loans consisting of Tranche A of $735 million bearing interest at the London Interbank Offered Rate ("LIBOR") plus 125 basis points, payable in increasing quarterly installments from June 30, 1998 through June 30, 2005, and Tranche B of $330 million bearing interest at LIBOR plus 175 basis points and

payable in semi-annual installments from September 30, 1998 through March 31, 2008. A revolving credit line of up to $200 million bears interest at LIBOR plus 125 basis points and is payable by March 19, 2005. As the Company reduces the outstanding debt relative to cash flow (as defined in the Credit Agreement), the interest rate spread over LIBOR will decline. Interest rates applicable to debt drawn down at March 31, 1998, ranged from 6.9% to 7.4%. The debt is secured by certain assets of the Company, and all of the debt is pre-payable without penalty. The Company intends to accelerate payments on this debt as cash generation allows.

The terms of the Credit Agreement include certain operating and financial restrictions, such as limits on the Company's ability to incur additional debt, create liens, sell assets, engage in mergers, make investments and pay dividends.

The Credit Agreement requires the Company to enter into one or more interest rate protection agreements within 180 days of signing the Credit Agreement, fixing interest costs on a minimum of $300,000,000 of outstanding debt. The Company had not entered into any such agreements as of March 31, 1998.

The Company has outstanding letters of credit totaling $29,510,480 securing estimated obligations stemming from workers' compensation claims, pension liabilities and other contingent claims.

At March 31, 1998, long-term debt consisted of (in thousands):

	March 31, 1998	December 31, 1997
Credit Agreement:		
Term loans	$ 1,065,000	
Revolving credit line	60,000	$ 94,000
Total indebtedness	1,125,000	94,000
Less current portion	21,675	-
Long-term debt	$ 1,103,325	$ 94,000

Long-term debt matures, as of March 31 of each year, as follows (in thousands):

2000	$ 40,050
2001	76,800
2002	95,175
2003	113,550
2004	187,050
Thereafter	590,700
	$ 1,103,325

NOTE 5. INCOME TAXES

The effective tax rate and the statutory federal income tax rate are reconciled as follows:

	1998	1997
Statutory rate	35.0%	35.0%
State taxes, net of federal benefit	6.1	4.5
Amortization of intangibles	10.3	3.2
Tax basis adjustment of intangibles sold	-	(1.0)
Other	0.6	0.1
Effective tax rate	52.0%	41.8%

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Recent Events and Trends

On March 19, 1998 the Company acquired all of the outstanding shares of Cowles Media Company (Cowles) in a transaction valued at approximately $1.4 billion, including the assumption of $77.4 million in existing Cowles debt. Cowles publishes the Star Tribune newspaper, which serves the Twin Cities of Minneapolis and St. Paul. Cowles also owned four separate subsidiaries that publish business magazines, special-interest magazines and home improvement books. Simultaneously with the closing of the Cowles merger, the Company sold the magazine and book publishing subsidiaries. The combined proceeds, plus debt and other liabilities assumed by the buyers in those transactions, were $208.1 million. These proceeds were used to repay debt associated with the Cowles merger. See note 2 to the consolidated financial statements.

In connection with the merger, the Company paid 15% of the consideration by issuing 6,305,247 shares of Class A Common Stock in exchange for Cowles shares and paid cash for the remaining shares at a value of $90.50 per Cowles share. The Class A shares were exchanged using a ratio of 3.01667 shares of McClatchy Class A Common for each Cowles share. The Company obtained bank debt through a syndicate of banks and financial institutions to finance the cash requirements of the merger and to refinance its existing debt (See note 4 to the consolidated financial statements). Results of the Star Tribune have been included in the Company's results beginning March 20, 1998.

The non-newspaper businesses were valued at fair market value based upon the net after-tax proceeds received by the Company on March 19, 1998, and accordingly, no gain or loss was realized on the sale.

The primary asset retained by the Company following the Cowles transaction is the Star Tribune, the largest newspaper in Minnesota with daily circulation of 373,000 and Sunday circulation of 675,000 at March 31, 1998. It is the 16th largest newspaper on a daily basis and the 12th largest Sunday newspaper in the nation and is now the Company's largest newspaper.

The Company has accounted for newsprint inventories by the first-in, first-out (FIFO) method beginning January 1, 1998, whereas in all prior years inventories were valued using the last-in, first-out (LIFO) method. This change is not expected to have a material effect on 1998 results. The new method of accounting for newsprint inventory was adopted to provide for a better matching of revenues and expenses. Additionally, the change will enable the financial reporting to parallel the way management assesses the financial and operational performance of its newspapers. The financial statements of prior years have been restated to apply the new method retroactively and, accordingly, retained earnings as of December 31, 1996 have been increased by $1,953,000 to reflect the restatement. The effect of the accounting change on net income as previously reported for the quarter ended March 31, 1997 was not material. See note 3 to the consolidated financial statements.

On February 28, 1997, the Company completed the sale of four community newspapers and recorded a pre-tax gain of $6.6 million in other non-operating (expenses) income. The after tax gain on the 1997 sale was 10 cents per share.

During 1997, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standard (SFAS) No. 130 (Reporting Comprehensive Income), which requires that an enterprise report, by major components and as a single total, the change in its net assets during the period from nonowner sources. The Company has no items of comprehensive income that differ from its net income. Accordingly, adoption of this statement in 1998 has not impacted the Company's consolidated financial position, results of operations or cash flows.

SFAS No. 131 (Disclosures about Segments of an Enterprise and Related Information), which establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic area, and major customers; and No. 132 (Employers' Disclosure about Pensions and Other Postretirement Benefits), which revises the disclosures about pension and other postretirement benefits, will be adopted in

1998 and are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

First Quarter 1998 Compared to 1997

Net income in the first quarter of 1998 was $9.2 million or 24 cents per share compared to $15.4 million or 41 cents per share in the first quarter of 1997. The 1998 income included the impact of the Cowles merger and Star Tribune's results for nine business days, while the 1997 quarter included the operating results and gain on the sale of four community newspapers and results of Legi-Tech, a non-newspaper operation sold in late 1997. Excluding the impact of the merger from 1998 and the operations and gain for the sold properties in 1997, net income would have been slightly ahead of last year, despite substantially higher newsprint costs.

Revenues increased 8.9% to $164.0 million due primarily to the inclusion of $8.9 million of Star Tribune revenues. Excluding the Star Tribune, revenues at McClatchy's ongoing operations were up 3.9% to $155.0 million, with advertising revenues up 4.2% to $120.8 million and circulation revenues down nominally. Advertising revenues increased primarily due to rate increases, generally implemented in the first quarter of 1998. The switch of Easter to April 1998 (versus March 1997) depressed first quarter retail advertising at many of the Company's newspapers. Circulation revenues were lower as no home-delivery rate increases were implemented in 1998 and because of promotional discounting at most newspapers.

OPERATING REVENUES BY REGION:
(Amounts in thousands)

	1998	1997	% Change
California newspapers	$ 76,361	$ 75,555	1.1
Carolinas newspapers	41,518	39,069	6.3
Northwest newspapers	34,289	33,210	3.2
Minnesota newspaper	8,923	-	NM
Non-newspaper operations	2,872	2,787	3.0
	$ 163,963	$ 150,621	8.9

NM - not meaningful due to the addition of the Star Tribune on March 20, 1998.

The California newspaper comparison includes revenues of the sold community newspapers in 1997. Pro forma revenues were up 2.5%, led by a 2.7% increase in advertising revenues at the Company's three Bee newspapers (located in Sacramento, Fresno and Modesto, CA). Advertising revenues were affected by prolonged rainy weather in the region and the later Easter. Full-run run-of-press (ROP) advertising linage, found in the body of the newspaper and the largest contributor to advertising revenues, was down 0.8% at the three Bees.

Circulation revenues were down nominally, despite gains in daily subscribers of 2.1% and Sunday of 0.6%.

The Carolina newspapers revenue growth reflects a strong advertising environment in both classified and retail, particularly at the North Carolina newspapers. The News & Observer (the Company's third largest newspaper) and its six sister nondailies had advertising revenues up 8.5%, while advertising revenues were up 8.2% for the whole region. Full-run ROP linage was down slightly at the daily Carolina newspapers, but was up 2.3% at The News & Observer. Circulation revenues were down nominally. The number of daily subscribers increased 4.5% and Sunday was up 1.5% at the Carolina dailies.

The Northwest newspapers revenues recovered somewhat from sluggish trends in 1997. Advertising revenues at the three daily newspapers (The News Tribune (Tacoma, WA), Anchorage Daily News and Tri-City Herald (Kennewick, WA)) increased 3.1%, with the largest newspaper - The News Tribune - up 4.8%. Full-run ROP linage at these dailies declined 4.7%. Circulation revenues also declined nominally in this region, with the number of daily subscribers up 0.9%, but Sunday subscriptions down 0.3%.

Revenues from the Star Tribune included $6.5 million in advertising

revenues, $1.5 million in circulation revenues and $852,000 in other revenues (primarily direct marketing).

Non newspaper revenues increased $85,000 or 3.0%, but excluding revenues from Legi-Tech (which was sold in late 1997), revenues were up $391,000 or 15.8%. These revenues include The Newspaper Network, McClatchy and Benson Printing (commercial printing operations) and New Media revenues.

OPERATING EXPENSES:

Operating expenses increased 10.6% and reflect expenses of the Star Tribune in nine days of the quarter. Excluding Star Tribune expenses in 1998 and the expenses of sold operations in 1997, expenses at the Company's ongoing operations increased 6.1%, led by substantially higher newsprint costs. Newsprint and supplement costs increased 20.8% at ongoing operations due almost entirely to higher newsprint prices in 1998. Non newsprint costs at the ongoing operations increased 3.1%, in line with inflation.

NON OPERATING (EXPENSES) INCOME - NET:

Interest expense increased $1.4 million, but would have declined approximately $1.5 million without the interest on the new debt associated with the Cowles merger (see Liquidity and Capital Resources below). The Company's share of income from its Ponderay newsprint mill joint venture increased $600,000 due to higher newsprint prices. The Company also recorded $433,000 of other income related mostly to the gain on the sale of some small investments.

INCOME TAXES:

The Company's effective income tax rate was 52.0% in 1998 compared to 41.8% in 1997. The higher tax rate is primarily due to nondeductible depreciation and amortization of goodwill and other purchase price allocations created in the Cowles merger. See note 5 to the consolidated financial statements.

Liquidity & Capital Resources

Operations generated $29.6 million in cash, and the Company received $178.5 million in cash proceeds from the sale of Cowles' non newspaper subsidiaries. In addition, the Company borrowed $1.125 billion to finance the cash

requirements of the Cowles merger. Cash was used primarily to complete the Cowles merger which included refinancing Cowles and McClatchy existing debt; paying for capital expenditures and paying dividends. Capital expenditures are projected to be $40.0 million in 1998.

The Company entered into a bank credit agreement (Credit Agreement) with a syndicate of banks and financial institutions providing for borrowings of up to $1,265,000,000 to finance the Cowles merger and refinance its existing debt, along with $77.4 million of Cowles existing debt. The Credit Agreement includes term loans consisting of Tranche A of $735 million bearing interest at the London Interbank Offered Rate ("LIBOR") plus 125 basis points, payable in increasing quarterly installments from June 30, 1998 through June 30, 2005, and Tranche B of $330 million bearing interest at LIBOR plus 175 basis points and payable in increasing semi-annual installments from September 30, 1998 through March 31, 2008. A revolving credit line of up to $200 million bears interest at LIBOR plus 125 basis points and is payable by March 19, 2005. As the Company reduces the outstanding debt relative to cash flow (as defined in the Credit Agreement), the interest rate spread over LIBOR will decline. The Company has $110.5 million of available credit at March 31, 1998 (see note 4 to the consolidated financial statements). The debt is secured by certain assets of the Company, and all of the debt is pre-payable without penalty. The Company intends to accelerate payments on this debt as cash generation allows.

The terms of the Credit Agreement include certain operating and financial restrictions, such as limits on the Company's ability to incur additional debt, create liens, sell assets, engage in mergers, make investments and pay dividends.

The Credit Agreement requires the Company to enter into one or more interest rate protection agreements within 180 days of signing the Credit Agreement, fixing interest costs on a minimum of $300,000,000 of outstanding debt. The Company had not entered into any such agreements as of March 31, 1998.

The Company has outstanding letters of credit totaling $29.5 million securing estimated obligations stemming from workers' compensation claims, pension liabilities and other contingent claims.

While the Company expects that most of its free cash flow generated from operations in 1998 and in the foreseeable future will be used to repay debt, management is of the opinion that operating cash flow and its present and future credit lines as described above are adequate to meet the liquidity needs of the Company, including currently planned capital expenditures and other investments.

Year 2000 Compliance

The Company is currently in the process of addressing a potential problem that is facing all users of automated information systems. The problem is that many computer systems process transactions based on two digits for the year of the transaction (for example, "97" for 1997), rather than a full four digits. These computer systems may not operate effectively when the last two digits become "00", as occurs on January 1, 2000. In some cases the new date will cause computers to stop operating, while in other cases incorrect output may result. The problem could affect a wide variety of automated information systems, such as mainframe applications, personal computers and communications systems. A corporate task force is in place to assess the needed changes to the Company's many different information systems and an implementation plan is expected to be completed by mid-1998. A dedicated Year 2000 Compliance Coordinator has been named to ensure the Company meets its own internal deadlines for compliance. Many of the necessary changes in computer instructional code are expected to be acquired during the course of normal upgrading of systems that are budgeted between now and the year 2000, and in the course of normal maintenance. Other changes will necessitate re-writing of computer instructional code, the majority of which is expected to occur in 1998

and the first half of 1999. At present, the Company does not have an estimate of the total cost of evaluating and making required changes. The costs incurred in addressing the Year 2000 problem will be expensed as incurred, in compliance with generally accepted accounting principles. The project may also impact capital expenditure budgets, through increased expenditures for vendor-supplied software and computer hardware.

Forward-Looking Information

The preceding management discussion contains estimates and other forward-looking statements covering subjects related to financial operating results. These forward-looking statements, and any other statements going beyond historical facts that McClatchy management has discussed, are subject to risks and uncertainties that could cause actual results to differ. These include increases in newsprint prices and/or printing and distribution costs over anticipated levels, competition from other forms of media in the Company's principal markets, increased consolidation among major retailers in the Company's newspaper markets or other events depressing the level of advertising, an economic downturn in the local economies of California's Central Valley, Washington state, Alaska, the Carolinas or Minnesota, or other occurrences leading to decreased circulation and diminished revenues from both display and classified advertising.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK:
NOT REQUIRED

PART II - OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 2. Changes in Securities - None

Item 3. Default Upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders:

The Company held a special shareholders meeting on March 19, 1998 to vote on the Cowles merger. Shareholders approved the merger by voting as follows:

For	Against	Abstain	Broker Non-Votes
26,909,761	22,763	12,264	0

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits

Exhibit 18 Deloitte & Touche LLP Letter of Preferability
Exhibit 27 Financial Data Schedule for the Quarter Ended March 31, 1998

(b) Reports on Form 8-K:

The Company filed a Current Report on Form 8-K dated January 29, 1998, to report under Item 5 of Form 8-K its fourth quarter and year-end 1997 results.

The Company filed a Current Report on Form 8-K dated March 19, 1998, to report under Item 2 of Form 8-K the closing of the Cowles merger transaction.

SIGNATURES

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

THE McCLATCHY COMPANY
Registrant

Date: May 15, 1998

/s/ James P. Smith
James P. Smith
Vice President, Finance and Treasurer

April 30, 1998

The McClatchy Company
2100 Q Street
Sacramento, California 95816

Dear Sirs/Madams:

At your request, we have read the description included in your Quarterly Report on Form 10-Q to the Securities and Exchange Commission for the quarter ended March 31, 1998, of the facts relating to the change in accounting method for newsprint inventory from last-in, first-out (LIFO) to first-in, first-out (FIFO). We believe, on the basis of the facts so set forth and other information furnished to us by appropriate officials of the Company, that the accounting change described in your Form 10-Q is to an alternative accounting principle that is preferable under the circumstances.

We have not audited any consolidated financial statements of The McClatchy Company and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 1997. Therefore, we are unable to express, and we do not express, an opinion on the facts set forth in the above-mentioned Form 10-Q, on the related information furnished to us by officials of the Company, or on the financial position, results of operations, or cash flows of The McClatchy Company and its consolidated subsidiaries as of any date or for any period subsequent to December 31, 1997.

Yours truly,

/s/ DELOITTE & TOUCHE LLP
Sacramento, California

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

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This schedule contains financial information extracted from SEC filing Form 10-Q
and is qualified in its entirety by reference to such financial statements.

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