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 quarterly period ending June 30, 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: 1-7945

DELUXE CORPORATION
(Exact name of registrant as specified in its charter)

MINNESOTA	41-021-6800
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
3680 Victoria St. N., St. Paul, Minnesota	55126-2966
(Address of principal executive offices)	(Zip Code)

(612) 483-7111
(Registrant's telephone number, including area code)

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

The number of shares outstanding of registrant's common stock, par value $1.00 per share, at August 3,1998 was 80,781,464.

ITEM 1. FINANCIAL STATEMENTS

PART I. FINANCIAL INFORMATION
DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

<TABLE>
<CAPTION>

<S>	June 30, 1998 (Unaudited) <C>	December 31, 1997 <C>
CURRENT ASSETS		
Cash and cash equivalents	$ 126,607	$ 171,438
Marketable Securities	18,432	8,021
Trade accounts receivable	152,778	151,201
Inventories:		
Raw material	20,369	22,950
Semi-finished goods	9,196	9,132
Finished goods	22,873	23,768
Supplies	10,822	11,146
Deferred advertising	10,825	15,763
Deferred income taxes	50,277	50,345
Prepaid expenses and other current assets	49,714	48,849
Total current assets	471,893	512,613
LONG-TERM INVESMENTS	49,465	52,910
PROPERTY, PLANT, AND EQUIPMENT		
Land	38,015	38,832
Buildings and improvements	279,045	288,270

Machinery and equipment	556,864	562,637
Construction in progress	6,443	346
Total	880,367	890,085
Less accumulated depreciation	474,848	475,077
Property, plant and equipment - net	405,519	415,008
INTANGIBLES		
Cost in excess of net assets acquired - net	54,431	54,435
Internal use software - net	104,542	74,584
Other intangible assets - net	36,598	38,814
Total intangibles	195,571	167,833
TOTAL ASSETS	$ 1,122,448	$ 1,148,364
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITES		
Accounts payable	$ 70,047	$ 73,516
Accrued liabilities:		
Wages, including vacation pay	69,521	62,513
Employee profit sharing and pension	15,858	40,517
Accrued income taxes	23,516	31,960
Accrued rebates	37,919	36,708
Other	126,376	129,263
Long term debt due within one year	6,294	7,078
Total current liabilities	349,531	381,555
LONG-TERM DEBT	110,406	109,986
DEFFERRED INCOME TAXES	6,024	6,040
OTHER LONG-TERM LIABILITIES	39,881	40,535
SHAREHOLDERS' EQUITY		
Common shares - $1 par value (authorized 500,000,000 shares; issued: 1998 - 80,716,008 shares; 1997 - 81,325,925 shares)	80,716	81,326
Additional paid-in capital	3,384	4,758
Retained earnings	533,113	525,302
Unearned compensation	(342)	(649)
Net unrealized gain - marketable securities	137	
Cumulative translation adjustment	(402)	(489)
Total shareholders' equity	616,606	610,248
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	$ 1,122,448	$ 1,148,364

</TABLE>

See Notes to Consolidated Financial Statements

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in Thousands except per Share Amounts)
(Unaudited)

<TABLE>
<CAPTION>

	QUARTERS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
NET SALES	$ 474,791	$ 463,750	$ 963,762	$ 953,854
OPERATING EXPENSES				
Cost of sales	214,962	214,854	438,574	442,049
Selling, general and administrative	191,803	186,828	385,644	383,595
Total	406,765	401,682	824,218	825,644
INCOME FROM OPERATIONS	68,026	62,068	139,544	128,210
OTHER INCOME (EXPENSE)				
Other income	4,880	3,474	8,192	9,106
Interest expense	(1,935)	(2,487)	(4,158)	(4,872)
INCOME BEFORE INCOME TAXES	70,971	63,055	143,578	132,444
PROVISION FOR INCOME TAXES	28,716	25,598	57,751	53,562

NET INCOME	$ 42,255	$ 37,457	$ 85,827	$ 78,882
	=========	=========	=========	=========
NET INCOME PER COMMON SHARE - Basic and Diluted	$ 0.52	$ 0.46	$ 1.06	$ 0.96
CASH DIVIDENDS PER COMMON SHARE	$ 0.37	$ 0.37	$ 0.74	$ 0.74

</TABLE>

See Notes to Consolidated Financial Statements

DELUXE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30,	
	1998	1997
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 85,827	$ 78,882
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	28,860	29,026
Amortization of intangibles	10,780	14,132
Stock purchase discount	3,074	3,406
Net loss (gain) on sales of businesses	1,964	(1,814)
Changes in assets and liabilities, net of effects from discontinued operations and sales of businesses:		
Trade accounts receivable	(4,285)	(12,077)
Inventories	(1,261)	4,160
Accounts payable	(3,263)	(373)
Other assets and liabilities	(21,621)	(5,103)
	---------	---------
Net cash provided by continuing operations	100,075	110,239
Net cash used by discontinued operations		(192)
	---------	---------
Net cash provided by operating activities	100,075	110,047
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of marketable securities with maturities of more than 3 months	11,692	
Purchases of marketable securities with maturities of more than 3 months	(22,066)	(8,000)
Net change in marketable securities with maturities of three months or less		(4,960)
Purchases of capital assets	(60,117)	(39,821)
Net proceeds from sales of businesses and discontinued operations, net of cash sold	1,784	1,797
Other	10,166	1,571
	---------	---------
Net cash used in investing activities	(58,541)	(49,413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on short-term debt		(16,783)
Proceeds from long-term debt	292	
Payments on long-term debt	(3,483)	(3,494)
Payments to retire common stock	(36,743)	(11,322)
Proceeds from issuing stock under employee plans	13,620	11,414
Cash dividends paid to shareholders	(60,051)	(60,822)
	---------	---------
Net cash used in financing activities	(86,365)	(81,007)
	---------	---------
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,831)	(20,373)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	171,438	142,571
	---------	---------
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 126,607	$ 122,198
	=========	=========

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See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The consolidated balance sheet as of June 30, 1998 and the consolidated statements of income and the consolidated statements of cash flows for the quarters and the six month periods ended June 30, 1998 and 1997 are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of such financial statements are included. Other than those discussed in the notes below, such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results for a full year.

   The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q, and do not contain certain information included in the Company's consolidated annual financial statements and notes.

2. As of June 30, 1998, the Company had uncommitted bank lines of credit of $170 million available at variable interest rates. As of that date, there were no amounts drawn on those lines. The Company also had a $150 million committed line of credit available for borrowing and as support for commercial paper. As of June 30, 1998, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company had a shelf registration in place for the issuance of up to $300 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of June 30, 1998, no such notes were issued or outstanding.

3. During April 1998, the Company announced that it had reached an agreement to sell PaperDirect, Inc. ("PaperDirect") and the Social Expressions component ("Social Expressions") of Current, Inc. In July 1998, the Company announced that this agreement had been terminated. These businesses are still currently held for sale. In May 1998, the Company announced that it is holding its Card Services business for sale. These businesses, along with the international component of Deluxe Electronic Payment Systems, Inc., are accounted for in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." These businesses contributed revenue of approximately $52 million and $51 million in the second quarters of 1998 and 1997, respectively, and revenue of $128 million and $121 million during the first six months of 1998 and 1997, respectively. They contributed no material operating profit or loss during these same periods. The direct mail check printing business of Current will remain with Deluxe.

4. Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires disclosure of comprehensive income and its components in the Company's financial statements. The Company's total comprehensive income for the quarters ended June 30, 1998 and 1997 was $42.4 million and $37.7 million, respectively, and $86.0 million and $78.5 million for the first six months of 1998 and 1997, respectively. The Company's comprehensive income consists of net income, unrealized holding gains and losses on securities and foreign currency translation adjustments.

5. During 1998, the Company will adopt Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires the disclosure of financial and descriptive information about the reportable operating segments of the Company. The Company will also adopt Statement of Financial Accounting Standards No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits" during 1998, which revises employers' disclosures about pensions and other postretirement benefit plans. The Company does not anticipate that the effect of these pronouncements will have a material impact on reported operating results.

6. The following table reflects the calculation of basic and diluted earnings per share (unaudited dollars and shares outstanding in thousands, except per share amounts).

<TABLE>
<CAPTION>

	Quarter Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
Net income per share-basic:				
Net income	$42,255	$37,457	$85,827	$78,882
Weighted average shares outstanding	80,668	82,142	80,847	82,130
Net income per share-basic	$ .52	$ .46	$ 1.06	$ .96

Net income per share-diluted:				
Net income	$42,255	$37,457	$85,827	$78,882
Weighted average shares outstanding	80,668	82,142	80,847	82,130
Dilutive impact of options	184	104	188	99
Shares contingently issuable	11	13	7	2
Weighted average shares and potential dilutive shares outstanding	80,863	82,259	81,042	82,231
Net income per share-diluted	$ .52	$ .46	$ 1.06	$ .96

</TABLE>

7. The Company's balance sheets reflect restructuring accruals of $27.4 million and $39.5 million as of June 30, 1998 and December 31, 1997, respectively, for employee severance costs, and $6.6 million and $3.7 million as of June 30, 1998 and December 31, 1997, respectively, for estimated losses on asset dispositions. The majority of the severance costs are expected to be paid in 1998 and early 1999 with cash generated from the Company's operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Company Profile

The Company has organized its many business units into three reporting segments, Deluxe Financial Services, Deluxe Electronic Payment Systems and Deluxe Direct. Through Deluxe Financial Services, the Company provides check printing, direct marketing assistance, business forms and related services to financial institutions and their customers in the United States and Canada and payment systems protection services, including check authorization, account verification and collection services to financial institutions and retailers. Through Deluxe Electronic Payment Systems, the Company provides electronic funds transfer and other software services to financial institutions and electronic benefit transfer services to state governments. Through Deluxe Direct, the Company provides specialty papers to small businesses and direct mail greeting cards, gift-wrap and related products to households.

Results of Operations - Quarter and Six Months Ended June 30, 1998 Compared to the Quarter and Six Months Ended June 30, 1997

Net sales were $475 million for the second quarter of 1998, up 2.4% from the second quarter of 1997 when sales were $464 million. Net sales were $964 million for the first six months of 1998, flat over the comparable period in 1997 when sales for the first six months were $954 million. Deluxe Financial Services' revenue for the six months was flat versus the first six months of 1997. Quarterly revenues increased slightly over the second quarter of 1997 due to increased volume in the payment protection businesses, increased prices in the check printing business, and revenue from a new practice of charging check printing customers for placing orders via telephone as opposed to electronic channels. These increases were offset by decreased volume in the check printing and database marketing businesses. Deluxe Electronic Payment Systems' revenue increased 23% over both the second quarter and the first six months of 1997 due to increased volume in a variety of product lines. Deluxe Direct's revenue decreased approximately 8.5% from the second quarter of 1997 and 5.8% from the first six months of 1997, due primarily to divestitures.

Cost of sales was flat versus both the second quarter and first half of 1997. Deluxe Financial Services' cost of sales decreased approximately 3% compared to the second quarter and first half of 1997 due primarily to decreased volume in the check printing and database marketing businesses and a more profitable product mix and productivity improvements within the check printing business. Deluxe Electronic Payment Systems' cost of sales increased approximately 20% over the second quarter and first half of 1997 primarily due to increased sales volume. Deluxe Direct's cost of sales decreased 10.2% from the second quarter of 1997 and 3.0% from the first half of 1997, consistent with its reduced sales.

Selling, general and administrative expenses increased $5 million or 2.7% over the second quarter of 1997 and $2.0 million or 1% from the first six months of 1997. Deluxe Financial Services' selling, general and administrative expenses increased 3% over the second quarter of 1997 and 1% over the first half of 1997, due primarily to the growth of the collections business and increased marketing expenses within the database marketing businesses. Deluxe Electronic Payment Systems' selling, general and administrative expenses increased 16% over the second quarter of 1997 and 12% over the first half of 1997 due to increased sales volume, as well as increased telecommunications and computer rent expense. Deluxe Direct's selling, general and administrative expenses decreased over the

second quarter and first six months of 1997 by approximately 8% due primarily to divestitures.

Net income was $42.3 million for the second quarter of 1998, or 8.9% of sales, compared to $37.5 million for the second quarter of 1997, or 8.1% of sales. Net income for the six months ended June 30, 1998 was $85.8 million, or 8.9% of sales compared to $78.8 million, or 8.3% of sales in 1997. The increase for both periods is primarily attributable to the changes discussed above. Additionally, for the quarter, other income was $2 million higher in 1998, due to a loss recognized in 1997 for the sale of a business.

Financial Condition - Liquidity

Cash provided by operations was $100.1 million for the first six months of 1998 compared with $110.0 million for the first six months of 1997. Cash from operations represents the Company's primary source of working capital for financing capital expenditures and paying cash dividends. The Company's working capital on June 30, 1998 was $122.4 million compared to $131.1 million on December 31, 1997. The Company's current ratio was 1.4 to 1 on June 30, 1998, and 1.3 to 1 on December 31, 1997.

Financial Condition - Capital Resources

Purchases of capital assets totaled $60.1 million for the first half of 1998 compared to $39.8 million during the comparable period one year ago. The increase represents investments in a new financial system, a new customer interface system, as well as other strategic initiatives designed to improve productivity and profitability. As of June 30, 1998, the Company had uncommitted bank lines of credit of $170 million available at variable interest rates. As of that date, there were no amounts drawn on those lines. The Company also had a $150 million committed line of credit available for borrowing and as support for commercial paper. As of June 30, 1998, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company had a shelf registration in place for the issuance of up to $300 million in medium-term notes. Such notes could be used for general corporate purposes, including working capital, capital expenditures, possible acquisitions and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of June 30, 1998, no such notes were issued or outstanding. Cash dividends totaled $60.1 million in the first six months of 1998 compared to $60.8 million in the first six months of 1997.

Year 2000

In 1996, the Company initiated a companywide program to prepare its computer systems and applications for the year 2000. During 1997, the Company identified the systems affected, determined a resolution strategy for each affected system, and began executing these resolution strategies. As of July 1998, management believes that the overall project is 60% complete. Computerized assets in each category have been either certified year 2000 compliant in accordance with the Company's internal standards, or are in repair and testing phases. Based on current assessments, management estimates that 95% of the Company's critical assets will be certified year 2000 compliant by the end of 1998 and the overall project will be 75% complete at that point.

The scope of the Company's year 2000 effort encompasses all computerized assets across the Company. Included in the assessment and repair are PC's and related equipment, data centers, networks, facilities, third party systems and internal department applications, as well as the production applications in support of the Company's products and services. In addition to these computerized assets, the Company is also assessing the year 2000 compliancy of certain third parties, including both important non-IT providers and key customers. Contingency plans are being developed where the Company's risk assessment determines it to be necessary to ensure continued provision of the Company's products and services.

The Company expects to incur expenses of approximately $22.5 million over the life of the project, consisting of both internal staff costs and consulting expenses, with $9.3 million having been incurred to date.

Because of the nature of the Company's business, the year 2000 issue would, if unaddressed, pose a significant business risk for the Company. The Company presently believes that with the planned modifications to existing systems and the replacement of other systems, the year 2000 compliance issue will be resolved in a timely manner and will not pose significant operational problems for the Company. As previously noted, the Company has communicated with its key suppliers and customers to determine their year 2000 readiness and the extent to which the Company is vulnerable to any third party year 2000 issues. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be converted in a timely manner or in a manner that is compatible with the Company's systems. A failure by such a company to convert their systems in a timely manner or a conversion that renders such systems

incompatible with those of the Company could have a material adverse effect on the Company.

Outlook

Throughout the remainder of 1998, the Company will continue its efforts to reduce costs and improve productivity throughout the organization. It is anticipated that certain of these initiatives will result in a significant charge against earnings in 1998 for severance and other costs. At the same time, the Company will continue to invest in major infrastructure improvements. The Company also expects to continue its efforts to complete its divestiture program by selling its remaining non-strategic businesses and has begun a strategic assessment of its remaining direct marketing assistance businesses due to lagging performance. Revenue generated by the Company's direct marketing businesses is not material to the Company's financial results.

PART II - OTHER INFORMATION

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

The Company held its annual shareholders' meeting on May 5, 1998:

70,189,545 shares were represented (87.09% of the 80,595,391 shares outstanding and entitled to vote at the meeting).

1. Election of Directors:

The nominees listed in the proxy statement were: John A. Blanchard III, Whitney MacMillan, Dr. James J. Renier, Barbara B. Grogan, Allen F. Jacobson, Stephen P. Nachtsheim, Calvin W. Aurand, Jr., Donald R. Hollis, Robert C. Salipante, Jack Robinson and Hatim A. Tyabji. The results were as follows:

Election of Directors	For	Withhold
John A. Blanchard III	68,942,754	1,246,791
Whitney MacMillan	60,261,733	9,927,812
Dr. James J. Renier	68,968,560	1,220,985
Barbara B. Grogan	68,976,761	1,212,784
Allen F. Jacobson	68,892,667	1,296,878
Stephen P. Nachtsheim	69,011,776	1,177,769
Calvin W. Aurand, Jr.	69,009,051	1,180,494
Donald R. Hollis	68,992,543	1,197,002
Robert C. Salipante	68,996,526	1,193,614
Jack Robinson	68,988,881	1,200,664
Hatim A. Tyabji	68,996,528	1,193,017

2. Ratification of appointment of Deloitte & Touche LLP as Independent auditors:

For:	69,815,902
Against:	216,706
Abstain:	156,937

Item 5. Other Information

RISK FACTORS AND CAUTIONARY STATEMENTS

When used in this Quarterly Report on Form 10-Q and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases and in oral statements made with the approval of an authorized executive officer, the words or phrases "should result," "are expected to," "will continue," "will approximate," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are necessarily subject to certain risks and uncertainties, including those discussed below, that could cause actual results to differ materially from the Company's historical experience and its present expectations or projections. Caution should be taken not to place undue reliance on any such forward-looking

statements, which speak only as of the date made. The factors listed below could affect the Company's financial performance and could cause the Company's actual results for future periods to differ from any opinions or statements expressed with respect thereto. Such differences could be material and adverse.

The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. This discussion supersedes the discussion in Item 5 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

Earnings Estimates; Cost Reductions. From time to time, the authorized representatives of the Company may make predictions or forecasts regarding the Company's future results, including estimated earnings or earnings from operations. Any forecast, including the Company's current statement that it expects to achieve at least 3 to 6 percent annual growth in revenues and 5 to 9 percent annual growth in earnings in 1998, regarding the Company's future performance reflects various assumptions. These assumptions are subject to significant uncertainties, and, as a matter of course, many of them will prove to be incorrect. Further, the achievement of any forecast depends on numerous factors (including those described in this discussion), many of which are beyond the Company's control. As a result, there can be no assurance that the Company's performance will be consistent with any management forecasts and the variation from such forecasts may be material and adverse. Investors are cautioned not to base their entire analysis of the Company's business and prospects upon isolated predictions, but instead are encouraged to utilize the entire available mix of historical and forward-looking information made available by the Company and other information affecting the Company and its products when evaluating the Company's prospective results of operations.

In addition, authorized representatives of the Company may occasionally comment on the perceived reasonableness of published reports by independent analysts regarding the Company's projected future performance. Such comments should not be interpreted as an endorsement or adoption of any given estimate or range of estimates or the assumptions and methodologies upon which such estimates are based. Generally speaking the Company does not make public its own internal projections, budgets or estimates. Undue reliance should not be placed on any comments regarding the conformity, or lack thereof, of any independent estimates with the Company's own present expectations regarding its future results of operations.

The methodologies employed by the Company in arriving at its own internal projections and the approaches taken by independent analysts in making their estimates are likely different in many significant respects. Although the Company may presently perceive a given estimate to be reasonable, changes in the Company's business, market conditions or the general economic climate may have varying effects on the results obtained through the use of differing analyses and assumptions. The Company expressly disclaims any continuing responsibility to advise analysts or the public markets of its view regarding the current accuracy of the published estimates of outside analysts. Persons relying on such estimates should pursue their own independent investigation and analysis of their accuracy and reasonableness of the assumptions on which they are based.

Sale of Businesses. The Company has a continuing intention to divest the remaining businesses comprising its Deluxe Direct segment. Although the Company had entered into a divestiture agreement for the sale of PaperDirect and the Social Expressions business with a potential buyer, that agreement was terminated due to the inability of the buyer to timely provide the necessary assurances of its ability to fund the purchase of these businesses. The occurrence of this event has delayed the anticipated sale and could result in further write-offs by the Company, some of which could be significant. In addition, the delay in the execution of these sales could cause the Company to incur continued operating losses from the businesses sought to be divested or make unanticipated investments in those businesses. The delay has also postponed the receipt and use by the Company of the proceeds expected to be generated thereby.

Other Dispositions and Acquisitions. In connection with its ongoing restructuring, the Company may also consider divesting or discontinuing the operations of various business units and assets and the Company may undertake one or more significant acquisitions. Any such divestiture or discontinuance could result in write-offs by the Company, some or all of which could be significant. In addition, a significant acquisition could result in future earnings dilution for the Company's shareholders.

Timing and Amount of Anticipated Cost Reductions. With regard to the results of the Company's ongoing cost reduction efforts (including the Company's current review of its Selling, General and Administrative cost levels), there can be no assurance that the anticipated cost savings will be fully realized or will be

achieved within the time periods expected. The implementation of the printing plant closures upon which some of the anticipated savings depend is, in large part, dependent upon the successful development of the software needed to streamline the check ordering process and redistribute the resultant order flow among the Company's remaining printing plants. The Company has delayed the planned roll-out of its on-line ordering system in order to correct certain deficiencies identified during the initial phases of implementation and to incorporate certain improvements. The Company expects to again begin converting customers to this new system in the fourth quarter of 1998. Although the Company believes that the current delay will not materially affect its current plant closing schedule, there can be no assurances such will be the case or that additional sources of delays will not be encountered because of the complexities inherent in the development of software products as sophisticated as those needed to accomplish this task. Any such event could adversely affect the planned consolidation of the Company's printing facilities and delay the realization or reduce the amount of the anticipated expense reductions.

In addition, the achievement of the targeted level of cost savings is dependent upon the successful execution of a variety of other cost reduction strategies. These additional efforts include the consolidation of the Company's purchasing process and certain administrative and support organizations, the disposition of unprofitable or low-margin businesses, headcount reductions and other efforts. The optimum means of realizing many of these strategies is, particularly in the case of the Company's selling, general and administrative cost reduction efforts, still being evaluated by the Company. Unexpected delays, complicating factors and other hindrances are common in these types of endeavors and can arise from a variety of sources, some of which are likely to have been unanticipated. In

addition, the Company may incur charges against its earnings reflective of the anticipated cost of some of the programs. A failure to timely achieve one or more of the Company's primary cost reduction objectives could materially reduce the benefit to the Company of its cost savings programs and strategies or substantially delay the full realization of their expected benefits.

Further, there can be no assurance that increased expenses attributable to other areas of the Company's operations or to increases in raw material, labor, equipment or other costs will not offset some or all of the savings expected to be achieved through the cost reduction efforts. Competitive pressures and other market factors may also require the Company to share the benefit of some or all of any savings with its customers or otherwise adversely affect the prices it receives or the market for its products. As a result, even if the expected cost reductions are fully achieved in a timely manner, such reductions are not likely to be fully reflected by commensurate gains in the Company's net income, cash position, dividend rate or the price of its Common Stock.

Effect of Financial Institution Consolidation. There is an ongoing trend towards increasing consolidation within the banking industry that has resulted in increased competition and consequent pressure on check prices. This concentration greatly increases the importance to the Company of retaining its major customers and attracting significant additional customers in an increasingly competitive environment. Although the Company devotes considerable efforts towards the development of a competitively priced, high quality suite of products for the financial services and retail industries, there can be no assurance that significant customers will not be lost nor that any such loss can be counterbalanced through the addition of new customers or by expanded sales to the Company's remaining customers.

Raw Material Postage Costs and Delivery Costs. Increases in the price of paper and the cost of postage can adversely affect the profitability of the Company's printing and mail order business. Events such as the 1997 UPS strike can also adversely impact the Company's margins by imposing higher delivery costs. Competitive pressures and overall trends in the marketplace may have the effect of inhibiting the Company's ability to reflect increased costs of production in the retail prices of its products.

Competition. Although the Company believes it is the leading check printer in the United States, it faces considerable competition from other smaller companies in both its traditional marketing channel to financial institutions and from direct mail marketers of checks. From time to time, one or more of these competitors reduce the prices of their products in an attempt to gain market share. The corresponding pricing pressure placed on the Company has resulted in reduced profit margins in the past and there can be no assurance that similar pressures will not be exerted in the future.

Check printing is, and is expected to continue to be, an essential part of the Company's business and the principal source of its operating income for at least the next several years. A wide variety of alternative payment delivery systems, including credit cards, debit cards, smart cards, ATM machines, direct deposit and electronic and other bill paying services, home banking applications and

Internet-based retail services, are in various stages of maturity or development and additional systems will likely be introduced. Although the Company expects that there will continue to be a substantial market for checks for the foreseeable future, the rate and the extent to which these alternative payment methods will achieve consumer acceptance and replace checks cannot be predicted with certainty. A surge in the popularity of any of these alternative payment methods could have material, adverse effect on the demand for the Company's primary products and its account verification, payment protection and collection services. The creation of these alternative payment methodologies has also resulted in an increased interest in transaction processing as a source of revenue, which has led to increased competition for the Company's transaction processing businesses.

HCL Joint Venture. There can be no assurance that the software, transaction processing services and products and software development services proposed to be offered by the Company's joint venture with HCL Corporation of New Delhi, India will achieve market acceptance in either the United States or India. In addition, the Company has no operational experience in India and only limited international exposure to date. Operations in foreign countries are subject to numerous potential obstacles including, among other things, cultural differences, political unrest, export controls, governmental interference or regulation (both domestic and foreign), currency fluctuations, personnel issues and varying competitive conditions. In addition, it is possible that the United States government may impose economic or trade sanctions upon India that may affect the joint venture as a result of India's recent nuclear tests.

There can be no assurance that one or more of these factors, or additional causes or influences, many of which are likely to have been unanticipated and beyond the ability of the Company to control, will not operate to inhibit the success of the venture. As a result, there can be no assurance that the HCL joint venture will generate significant revenues or profits or provide an adequate return on any investment by the Company.

Debit Bureau. The Company has recently announced an alliance with several entities that is intended to offer decision support tools and information to retailers and financial institutions that offer or accept direct debit-based products, such as checking accounts, ATM cards and debit cards. To date, this effort has primarily been directed towards the creation of the supporting data warehouse and research regarding the utility and value of the data available to the Company for use in this area. There can be no assurance that this effort will result in the introduction of a significant number of new products or the generation of incremental revenues in material

amounts. In any event, the continued development of the debit bureau is expected to require a significant level of investment by the Company.

Limited Source of Supply. The Company's check printing business utilizes a paper printing plate material that is available from only a limited number of sources. The Company believes it has a reliable source of supply for this material and that it maintains an inventory sufficient to avoid any production disruptions in the event of an interruption of its supply. In the event, however, that the Company's current supplier becomes unwilling or unable to supply the required printing plate material at an acceptable price and the Company is unable to locate a suitable alternative source within a reasonable time frame, the Company would be forced to convert its facilities to an alternative printing process. Any such conversion would require the unanticipated investment of significant sums and there can be no assurance that the conversion could be accomplished without production delays.

Seasonality. A significant portion of the revenues and earnings of the Company's Deluxe Direct segment is dependent upon its results of operations during the fourth quarter. As a result, the results reported for this division during the first three quarters of any given year are not necessarily indicative of those which may be expected for the entire year.

Year 2000. In 1996, the Company initiated a companywide program to prepare its computer systems and applications for the year 2000. The scope of the Company's year 2000 effort encompasses all computerized assets across the Company. Included in the assessment and repair are PC's and related equipment, data centers, networks, facilities, third party systems and internal department applications, as well as the production applications in support of the Company's products and services. In addition to these computerized assets, the Company is also assessing the year 2000 compliancy of certain third parties, including both important non-IT providers and key customers. Contingency plans are being developed where the Company's risk assessment determines it to be necessary to ensure continued provision of the Company's products and services.

Because of the nature of the Company's business, the year 2000 issue would, if unaddressed, pose a significant business risk for the Company. The Company presently believes that with the planned modifications to existing systems and

the replacement of other systems, the year 2000 compliance issue will be resolved in a timely manner and will not pose significant operational problems for the Company, although there can be no absolute assurances in this regard. As previously noted, the Company has communicated with its key suppliers and customers to determine their year 2000 readiness and the extent to which the Company is vulnerable to any third party year 2000 issues. There can be no guarantee that the systems of other companies on which the Company's systems rely will be converted in a timely manner or in a manner that is compatible with the Company's systems. A failure by such a company to convert their systems in a timely manner or a conversion that renders such systems incompatible with those of the Company could have a material adverse effect on the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

Exhibit No.	Description	Method of Filing
12.2	Computation of Ratio of Earnings to Fixed Charges	Filed herewith
27.1	Financial Data Schedule	Filed herewith

(b) The registrant did not, and was not required to, file any reports on form 8-K during the quarter for which this report is filed.

SIGNATURES

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

DELUXE CORPORATION
(Registrant)

Date August 14, 1998

/s/ J.A. Blanchard III

J.A. Blanchard III, President
and Chief Executive Officer
(Principal Executive Officer)

Date August 14, 1998

/s/ Thomas W. VanHimbergen

Thomas W. VanHimbergen
Senior Vice President
and Chief Financial Officer
(Principal Financial Officer)

INDEX TO EXHIBITS

Exhibit No.	Description	Page Number
12.2	Computation of Ratio of Earnings to Fixed Charges	
27.1	Financial Data Schedule	

Exhibit 12.2

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

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	Six Months Ended June 30, 1998	Years Ended December 31, 1997	1996	1995	1994	1993	1992
Earnings							
Income from Continuing Operations before Income Taxes	$143,578	$115,150	$118,765	$169,319	$246,706	$235,913	$324,783
Interest expense (excluding capitalized interest)	4,158	8,822	10,649	13,099	9,733	10,070	15,371
Portion of rent expense under long-term operating leases representative of an interest factor	6,935	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	61	122	121	84	84	84	84
TOTAL EARNINGS	$154,732	$137,715	$143,002	$197,262	$270,077	$259,326	$353,161
Fixed charges							
Interest Expense (including capitalized interest)	$ 4,425	$ 9,742	$ 11,978	$ 14,714	$ 10,492	$ 10,555	$ 15,824
Portion of rent expense under long-term operating leases representative of an interest factor	6,935	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	61	122	121	84	84	84	84
TOTAL FIXED CHARGES	$ 11,421	$ 23,485	$ 25,566	$ 29,559	$ 24,130	$ 23,898	$ 28,831
RATIO OF EARNINGS TO FIXED CHARGES:	13.5	5.9	5.6	6.7	11.2	10.9	12.2

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