UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934. FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998.

Commission file number 1-7945.

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	41-0216800
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3680 Victoria St. N., Shoreview, Minnesota	55126-2966
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (651) 483-7111.

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $1.00 per share	New York Stock Exchange
(Title of Class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None.

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. _x_ Yes __ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the registrant is $2,671,087,198 based on the last sales price of the registrant's common stock on the New York Stock Exchange on March 8, 1999. The number of outstanding shares of the registrant's common stock as of March 8, 1999, was 79,405,544.

Documents Incorporated by Reference:

1. Portions of the registrant's annual report to shareholders for the fiscal year ended December 31, 1998 are incorporated by reference in Parts I and II.

2. The registrant's proxy statement, which was filed with the Securities Exchange Commission on March 31, 1999, is incorporated by reference in Part III.

PART I

ITEM 1. NARRATIVE DESCRIPTION OF BUSINESS

Deluxe Corporation (collectively with its subsidiaries, the "Company") is a leading provider of integrated risk management, electronic transaction services and paper payments to the financial services and retail industries. The Company is headquartered in Shoreview, Minnesota, and has facilities in the United States, Canada and the United Kingdom. The Company's products and services are sold primarily in the United States.

The Company's operations are conducted by Deluxe Corporation and 25 subsidiaries. During 1998, the Company classified its operations into six business segments: Deluxe Paper Payment Systems, Deluxe Payment Protection

Systems, Deluxe Electronic Payment Systems, Deluxe Direct Response, Deluxe Government Services and Deluxe Direct. The businesses in the Company's Deluxe Direct Response and Deluxe Direct segments were divested in 1998. The Company is also a party to a joint venture with HCL Corporation of India. Each of the Company's business units is discussed below.

The Company was incorporated under the laws of the State of Minnesota in 1920. From 1920 until 1988, the Company was named Deluxe Check Printers, Incorporated. The Company's principal executive offices are located at 3680 Victoria St. N., Shoreview, Minnesota 55126-2966, telephone (651) 483-7111.

Deluxe Paper Payment Systems

Deluxe Paper Payment Systems ("DPPS") provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. DPPS sold checks to more than 10,000 financial institutions and fulfilled approximately 103 million check order units in 1998. Depositors commonly submit initial check orders and reorders to their financial institutions, which forward them to one of DPPS' printing plants. Printed checks are shipped directly by DPPS to the depositors and DPPS' charges are typically paid directly from the depositors' accounts. DPPS, through a separate subsidiary, also provides direct mail checks to consumers and small businesses. DPPS endeavors to produce and ship all check orders within two days after receipt of the order. DPPS generated revenues of approximately $1.3 billion in 1998, accounting for approximately 66% of the Company's total revenues in 1998.

Payment systems and methods have been changing in the United States in recent years as banking and other industries have introduced alternatives to the traditional check, including, among others, charge cards, credit cards, debit cards and electronic payment systems. Sales of checks have also been subject to increased competition and consequent pressure on prices. In addition, the direct mail segment of the check market is growing as a lower-priced alternative to financial institution checks and, in 1998, represented an estimated 18 percent of the personal check industry. These developments have produced a mature market for checks and have created pricing pressure on DPPS' check sales.

The Company believes that checks will likely remain an important part of consumers' payment options for many years. To stabilize its check printing operations and improve profitability, the Company has focused in recent years on controlling expenses and increasing efficiency (see "Recent Developments"). The Company has also focused on higher margin products and services, such as specially designed checks and licensed check designs. At the same time, the growing direct mail check segment has been an opportunity for DPPS' direct mail personal check operations.

In addition, Deluxe Business Forms & Supplies, a business unit of DPPS, produces and markets short-run computer and business forms and checks. Both product lines are sold primarily through direct mail, telephone marketing and new account referrals from financial institutions.

Deluxe Payment Protection Systems

The Company offers integrated payment protection services through the subsidiaries in its Deluxe Payment Protection Systems division: Chex Systems, Inc. ("Chex Systems"); Deluxe Payment Protection Systems, Inc.; and NRC Holding Corporation ("NRC") and its subsidiaries. Chex Systems is the leader in the account verification business, providing risk management information to approximately 78,000 financial institution offices. Through its Shared Check Authorization Network ("SCAN"), Deluxe Payment Protection Systems, Inc. operates one of the nation's leading check verification services with a network consisting of thousands of retail locations that share risk-management information. NRC is one of the largest U.S. collections agencies, processing approximately $4.5 billion in placements in 1998 for more than 8,000 credit grantors. Deluxe Payment Protection Systems had revenues of $216 million in 1998, or approximately 11% of the Company's total revenues.

Deluxe Electronic Payment Systems

The Deluxe Electronic Payment Systems ("DEPS") business segment is composed of Deluxe Electronic Payment Systems, Inc., which provides electronic funds transfer processing and software and is the nation's largest third-party transaction processor for regional automated teller machine (ATM) networks. DEPS also provides services in emerging debit markets, including retail point-of-sale ("POS") transaction processing. DEPS processed approximately five billion transactions in 1998 and had net sales of approximately $131 million in 1998.

Deluxe Government Services

Deluxe Government Services provides electronic benefit transfer ("EBT") services to state governments. The business manages, supports and controls the electronic payment of government food and cash benefits for the purchase of goods and services in a retail environment and the distribution of cash in a bank network and retail environment. Deluxe Government Services currently supports, alone or in conjunction with other providers, electronic benefit transfer programs in 12 states and three consortiums comprising 21 states. Deluxe Government Services also provides Medicaid verification services in New York. Deluxe Government Services produced approximately $44 million in revenues in 1998.

Deluxe Direct

Deluxe Direct, which was divested in 1998, marketed specialty papers, and other products to small businesses and sold direct mail greeting cards, gift wrap and related products to households. Deluxe Direct had net sales of approximately $224 million in 1998 and generated approximately 12% of the Company's total revenues in that year. Deluxe Direct marketed its products primarily through the Social Expressions division of Current, Inc. ("Current") and Paper Direct, Inc. ("Paper Direct").

Current is a direct mail supplier of social expression products, including greeting cards, gift wrap, small gifts and related products. Current's Social Expression business is seasonal and holiday-related. Historically, more than one-third of Current's annual sales have been made in the fourth quarter. Current's direct mail check business was not included in the divestiture and is included in "Deluxe Paper Payment Systems." Paper Direct is a direct mail marketer of specialty papers, presentation products and pre-designed forms for laser printing and desktop publishing.

Deluxe Direct Response

Deluxe Direct Response, which was divested in 1998, developed targeted direct mail marketing campaigns for financial institutions and it also sold personalized plastic ATM cards and credit and debit cards to financial institutions and retailers and driver's licenses and other identification cards to government agencies. Deluxe Direct Response provided database products from the Company's Deluxe Data Resources, FUSION MarketingSM and Deluxe MarketWise(TM) businesses and fulfillment services that included printing and mailing direct mail marketing pieces (including letter checks offered to credit card holders) and tracking customer response rates. The Deluxe Direct Response business unit contributed approximately $43 million in revenues in 1998.

RECENT DEVELOPMENTS

In the first quarter of 1996, the Company announced a plan to close 21 of its financial institution check printing plants over a two-year period. Four additional closings are scheduled to occur in 1999 and 2000. The plant closings were made possible by

advancements in the Company's telecommunications, order processing and printing technologies. As of December 31, 1998, the production functions at all 21 of the plants included in the 1996 announcement were closed. The front-end operations of three of these plants remain open and are expected to close in 1999.

During the third quarter of 1998, the Company recorded pretax restructuring charges of $39.5 million. The charges included costs associated with reducing SG&A expenses, discontinuing production of the Deluxe Direct Response segment's direct mail products and closing four additional financial institution check printing plants in 1999 and early 2000. The Company anticipates eliminating 800 SG&A positions within sales and marketing, finance and accounting, human resources and information services. Approximately 60 positions will be eliminated by discontinuing production of direct mail products. The closing of four additional financial institution check printing plants will affect approximately 870 employees.

During 1998, the Company sold substantially all of the assets of PaperDirect (UK) Limited, ESP Employment Screening Partners, Inc., Social Expressions and the businesses within its Deluxe Direct Response segment. The Company also sold all of the outstanding stock of PaperDirect. The aggregate net sales prices for these businesses was $113.7 million, consisting of cash proceeds of $87.9 million and notes receivable of $25.8 million.

In February 1999, the Company acquired all of the outstanding shares of eFunds Corporation for $13 million. eFunds provides electronic check conversion solutions for financial services companies and retailers.

In January 1998, the Company awarded options to substantially all of its employees (excluding foreign employees and employees of businesses held for sale) allowing them, subject to certain limitations, to purchase 100 shares of

common stock at $33 per share. The options become exercisable when the value of the Company's common stock reaches $49.50 per share or January 30, 2001, whichever occurs first. Options for the purchase of 1.7 million shares of common stock were issued under this program.

The Company has also entered into agreements with unrelated third parties to create a decision and analytic capability called Debit BureauSM. Debit BureauSM uses a data warehouse that integrates debit data from the Company's various business units to enhance products and services that will help financial institutions and retailers with their debit-related decisions. The first service enhanced with information developed by this Debit BureauSM, due for release in June 1999, is Fraud FinderSM, which is intended to rank the potential for identity manipulations and fraud in connection with new account openings at financial services companies.

In 1997, the Company formed a joint venture with HCL Corporation ("HCL") of New Delhi, India, to help modernize India's banking industry. The joint venture provides software and programming capabilities to the Company and U.S. financial institutions. The results of the joint venture did not have a material effect on the Company's operations in 1998.

EMPLOYEES

The Company had approximately 15,100 full- and part-time employees as of February 28, 1999. It has a number of employee benefit plans, including a 401(k) plan, retirement and profit sharing plans and medical and hospitalization plans. The Company has never experienced a work stoppage or strike and considers its employee relations to be good.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The information appearing under the caption "Note 14. Business Segment Information" on pages 28-30 of the Company's Annual Report (the "Annual Report") for the year ended December 31, 1998 is incorporated by reference.

FINANCIAL INFORMATION ABOUT DOMESTIC OPERATIONS AND EXPORT SALES

The information appearing under the caption "Note 14. Business Segment Information" on page 30 of the Annual Report is incorporated by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are elected by the Board of Directors each year. The term of office of each executive officer will expire at the annual meeting of the Board of Directors that will be held after the regular shareholders meeting on May 4, 1999. The principal occupation of each executive officer is with the Company, and their positions are as follows:

Name	Position	Age	Executive Officer Since
John A. Blanchard III	Chairman of the Board, President and Chief Executive Officer	56	1995
Lawrence J. Mosner	Executive Vice President	56	1995
Thomas W. VanHimbergen	Senior Vice President and Chief Financial Officer	50	1997
Ronald E. Eilers	Senior Vice President and General Manager, Deluxe Paper Payment Systems	51	1996
John H. LeFevre	Senior Vice President, Secretary and General Counsel	55	1994
Warner F. Schlais	Vice President and Chief Information Officer	46	1997
Sonia St. Charles	Vice President, Human Resources	38	1998

MR. BLANCHARD has served as President and Chief Executive Officer of the Company since May 1, 1995 and as Chairman of the Board of Directors since May 6, 1996. From January 1994 to April 1995, Mr. Blanchard was executive vice

president of General Instrument Corporation, a supplier of systems and equipment to the cable and satellite television industry. From 1991 to 1993, Mr. Blanchard was chairman and chief executive officer of Harbridge Merchant Services, a national credit card processing company. Previously, Mr. Blanchard was employed by American Telephone & Telegraph Company for 25 years, most recently as senior vice president responsible for national business sales. Mr. Blanchard also serves as a director of Wells Fargo and Company and Saville Systems PLC.

MR. MOSNER has served as Executive Vice President of the Company with overall responsibility for all of its day-to-day operations since July 1997. Mr. Mosner served as Senior Vice President of the Company from November 1995 until October 1996, when he became President of Deluxe Direct, Inc. ("DDI") a subsidiary of the Company that provided management services to the companies in its Deluxe Direct business unit. As a Senior Vice President of the Company and President of DDI, Mr. Mosner served as the Principal Executive Officer of Deluxe Direct. In February 1997, Mr. Mosner returned to the office of Senior Vice President of the Company and he served as President of its Deluxe Financial Services business unit until he became Executive Vice President of the Company. Mr. Mosner was executive vice president and chief operating officer of Hanover Direct, a direct marketing company, with responsibility for non-apparel products, from 1993 until he joined the Company. Previously, he was employed for 28 years by Sears, Roebuck and Company, where he was Vice President of catalog merchandising from 1991 to 1993.

MR. VANHIMBERGEN became Senior Vice President and Chief Financial Officer of the Company in May 1997. From 1996 until he joined the Company, Mr. VanHimbergen served as senior vice president and chief financial officer of Federal-Mogul Corporation ("Federal-Mogul") and from 1994 until 1996, Mr. VanHimbergen served as vice president and chief financial officer of Allied Signal Automotive, Inc. ("Allied Signal"). Prior to joining Allied Signal, Mr. VanHimbergen was employed by Tenneco Corporation ("Tenneco") from 1988 through 1994, where he served in a variety of capacities, including vice president and chief financial officer for Tenneco Automotive from 1993 to 1994. Tenneco, Allied Signal and Federal Mogul are global manufacturers and distributors of automotive parts. From 1971 through 1988, Mr. VanHimbergen served in various financial, human resource and treasury positions for A.O. Smith Corporation, a diversified manufacturer and distributor and a provider of electronic payment systems and information services.

MR. EILERS joined the Company in 1988 when it purchased Current. From 1990 to 1995, Mr. Eilers served as Vice President and General Manager of Current's direct mail check business. In 1995, Mr. Eilers became President of PaperDirect, Inc. and the manager of the Company's business forms division. Mr. Eilers became a Vice President of DDI in October 1996 and he succeeded Mr. Mosner as the President of DDI in February 1997. In August 1997, Mr. Eilers became a Senior Vice President of the Company and he now manages its Deluxe Paper Payment Systems business.

MR. LEFEVRE has served as Senior Vice President, General Counsel and Secretary of the Company since February 1994. From 1978 to February 1994, Mr. LeFevre was employed by Wang Laboratories, Inc. From 1988 until February 1994, he held various positions in Wang Laboratories' law department, including corporate counsel, vice president, general counsel and secretary. Wang Laboratories was in the business of manufacturing and selling computer hardware and software and related services.

MR. SCHLAIS became Vice President and Chief Information Officer of the Company in December 1997. Mr. Schlais joined the Company in 1995 as Vice President of Applications Development supporting the Company's Deluxe Financial Services business unit. Prior to joining the Company, Mr. Schlais was employed by United Airlines, Inc. ("United Airlines") for 21 years, most recently as its director, I.T. planning and technology. United Airlines is a provider of air transportation.

MS. ST. CHARLES became Vice President, Human Resources in June 1996 and an executive officer of the Company in April 1998. From August 1994 until June 1996, Ms. St. Charles served as Vice President, Human Resources for PaperDirect. Prior to this position, Ms. St. Charles worked as an independent human resources and organizational development consultant.

ITEM 2. PROPERTIES

The Company conducts its operations in 60 principal facilities, 58 of which are used for production and service operations, located in 22 states, Canada and the United Kingdom. These facilities total approximately 3,974,000 square feet. The Company's headquarters occupies a 158,000-square-foot building in Shoreview, Minnesota. DPPS has two principal facilities in Shoreview, Minnesota, totaling approximately 252,000 square feet. These sites are devoted to sales, administration and marketing. Deluxe Payment Protection Systems has four principal facilities in Bloomington, Minnesota, Columbus, Ohio and Bothell, Washington totaling approximately 144,000 square feet. Deluxe Electronic Payment Systems' primary administrative facility occupies a 171,000 square foot building

in Milwaukee, Wisconsin and its principal data processing centers are located in New Berlin, Wisconsin and Scottsdale, Arizona. Deluxe Government Services shares space with Deluxe Electronic Payment Systems in Milwaukee, Wisconsin and has three service facilities in Baltimore, Maryland, Centerville, Utah and Trenton, New Jersey totaling approximately 4,500 square feet. Deluxe Direct's principal office facility was a 148,000-square-foot building in Colorado Springs, Colorado. All but four of the Company's production facilities are one-story buildings and most were constructed and equipped in accordance with the Company's plans and specifications.

More than half of the Company's total production area has been constructed during the past 20 years. The Company owns 31 of its principal facilities and leases the remainder for terms expiring from 1999 to 2011. Depending upon the circumstances, when a lease expires, the Company either renews the lease or constructs a new facility to replace the leased facility.

In 1996, the Company announced a plan to close 21 of its financial institution check printing plants. Four additional plant closings scheduled for 1999 and 2000 were announced in 1998. These plant closings were made possible by advancements in the Company's telecommunications, order processing and printing technologies. Upon the completion of this restructuring, the Company's nine remaining plants will be equipped with sufficient capacity to produce at or above current order volumes. As of December 31, 1998, the production operations of all 21 of the plants included in the 1996 plan had been closed. The front-end operations of three of the plants remain open and are expected to close in 1999. As a result of its consolidation efforts, the Company currently owns 9 facilities that are either currently vacant or which the Company expects to vacate prior to July 1999. These facilities, which total approximately 462,000 square feet, are or will be held for sale.

ITEM 3. LEGAL PROCEEDINGS

In October 1997, the jury in the action Mellon Bank, N.A. v. Deluxe Data Systems, Inc. and Deluxe Corporation which was pending in the Western District of Pennsylvania reached a $30 million verdict against Deluxe Electronic Payment Systems, Inc. (f/k/a Deluxe Data Systems, Inc.) in litigation pertaining to a potential bid to provide electronic benefits transfer services to a number of southeastern states. No liability was found against Deluxe Corporation. In January 1999, the United States Court of Appeals for the Third Circuit affirmed the judgment of the district court and the Company paid $32.2 million to Mellon Bank (which amount includes post-judgment interest) in February 1999. The Company is reviewing whether a further appeal is warranted.

Other than the above-described action and other routine litigation incidental to its business, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of the Company's property is subject.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information appearing under the caption "Financial Highlights" on page 1, and "Shareholder Information" on page 33 of the Annual Report is incorporated by reference. The number of shareholders indicated in the "Financial Highlights" is based on the number of the Company's record holders.

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under the caption "Five-Year Summary" on page 13 of the Annual Report is incorporated by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information appearing under the caption "Management's Discussion and Analysis" on pages 6 through 12 of the Annual Report is incorporated by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information appearing under the caption "Market Risk Disclosure" on page

11 of the Annual Report is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, notes and independent auditors' report on pages 14 through 31 of the Annual Report and the information appearing under the caption "Summarized Quarterly Financial Data" (unaudited) on page 31 of the Annual Report is incorporated by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEMS 10, 11, 12 AND 13. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, EXECUTIVE COMPENSATION, SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT, AND CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company's proxy statement, which was filed with the Securities and Exchange Commission on March 31, 1999, is incorporated by reference, other than the sections entitled "Compensation Committee Report on Executive Compensation" and "Total Shareholders Return."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following financial statements, schedules and independent auditors' report and consent are filed with or incorporated by reference in this report:

Financial Statements	Page in Annual Report
Consolidated Balance Sheets at December 31, 1998 and 1997	14

Financial Statements	Page in Annual Report
Consolidated Statements of Income for each of the three years in the period ended December 31, 1998	15
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 1998	15
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1998	16
Notes to Consolidated Financial Statements	17 - 30
Independent Auditors' Report	31
Supplemental Financial Information (Unaudited):	
Summarized Quarterly Financial Data	31
Independent Auditors' Consent to the incorporation by reference of its reports in the Company's registration statements numbered 2-96963, 33-53585, 33-57261, 33-32279, 33-58510, 33-62041, 333-03625 and 33-48967	F-1

Schedules other than those listed above are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K on October 22, 1998 (as amended by an Amendment on Form 8-K/A-1 filed on October 22, 1998) containing a disclosure of Risk Factors and Cautionary statements pursuant to Item 5 of such Form.

(c) The following exhibits are filed as part of or are incorporated in this report by reference:

Exhibit Number	Description	Method of Filing
3.1	Articles of Incorporation (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1990).	*
3.2	Bylaws, (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).	*
4.1	Amended and Restated Rights Agreement, dated as of January	*

31, 1997, by and between the Company and Norwest Bank Minnesota, National Association, as Rights Agent, which includes as Exhibit A thereto, the form of Rights Certificate (incorporated by reference to Exhibit 4.1 to the Company's Amendment No. 1 on Form 8-A/A-1 (File No. 001-07945) filed with the Securities and Exchange Commission (the

"Commission") on February 7, 1997).

4.2	Indenture, relating to up to $150,000,000 of debt securities (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (33-32279) filed with the Commission on November 24, 1989).	*
4.3	Amended and Restated Credit Agreement, dated as of July 8, 1997, among the Company, Bank of America National Trust and Savings Association, as agent, and the other financial institutions party thereto, related to a $150,000,000 committed line of credit (incorporated by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K (the "1997 10-K") for the year ended December 31, 1997).	*
10.1	Deluxe Corporation 1996 Annual Incentive Plan (as amended August 9, 1996) (incorporated by reference to Exhibit 10.4 to the Company's report on Form 10-Q for the Quarter ended September 30, 1996 (the "September 1996 10-Q"), filed with the Commission on November 14, 1996).	*
10.2	Deluxe Corporation Stock Incentive Plan (as amended October 31, 1997), including the Deluxe Corporation Non-Employee Director Stock and Deferral Plan attached as Annex 1 thereto (incorporated by reference to Exhibit 10.2 to the 1997 10-K).	*
10.3	Deluxe Corporation Performance Share Plan (incorporated by reference to Exhibit 10.6 to the September 1996 10-Q).	*
10.4	Deluxe Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 to the September 1996 10-Q).	*
10.5	Deluxe Corporation Deferred Compensation Plan (incorporated by reference to Exhibit (10)(A) to the 10.5 Company's Annual Report on Form 10-K for the year ended December 31, 1995 (the "1995 10-K")).	*
10.6	Deluxe Corporation Supplemental Benefit Plan (incorporated by reference to Exhibit (10)(B) to the 1995 10-K).	*
10.7	Description of Deluxe Corporation Non-employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on	*

Form 10-K for the year ended December 31, 1996 (the "1996 10-K").

10.8	Description of Initial Compensation and Employment Arrangement with John A. Blanchard III (incorporated by reference to Exhibit 10(G) to the 1995 10-K).	*
10.9	Deluxe Corporation 1998 DeluxeSHARES Plan (incorporated by reference to Exhibit 10.9 to the 1997 10-K).	*
10.10	Description of modification to the Deluxe Corporation Non-Employee Director Retirement and Deferred Compensation Plan (incorporated by reference to Exhibit 10.10 to the 1997 10-K).	*
10.11	Description of John A. Blanchard III Supplemental Pension Plan (incorporated by reference to Exhibit 10(H) in the 1995 10-K).	*
10.12	Description of Compensation Agreement with Harold V. Haverty (incorporated by reference to Exhibit 10(J) to the	*

	1995 10-K).	
10.13	Consulting Agreement, made and entered into as of November 1, 1996, between the Company and Donald R. Hollis (incorporated by reference to Exhibit 10.21 to the 1996 10-K).	*
10.14	Description of Severance Arrangement with Thomas W. VanHimbergen. (incorporated by reference to Exhibit 10.15 to the 1997 10-K).	*
10.16	Description of Severance Arrangement with Lawrence J. Mosner (incorporated by reference to Exhibit 10.19 to the 1997 10-K).	
10.17	Description of non-employee Director Compensation Arrangements.	Filed herewith
10.18	Stock and Asset Purchase Agreement made as of December 31, 1998 among Deluxe Corporation, Current, Inc., Se/PDI Acquisition Corporation and Taylor Corporation (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K dated January 15, 1999).	*
10.19	Executive Retention Agreement, dated as of January 9, 1998, between John A. Blanchard and Deluxe Corporation (incorporated by reference to Exhibit 10.3 to the Company's	*

	Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (the "May 1998 10-Q").	
10.20	Executive Retention Agreement, dated as of January 9, 1998, between Ronald E. Eilers and Deluxe Corporation (incorporated by reference to Exhibit 10.5 of the May 1998 10-Q).	*
10.21	Executive Retention Agreement, dated as of January 9, 1998, between Deluxe Corporation and John H. LeFevre (incorporated by reference to Exhibit 10.6 of the May 1998 10-Q).	*
10.22	Executive Retention Agreement, dated as of January 9, 1998, between Deluxe Corporation and Lawrence J. Mosner (incorporated by reference to Exhibit 10.7 of the May 1998 10-Q).	*
10.23	Schedule identifying other Executive Retention Agreements omitted for this Report on Form 10-K and the differences between such Agreements and those filed herewith.	Filed herewith
12.4	Statement re: computation of ratios.	Filed herewith
13	1998 Annual Report to shareholders.	Filed herewith
21.1	Subsidiaries of the Registrant.	Filed herewith
23	Consent of Experts and Counsel (incorporated by reference to page F-1 of this Annual Report on Form 10-K).	*
24.1	Power of attorney.	Filed herewith
27.1	Financial Data Schedule for the year ended December 31, 1998.	Filed herewith
27.2	Financial Data Schedule for the year ended December 31, 1997.	Filed herewith
99.1	Risk Factors and Cautionary Statements.	Filed herewith

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*Incorporated by reference

Note to recipients of Form 10-K: Copies of exhibits will be furnished upon written request and payment of the Company's reasonable expenses ($.25 per page) in furnishing such copies.

Pursuant to the requirements of Section 13 or 15(d) 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, in the City of St. Paul, State of Minnesota.

DELUXE CORPORATION

Date: March 31, 1999

By: /s/ John A. Blanchard III
John A. Blanchard III
Chairman of the Board of Directors,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities indicated on March 31,1999.

SIGNATURE	TITLE
By /s/ John A. Blanchard III John A. Blanchard III	Chairman of the Board of Directors, President and Chief Executive Officer (Principal Executive Officer)
By /s/ Thomas W. VanHimbergen Thomas W. VanHimbergen	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
* Whitney MacMillan	Director
* James J. Renier	Director
* Barbara B. Grogan	Director
* Stephen P. Nachtsheim	Director
* Calvin W. Aurand, Jr.	Director
* Donald R. Hollis	Director
* Robert C. Salipante	Director
* Jack Robinson	Director
* Hatim A. Tyabji	Director

*By: /s/ John A. Blanchard III
John A. Blanchard III
Attorney-in-Fact

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos.

2-96963, 33-53585, 33-57261, 333-03625 and 33-48967 on Form S-8 and 33-32279, 33-58510 and 33-62041 on Form S-3 of our report dated January 26, 1999, incorporated by reference in this Annual Report on Form 10-K of Deluxe Corporation for the year ended December 31, 1998.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP
Minneapolis, Minnesota
March 26, 1999

EXHIBIT INDEX

The following exhibits are filed as part of this report:

Exhibit Number	Description	Page Number
10.17	Description of non-employee Director Compensation Arrangements.	
10.23	Schedule Identifying other Executive Retention Agreement Omitted from this Report on form 10-K	
12.4	Statement re: computation of ratios.	
13	1998 Annual Report to shareholders.	
21.1	Subsidiaries of the Registrant.	
24.1	Power of attorney.	
99.1	Risk Factors and Cautionary Statements	
27.1	Financial Data Schedule for the year ended December 31, 1998.	
27.2	Financial Data Schedule for the year ended December 31, 1997.	

Exhibit 10.17

DESCRIPTION OF NON-EMPLOYEE DIRECTORS
COMPENSATION ARRANGEMENTS

Directors who are employees of the Company do not receive compensation for their service on the Board other than their compensation as employees. During 1998, Directors who were not employees of the Company ("Independent Directors") each received a $50,000 annual board retainer, payable quarterly. An additional $12,500 annual committee retainer was paid to the chair of each committee and a $7,500 annual committee retainer was paid to each other member of a committee. Fees are not paid for attendance at meetings. In addition to the foregoing, Independent Directors may receive compensation for the performance of duties assigned by the Board or its Committees that are considered beyond the scope of the ordinary responsibilities of Directors or Committee members.

In November 1997, the Company adopted the Deluxe Corporation Non-Employee Stock and Deferral Plan (the "Director Plan"). The purpose of the Director Plan is to provide an opportunity for Independent Directors to increase their ownership of Common Stock and thereby align their interest in the long-term success of the Company with that of the Company's other shareholders. Under the Director Plan, each Independent Director may irrevocably elect to receive, in lieu of cash, shares of Common Stock having a fair market value equal to at least 50% of his or her annual board and committee retainer (collectively, the "Retainer"). The shares of Common Stock receivable pursuant to the Director Plan are issued quarterly or, at the option of the Independent Director, credited to the Director in the form of deferred restricted stock units. These units vest and are converted into shares of Common Stock on the earlier of the tenth anniversary of the February 1st of the year following the year in which the Independent Director ceases to serve on the Company's Board of Directors or such other date as is elected by the Independent Director in his or her deferral election.

Each restricted stock unit receives dividend equivalent payments equal to the dividend payment on one share of Common Stock. Any restricted stock units issued pursuant to the Director Plan will vest and be converted into shares of Common Stock in connection with certain defined changes in control of the Company. All shares of Common Stock issued pursuant to the Director Plan are issued under the Stock Incentive Plan and must be held by the Independent Director receiving them for a minimum period of six months from the date of issuance.

Harold V. Haverty, the Company's former President and Chief Executive Officer, served as a director emeritus between November 1997 and the Company's 1998 annual meeting of shareholders, when he retired. Mr. Haverty continued to receive his Retainer (payable in cash) as a director emeritus.

Each new Independent Director receives a one-time grant of 1,000 shares of restricted stock under the Stock Incentive Plan as of the date of his or her initial election to the Board of Directors. The restricted stock vests in equal installments on the dates of the

Company's regular shareholders' meetings in each of the three years following the date of grant, provided that the Director remains in office immediately following the regular meeting. Restricted stock awards also vest immediately upon an Independent Director's retirement from the Board in accordance with the Company's policy with respect to mandatory retirement.

In 1997, each Independent Director elected at the 1997 Meeting received a non-qualified option to purchase 1,000 shares of the Company's Common Stock under the Stock Incentive Plan on the date of the 1997 Meeting. These options have an exercise price equal to the fair market value of the underlying Common Stock on the date of grant, became fully exercisable six months after the date of grant and will expire on the tenth anniversary of such date. The options also terminate three months following the date upon which a participant ceases to be a Director of the Company. This option program was discontinued in 1998.

Benefits under the Company's previous Board retirement plan were frozen following the adoption of the Director Plan. As a result, no additional benefits will be accrued for current Directors or be offered to newly elected Directors. Under the current provisions of the Board retirement plan, Independent Directors with at least five years of service as an Independent Director who resign or are not nominated for re-election will receive an annual payment equal to the annual Board retainer in effect on July 1, 1997 ($30,000 per year) for the number of years during which the retiree served on the Board as an Independent Director prior to October 31, 1997. In calculating a Director's eligibility for benefits under this plan, partial years of service are rounded up to the nearest whole number. Retirement payments do not extend beyond the lifetime of the retiree and are contingent upon the retiree's remaining available for consultation with management and refraining from engaging in any activity in competition with the

Company. All of the current Independent Directors (other than Hatim Tyabji) are eligible for benefits under this plan. Allen F. Jacobson, who retired from the Board in January 1999, is entitled to receive benefits under this plan for up to seven years following his retirement and Whitney MacMillan, who will retire from the Board in May 1999, will be eligible to receive benefits for up to 10 years following his retirement.

DRH Strategic Consulting, Inc., a corporation controlled by Donald Hollis and for which Mr. Hollis serves as President ("DRH"), provides, through the services of Mr. Hollis, advisory services to the Company and its joint venture with HCL Corporation of India (the "Joint Venture") regarding their respective strategies, technology and product plans and assists the Company and the Joint Venture in communicating their strategic initiatives to the financial services industry. DRH was paid a total of $106,250 in consulting fees by the Joint Venture in 1998, which amount was paid by the Company for the account of the Joint Venture, and reimbursed by such entities for an aggregate of ($50,077) of expenses incurred in providing such services. Consulting fees are not paid under this arrangement for Mr. Hollis' attendance at Board and Committee meetings.

Exhibit 10.23

SCHEDULE IDENTIFYING OTHER
EXECUTIVE RETENTION AGREEMENTS
OMITTED FROM THIS REPORT ON FORM 10-K

The Registrant has also entered into Executive Retention Agreements with Morris Goodwin Jr., Lois M. Martin, Thomas W. VanHimbergen and Sonia W. St. Charles. Apart from the names of the parties thereto and, with respect to Ms. St. Charles, the dates of execution, these agreements are substantially identical to the Agreements between the Registrant and John H. LeFevre, a copy of which was filed as Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998.

Exhibit 12.4

DELUXE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

<TABLE>
<CAPTION>

	Year Ended	Years Ended December 31,					
	December 31, 1998	1997	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings							
Income from Continuing Operations before Income Taxes	$246,540	$115,150	$118,765	$169,319	$246,706	$235,913	$324,783
Interest expense (excluding capitalized interest)	8,273	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	15,126	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	122	122	121	84	84	84	84
TOTAL EARNINGS	$270,061	$137,715	$143,002	$197,262	$270,077	$259,326	$353,161
Fixed charges							
Interest Expense (including capitalized interest)	9,664	$ 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	15,126	13,621	13,467	14,761	13,554	13,259	12,923
Amortization of debt expense	122	122	121	84	84	84	84
TOTAL FIXED CHARGES	$ 24,912	$ 23,485	$ 25,566	$ 29,559	$ 24,130	$ 23,898	$ 28,831
RATIO OF EARNINGS TO FIXED CHARGES:	10.8	5.9	5.6	6.7	11.2	10.9	12.2

</TABLE>

EXHIBIT 13

FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		1998	1997
NET SALES		$1,931,796	$1,919,366
NET INCOME(1)		145,408	44,672
	Return on sales	7.53%	2.33%
	Per share - basic	1.80	.55
	Per share - diluted	1.80	.55
	Return on average shareholders' equity	23.85%	6.75%
CASH DIVIDENDS PER SHARE		1.48	1.48
SHAREHOLDERS' EQUITY		608,910	610,248
AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS)		80,648	81,854
NUMBER OF SHAREHOLDERS		15,805	16,897
NUMBER OF EMPLOYEES		15,296	18,937

</TABLE>

(1) NET INCOME INCLUDES REORGANIZATION AND OTHER SPECIAL CHARGES IN BOTH 1998 AND 1997. SEE MANAGEMENT'S DISCUSSION AND ANALYSIS ON PAGE 6.

NET SALES
(DOLLARS IN BILLIONS)

[BAR CHART]

94	1.83
95	1.94
96	1.98
97	1.92
98	1.93

CASH FROM OPERATIONS
(DOLLARS IN MILLIONS)

[BAR CHART]

94	193.8
95	209.3
96	290.7
97	295.8
98	294.8

NET INCOME PER SHARE - BASIC
(DOLLARS)

[BAR CHART]

94	1.71
95	1.06
96	.80
97	.55
98	1.80

NET INCOME
(DOLLARS IN MILLIONS)

[BAR CHART]

94	140.9
95	87.0
96	65.5
97	44.7
98	145.4

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion summarizes the significant factors that affected the consolidated operating results and financial condition of Deluxe Corporation during the three years ended December 31, 1998. Over this period, the Company has undergone a significant transformation. First, the Company redefined its strategy to focus on information-based products and related services. As a result, the Company has divested many non-strategic businesses over the past three years and reorganized to improve the profitability of its ongoing businesses. The Company has also focused on reducing its cost structure. It closed the production functions at 21 plants under a 1996 plant closure plan. The front-end operations of three of the plants remain open and are expected to close in 1999. The Company has also undertaken widespread initiatives to reduce its selling, general and administrative (SG&A) expenses. Because of this

transformation, the Company has recorded significant consolidation, restructuring and reorganization costs and gains and losses on sales of businesses, which together, have had a significant impact on the operating results and cash position of the Company. The following discussion considers these items separately when analyzing the Company's financial and operational progress and is based on the organization of the Company's businesses into six operating segments: Deluxe Paper Payment Systems, Deluxe Payment Protection Systems, Deluxe Electronic Payment Systems, Deluxe Direct Response, Deluxe Government Services and Deluxe Direct.

Deluxe Paper Payment Systems provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. Deluxe Payment Protection Systems provides payment protection, collections and risk management services to financial institutions and retailers. Deluxe Electronic Payment Systems provides electronic funds transfer processing and software services to the financial and retail industries. Deluxe Direct Response, which was sold in 1998, provided direct marketing, customer database management and related services to the financial industry and other businesses. Deluxe Government Services provides electronic benefits transfer services to state governments. Deluxe Direct, which was sold in 1998, primarily sold greeting cards, stationery and specialty paper products through direct mail. All segments operate primarily in the United States. Deluxe Electronic Payment Systems also has international operations. In analyzing the results of the segments, corporate expenses are allocated to the segments as a fixed percentage of segment revenues. This allocation includes expenses for support functions such as human resources, information services and finance. Charges for certain corporate liabilities are not allocated to the segments.

OVERALL SUMMARY

In 1998, the Company's sales increased .6%. Revenues lost due to divestitures were more than offset by growth in Deluxe Payment Protection Systems, Deluxe Electronic Payment Systems and Deluxe Government Services. 1998 net income was $145.4 million, compared to $44.7 million in 1997 and $65.5 million in 1996. Basic earnings per share were $1.80 in 1998, compared to $.55 in 1997 and $.80 in 1996. Return on average assets was 12.4% for 1998, compared to 3.8% in 1997 and 5.3% in 1996. Return on average shareholders' equity was 23.9% in 1998, compared to 6.8% in 1997 and 8.8% in 1996. These results included pretax reorganization and other special charges of $70.2 million in 1998, $180 million in 1997 and $142.3 million in 1996.

REORGANIZATION AND OTHER SPECIAL CHARGES

Over the last few years, the Company has engaged in a strategic reorganization, examining each business and its product offerings, short- and long-term profitability and strategic fit within the Company. The Company has also taken steps to reduce its cost structure to improve profitability. These efforts have resulted in consolidating operating and administrative facilities, eliminating products and businesses, and restructuring the Company's management and organization. The result is a reduced level of sales offset by improved operating profitability and expected future cost reductions, which will be reflected primarily in reduced facility, materials and employee expenses in the Company's operating results. Competitive pricing measures, increased expenses and other factors will offset a portion of the savings expected from cost reduction efforts.

1998 CHARGES - During 1998, the Company recorded pretax reorganization and other special charges of $70.2 million. These consisted of restructuring charges of $39.5 million, losses on existing contracts and relationships of the Deluxe Government Services segment of $36.4 million, offset by a gain on the sale of the Company's Deluxe Card Services business.

The restructuring charges were related to the Company's initiatives to reduce its SG&A expenses, discontinue production of the Deluxe Direct Response segment's direct mail products, and close four additional financial institution check printing plants.

The losses on long-term contracts and relationships of the Deluxe Government Services segment resulted from a continuing strong economy, record low unemployment and welfare reform. These factors reduced the transaction volumes and expected future revenues of this business well below original expectations. Additionally, this business has experienced actual and expected future telecommunications, installation, help desk and other costs that have been significantly higher than originally anticipated, resulting in expected future losses on its existing electronic benefits transfer contracts and relationships.

These charges are reflected throughout the 1998 consolidated statement of income according to the nature of the charge, with $47.1 million in cost of sales expense, $22 million in SG&A expense and $1.1 million in other income.

1997 CHARGES - During 1997, the Company recorded pretax reorganization, restructuring and other special charges of $180 million. These charges consisted

of $99 million, which was related to impairment losses, and $81 million, which was mainly related to production consolidation, legal proceedings and other asset impairments.

During 1996, the Company announced its plans to divest three businesses within its Deluxe Direct segment. One of these businesses was sold in 1997 and the remaining two were sold in 1998. Additionally, the Company determined that it would divest the international unit of its Deluxe Electronic Payment Systems segment. In 1997, the Company recorded a pretax impairment charge of $99 million to write these businesses down to their estimated fair values less costs to sell. The sale of the Deluxe Direct businesses was completed in December 1998. In January 1999, the Company determined that the international unit of Deluxe Electronic Payment Systems maintained a continuing strategic importance within the segment and it is no longer held for sale. This determination is not expected to have a significant impact on the Company's operating results or financial position.

The special charge in 1997 included restructuring charges of $24.5 million. These charges included additional costs associated with the Company's 1996 plan for closing 21 financial institution check printing plants, severance related to implementing process improvements in the post-press phase of check production, implementing a new order processing and customer service system, and reducing support functions at corporate operations and other businesses. As of December 31, 1998, the production functions at all 21 plants were closed. The front-end operations of three of the plants remain open and are expected to close in 1999. In 1999, the new order processing and customer service system and the improved post-press production process are expected to be substantially completed.

During 1997, a judgment was entered against Deluxe Electronic Payment Systems, Inc. (DEPS), in the U.S. District Court for the Western District of Pennsylvania. The case, which related to the Deluxe Government Services business, was brought against DEPS by Mellon Bank in connection with a potential bid to provide electronic benefits transfer services for the Southern Alliance of States. In September 1997, the Company recorded a pretax charge of $40 million to reserve for this judgment and other related costs. In 1998, Mellon's motion for prejudgment interest was denied by the district court and the Company reversed $4.2 million of the $40 million liability. This reversal is reflected in other income in the 1998 consolidated statement of income. The Company's appeal of this judgment was denied by the Third Circuit Court of Appeals in January 1999, and the Company paid $32.2 million to Mellon in February 1999. The Company is reviewing whether a further appeal is warranted.

These charges are reflected throughout the 1997 consolidated statement of income according to the nature of the charge, with $82.9 million in goodwill impairment charge, $7.7 million in cost of sales expense, $39.6 million in SG&A expense and $49.8 million in other expense.

1996 CHARGES - During 1996, having decided to sell the three businesses in the Deluxe Direct segment, the Company recorded a pretax goodwill impairment charge of $111.9 million to write these businesses down to their estimated fair values less costs to sell. Additionally, the Company recorded net pretax charges of $30.4 million in 1996 for restructuring, gains and losses on sales of businesses occurring in 1996, and other reorganization costs.

These charges are reflected throughout the 1996 consolidated statement of income according to the nature of the charge, with $111.9 million in goodwill impairment charge, $39.2 million in cost of sales expense, $24.6 million in SG&A expense and a $33.4 million gain in other income.

BALANCE SHEET IMPACT - As a result of the charges in all three years, the December 31, 1998, consolidated balance sheet includes a restructuring accrual of $45.7 million for employee severance costs and $6.8 million for estimated losses on asset dispositions. The majority of these severance costs are expected to be paid in 1999 and early 2000 from cash generated from the Company's operations. The December 31, 1998, consolidated balance sheet also reflects a liability of $34.4 million for the 1997 legal proceedings and $35.4 million for the remaining losses on Deluxe Government Services contracts and relationships. As noted above, the judgment in the legal proceedings was paid in February 1999. The Deluxe Government Services contracts have varying terms through 2006.

RESULTS OF OPERATIONS

The following segment results exclude the above-mentioned reorganization and other special charges.

NET SALES - In 1998, the Company's net sales increased .6%. Revenues lost due to divestitures were more than offset by growth in the Deluxe Payment Protection Systems, Deluxe Electronic Payment Systems and Deluxe Government Services segments. Excluding businesses divested in both years, the Company's consolidated net sales increased 2.9% from 1997.

Deluxe Payment Protection Systems' sales increased 11.9% to $215.7 million, reflecting volume increases in the collections business and in account inquiry services provided to financial institutions. Deluxe Electronic Payment Systems' sales increased 12.2% to $130.9 million, because of new customers and increased transaction volumes. Deluxe Government Services' sales increased 63.1% to $44 million, reflecting new customers and increased activity for existing

customers. Offsetting the increases in these segments were decreases in other segments. Deluxe Paper Payment Systems' sales decreased .6% to $1,279.8 million, primarily because of lower volume in financial institution check printing resulting from lost customers. This decrease was partially offset by increased volume for the direct mail check business and new pricing strategies within the financial institution market. Deluxe Direct Response's sales decreased 18.1% to $43.4 million, because of lost customers, price decreases for its direct mail products and the sale of Deluxe Card Services in the third quarter of 1998. Deluxe Direct's sales decreased 10.7% to $223.9 million, mostly because of business divestitures. Additionally, lower catalog circulation caused volume to decline in the remaining businesses.

In 1997, the Company's net sales decreased 3% from 1996. Revenues lost due to divestitures within the Deluxe Direct segment were partially offset by increased sales for all other segments. Excluding businesses divested in both years, the Company's consolidated net sales increased 1.2% from 1996.

Deluxe Direct's sales decreased 35.2% to $250.8 million in 1997, as a result of actions initiated in 1996 to increase its profitability. These included sales of businesses, reduced catalog circulation and elimination of unprofitable product lines. Additionally, response rates for the direct mail businesses declined from 1996. The decrease within this segment was offset by increases in all other segments. Deluxe Paper Payment Systems' sales increased 1.1% to $1,288.2 million in 1997, reflecting increased volume for financial institution and direct mail check offerings. However, competitive pricing pressures on financial institution check printing products partially offset volume increases. Deluxe Payment Protection Systems' sales increased 30.5% to $192.8 million, primarily because of higher collection service volume and increased account verification inquiries from financial institutions. Deluxe Electronic Payment Systems' sales increased 6.9% to $116.6 million, primarily from increased volume in financial institution ATM processing. Deluxe Direct Response's sales increased 5.9% to $53 million, because of acquisitions in 1996 and 1997. Deluxe Government Services' sales increased 29.1% to $27 million, because of new customers and increased volume for existing customers.

GROSS MARGIN - The Company's consolidated gross margin was 52.7% in 1998, compared to 54.0% in 1997 and 50.3% in 1996. With the reorganization and other special charges excluded, consolidated gross margin was 55.2% in 1998, compared to 54.4% in 1997 and 52.3% in 1996.

Deluxe Paper Payment Systems' gross margin increased to 63.1% in 1998 from 60.7% in 1997. The slight sales decrease was more than offset by cost savings realized from closing financial institution check printing plants and other efficiency improvements. Deluxe Electronic Payment Systems' margin increased to 28.1% in 1998 from 25.6% in 1997, because of increased transaction volumes and reduced employee benefit costs achieved from revising its employee benefit and incentive compensation programs. Deluxe Government Services' margin improved from negative 9.9% in 1997 to negative 2.4% in 1998, reflecting increased volume and the accrual of future contract and relationship losses in the third quarter of 1998. These margin increases were offset by decreases in other segments. Deluxe Payment Protection Systems' margin decreased to 43.8% in 1998 from 47.7% in 1997. Revenue growth was more than offset by increased information services and other infrastructure costs, reflecting the Company's investment in this segment. Deluxe Direct Response's margin decreased to 27.0% in 1998 from 29.6% in 1997, because of decreased volume and lower prices for direct mail products, without a corresponding decrease in costs. Deluxe Direct's margin decreased to 52.5% in 1998 from 53.3% in 1997, reflecting the divestiture of a higher margin business in late 1997.

In 1997, Deluxe Paper Payment Systems' margins increased to 60.7% from 58.5% in 1996. The competitive pricing pressures experienced by financial institution check printing were more than offset by improved product mix and production efficiencies and by reduced costs from revising the employee benefits program. Deluxe Electronic Payment Systems' margins increased to 25.6% in 1997 from 19.4% in 1996, primarily because of decreased consulting expenses and cost containment. Deluxe Direct's margins increased to 53.3% in 1997 from 48.4% in 1996, reflecting better cost control and inventory management in the direct mail businesses and the sale of businesses with poorer margins. These margin increases were offset by decreases in other segments. Deluxe Payment Protection Systems' margin decreased to 47.7% from 49.8% in

1996, because of increased costs related to the growth of the collections business. Deluxe Direct Response's margin decreased to 29.6% from 33.6% in 1996, reflecting the acquisition of lower margin businesses in 1996 and 1997. Deluxe Government Services' margin decreased from a loss of 5.8% in 1996 to a loss of 9.9% in 1997, primarily because of increased costs for telecommunications, interchange fees and help desk.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) - In 1998, the Company's SG&A expenses decreased $25.2 million, or 3.2%. Excluding the reorganization and other special charges discussed above, SG&A expenses in 1998 decreased $7.6 million, or 1%. SG&A expenses for Deluxe Direct Response decreased 10.3% from 1997, primarily because of lower selling expenses due to sales of businesses within the segment in 1998 and reduced discretionary spending. Deluxe Government Services' SG&A expenses decreased 33.5% from 1997, because of lower legal expenses. Deluxe Direct's SG&A expenses decreased 17.2% from 1997, primarily because of reduced catalog circulation and lower costs from reorganizing this

segment's marketing function. These SG&A expense reductions were partially offset by increases in other segments. Deluxe Paper Payment Systems' SG&A expenses increased .8% from 1997, because of costs associated with implementing a new order processing and customer service system and increased selling expenses for the direct mail check business related to an increased volume in telephone orders. Because of increased selling and marketing costs associated with the growth of and investment in their businesses, Deluxe Payment Protection Systems' SG&A expenses increased 11.3% from 1997 and Deluxe Electronic Payment Systems' SG&A expenses increased 18.8% from 1997.

In 1997, the Company's SG&A expenses were flat compared to expenses in 1996. Excluding the reorganization and other special charges discussed above, SG&A expenses in 1997 decreased $14.6 million, or 1.9%. Deluxe Electronic Payment Systems' SG&A expenses were flat compared to expenses in 1996. The Deluxe Direct segment's SG&A expenses decreased 36.4% from 1996, mainly because the assets of the businesses held for sale were no longer depreciated and amortized. This segment also had reduced catalog costs resulting from lower paper costs and simplified designs. These SG&A expense reductions were partially offset by increases in other segments. Deluxe Paper Payment Systems' SG&A expenses increased 5.9%. Financial institution check printing SG&A expenses increased because of increased customer service call center volume and duplicate costs from maintaining an old customer service system as a new system was implemented. Although call center volume increased on an annual basis, it decreased in the fourth quarter of 1997, compared to the fourth quarter of 1996. During this time, the Company began charging financial institution customers for placing orders via telephone as opposed to electronic channels. Deluxe Payment Protection Systems' SG&A expenses increased 31.6%, reflecting increased infrastructure costs and selling expenses related to the growth of the collections business. Deluxe Direct Response's SG&A expenses increased 115.3% from 1996, because of acquisitions in 1996 and 1997. Deluxe Government Services' SG&A expenses increased 26.7%, because of increased employee compensation expense.

OTHER INCOME (EXPENSE) - Other expense for the Company was $.1 million in 1998, compared to expense of $40.6 million in 1997 and other income of $31.7 million in 1996. These changes resulted primarily from the reorganization and other special charges discussed above. With these charges removed, other income was $1 million in 1998, compared to income of $9.2 million in 1997 and expense of $1.8 million in 1996. The decrease in 1998 is due primarily to a $10.5 million loss recorded on the sale of PaperDirect, Inc., and the Social Expressions component of Current, Inc., in the fourth quarter of 1998. The improvement in 1997 over 1996 is from gains realized from selling check printing facilities and from increased earnings realized from investing cash obtained through divestitures.

PROVISION FOR INCOME TAXES - In 1998, the Company's effective tax rate decreased to 41% from 61.2% in 1997 and 44.9% in 1996. The decrease in 1998 is due to increased pretax income in 1998, combined with a lower base of non-deductible expenses due primarily to the non-deductible goodwill impairment charge recognized in 1997. The increase in 1997 is due primarily to lower pretax income combined with an increased base of non-deductible expenses consisting primarily of the non-deductible goodwill impairment charge recorded by the Company. In 1996, the effect of the goodwill impairment charge was offset by tax benefits recognized for the sales of businesses and businesses held for sale. With the effect of the reorganization and other special charges removed in each year, the Company's tax rate was 40.3% in 1998, 40.5% in 1997 and 40.2% in 1996.

NET INCOME - 1998 net income increased to $145.4 million from $44.7 million in 1997. The primary reason for the increase was the lower amount of reorganization and other special charges discussed above. With the charges and their related tax effects removed, the Company's net income was $189.1 million in 1998 and $175.6 million in 1997.

1997 net income decreased to $44.7 million from $65.5 million in 1996. The primary reason for the decrease was the higher amount of reorganization and other special charges discussed above. With the charges and their related tax effects removed, the Company's net income was $175.6 million in 1997 and $156 million in 1996.

FINANCIAL CONDITION

LIQUIDITY - Funds provided by operations are the Company's primary source of working capital for financing capital expenditures and paying dividends. Cash provided by operations was $294.8 million in 1998, compared to $295.8 million in 1997. Improved operating results in 1998 were offset by an increase in severance payments over 1997. Cash provided by operations increased in 1997 from $290.7 million in 1996. This increase was due to better cash management and improved profitability resulting from operating cost reductions. Working capital was $167.9 million as of December 31, 1998, compared to $131.1 million and $108.1 million on December 31, 1997 and 1996, respectively. The year-end current ratio for 1998 was 1.4 to 1, compared to a year-end ratio of 1.3 to 1 for 1997 and 1996. The increase over 1997 and 1996 is primarily the result of proceeds from divestitures. The Company anticipates that approximately $28.8 million of cash will be paid out in 1999 for restructuring charges, compared to $25 million in 1998. In February 1999, the Company paid a $32.2 million judgment related to its

Deluxe Government Services business to settle its 1997 legal proceedings.

CAPITAL RESOURCES - In 1998, the Company completed several divestitures from which it derived $87.9 million in net cash proceeds. In 1997, the Company made one business acquisition and several divestitures from which it derived $1.1 million in net cash proceeds. In 1996, the Company made numerous business acquisitions and divestitures from which it derived $98.1 million in net cash proceeds.

Purchases of property, plant and equipment, and intangibles required cash outlays of $121.3 million in 1998, compared to $109.5 million in 1997 and $92 million in 1996. The Company anticipates capital expenditures of approximately $130 million in 1999. The 1998 expenditures and anticipated 1999 expenditures relate to information technology systems upgrades and replacement, productivity improvements and new product development.

The Company has uncommitted bank lines of credit of $145 million available at variable interest rates. No amounts were drawn on those lines during 1998. The average amount drawn on those lines during 1997 was $3.1 million at a weighted average interest rate of 6.47%. There was no outstanding balance at December 31, 1998 or 1997 on these lines of credit. The Company also has in place a $150 million committed line of credit available for borrowing and as support for commercial paper. As of December 31, 1998 and 1997, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company has a shelf registration in place to issue 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 December 31, 1998 and 1997, no such notes were issued or outstanding.

Cash dividends totaled $119.7 million in 1998, compared to $121.3 million in 1997 and $122 million in 1996. Dividend payments were 82.3% of earnings in 1998, 271.6% in 1997 and 186.3% in 1996. In December 1996, the Company's board of directors amended the Company's stock repurchase plan to permit the repurchase of up to 10 million shares of Deluxe common stock. The board also approved the repurchase of up to 5 million of the 10 million approved common shares. Through December 31, 1998, the Company has repurchased 3.5 million shares under this plan. As of March 1999, the Company has repurchased all of the 5 million shares approved by the board under the plan.

YEAR 2000 READINESS DISCLOSURE

GENERAL APPROACH AND STATE OF READINESS - In 1996, the Company initiated a program to prepare its computer systems, applications, embedded chip equipment and third-party suppliers/customers for the year 2000. The year 2000 issue affects the Company and most of the other companies and governmental agencies in the world. Historically, certain computer programs were written using two digits rather than four to define the applicable year. As a result, some programs may recognize a date which uses the two digits "00" as 1900 rather than the year 2000, which among other things may cause them to generate erroneous data, lose data elements and possibly fail.

The Company is using a multiphase approach in conducting its year 2000 remediation efforts. These phases are: assessment; analysis and formulation of remediation strategy; solution implementation; testing; and certification using internally developed criteria. The Company has divided its internal readiness review between "mission critical" systems and equipment and its other assets. The project is organized around nine types of computerized assets: internally developed applications; product-to-market software and systems; third-party purchased software; data centers; networks; environmental systems; purchased hardware (including embedded chip and desktop equipment); third-party assessment; and external interfaces. During 1997, the Company assessed and prioritized all affected areas, defined appropriate resolution strategies and began execution of those strategies. The compliance strategies included renovation, replacement and retirement of systems and equipment.

As of February 1999, the overall project is approximately 91% complete and approximately 98% complete for mission critical areas. All mission critical components are expected to complete the certification process by the end of March 1999. Also, during 1999, the project focus will shift toward completing customer and vendor testing and contingency execution.

As part of its year 2000 review, the Company has also assessed the readiness of the embedded chip equipment in its facilities. This assessment included all plant manufacturing equipment, HVAC systems, building security systems, personal computers and other office equipment such as printers, faxes and copy machines. The most frequent method of achieving compliance in this area is replacing non-compliant systems and equipment. This effort was approximately 94% complete as of February 1999 and is scheduled for completion by September 1999.

Another area of focus for the Company is the year 2000 readiness of its significant suppliers and customers, both from the standpoint of technology and product and service provision. These external organizations have been contacted and have provided responses to year 2000 assessment requests. Site visits and action plans are being developed as appropriate, based on the importance of the organizations to the Company's ability to provide products and services. This

category was 98% complete as of February 1999, with completion expected at the end of March 1999.

COSTS - The Company expects to incur project expenses of approximately $26.8 million over the life of its year 2000 project, consisting of both internal staff costs and consulting expenses, with $16.7 million having been incurred through December 31, 1998. Funds for the initiative are provided from a separate budget of $26.8 million for the remediation of all affected systems. The Company's SAP software implementation costs and other capital expenditures associated with replacing or improving affected systems are not included in these cost estimates. The Company has not deferred any material information technology project as a result of the initiative.

RISK AND CONTINGENCY - Because of the nature of the Company's business, the year 2000 issue would, if unaddressed, pose a material business risk for the Company. Business operations may be at risk, as would customer information interfaces and the provision of products and services. The risk is increased by the potential for the Company to fall out of compliance with policies set by the Federal Financial Institution Examination Council, National Credit Union Agency and other federal and regional regulatory bodies.

The Company believes that with the planned modifications to existing systems and the replacement or retirement 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. The Company has prioritized its renovation efforts to focus first on its mission critical internal systems and the Company believes it is on schedule to complete this component of its remediation efforts before the relevant year 2000 failure dates are reached. In addition to the planned modifications, replacements and retirements, the Company has developed risk mitigation processes and is creating contingency plans in an effort to limit the inherent risk of the year 2000 issue. Manual fall-back processes and procedures are being identified and put in place, particularly in cases where vendor equipment or services begin to demonstrate the potential to be unavailable. The Company is also preparing plans to deploy internal teams to repair problems as they arise when the next century begins. Ongoing audit reviews are scheduled during the latter part of 1999 and into 2000 to ensure that compliance control processes continue to be used. In addition, the Company is enhancing its existing business resumption plans and intends to look to its existing liability insurance programs to mitigate its loss exposure if operational problems do arise.

MARKET RISK DISCLOSURE

As of December 31, 1998, the Company had an investment portfolio of fixed income securities, excluding those classified as cash and cash equivalents, of $41.1 million (see Note 7 of Notes to Consolidated Financial Statements). These securities, like all fixed income instruments, are subject to interest rate risk and will decline in value if market interest rates increase. However, the Company has the ability to hold its fixed income investments until maturity and therefore the Company would not expect to recognize an adverse impact in income or cash flows in such an event.

The Company operates internationally, and so it is subject to potentially adverse movements in foreign currency rate changes. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes on intercompany foreign currency denominated balance sheet positions. Historically, the effect of movements in the exchange rates have not been material to the consolidated operating results of the Company.

OUTLOOK

In 1999, the Company will continue its efforts to reduce costs and improve profitability by continuing with its plans to close financial institution check printing plants, complete implementation of a new order processing and customer service system, and complete implementation of post-press production process improvements. Additionally, the Company will continue with its plans to reduce SG&A expenses. At the same time, the Company will continue with major infrastructure improvements and expects to complete its year 2000 readiness project.

Having completed a divestiture program begun in 1996 and having taken steps to improve the profitability of its ongoing businesses while investing in its infrastructure, the Company is now positioned for growth. Its improved cash position, low debt and available financing create the opportunity to enhance products and services through internal developments, external alliances, partnerships and acquisitions that are within its strategic focus.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and related information are the responsibility of management. They have been prepared in conformity with generally accepted accounting principles and include amounts that are based on

our best estimates and judgments under the existing circumstances. The financial information contained elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains internal accounting control systems that are adequate to provide reasonable assurance that the assets are safeguarded from loss or unauthorized use. These systems produce records adequate for preparation of financial information. We believe the Company's systems are effective, and the costs of the systems do not exceed the benefits obtained.

The audit committee of the board of directors has reviewed all financial data included in this report. The audit committee is composed entirely of outside directors and meets periodically with the internal auditors, management and the independent public accountants on financial reporting matters. The independent public accountants have free access to meet with the audit committee, without the presence of management, to discuss their audit results and opinions on the quality of financial reporting.

The role of independent public accountants is to render an independent, professional opinion on management's consolidated financial statements to the extent required by generally accepted auditing standards.

Deluxe recognizes its responsibility for conducting its affairs according to the highest standards of personal and corporate conduct. It has distributed to all employees a statement of its commitment to conducting all Company business in accordance with applicable legal requirements and the highest ethical standards.

/s/ J.A. Blanchard III   /s/ Thomas W. VanHimbergen

J.A. Blanchard III Chairman, President and Chief Executive Officer	Thomas W. VanHimbergen Senior Vice President and Chief Financial Officer

January 26, 1999

FIVE-YEAR SUMMARY

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
NET SALES	$1,931,796	$1,919,366	$1,979,627	$1,936,719	$1,834,024
SALARIES AND WAGES	532,305	572,035	586,949	551,788	519,901
PROVISION FOR INCOME TAXES	101,132	70,478	53,302	74,885	102,453
INCOME FROM CONTINUING OPERATIONS(1)	145,408	44,672	65,463	94,434	144,253
Return on sales	7.53%	2.33%	3.31%	4.88%	7.87%
Per share - basic	1.80	.55	.80	1.15	1.75
Per share - diluted	1.80	.55	.79	1.15	1.75
Return on average shareholders' equity	23.85%	6.75%	8.77%	11.84%	17.86%
Return on average assets	12.37%	3.84%	5.30%	7.40%	11.50%
NET INCOME(1)	145,408	44,672	65,463	87,021	140,866
Per share - basic	1.80	.55	.80	1.06	1.71
Per share - diluted	1.80	.55	.79	1.06	1.71
CASH DIVIDENDS PER COMMON SHARE	1.48	1.48	1.48	1.48	1.46
SHAREHOLDERS' EQUITY	608,910	610,248	712,916	780,374	814,393

PURCHASES OF CAPITAL ASSETS	121,275	109,500	92,038	125,068	126,226
DEPRECIATION AND AMORTIZATION EXPENSE	85,784	97,269	106,636	103,303	85,906
WORKING CAPITAL INCREASE (DECREASE)	36,808	22,911	95,857	(118,116)	(94,086)
TOTAL ASSETS	1,203,034	1,148,364	1,176,440	1,295,095	1,256,272
LONG-TERM DEBT	106,321	109,986	108,622	110,997	110,867
DEBT-TO-CAPITAL RATIO(2)	14.98%	15.96%	15.41%	17.14%	12.89%
AVERAGE COMMON SHARES OUTSTANDING (THOUSANDS)	80,648	81,854	82,311	82,420	82,400
NUMBER OF EMPLOYEES	15,296	18,937	19,643	19,286	18,839
NUMBER OF PRODUCTION AND SERVICE FACILITIES	58	68	81	81	78

</TABLE>

(1) INCOME FROM CONTINUING OPERATIONS AND NET INCOME INCLUDE REORGANIZATION AND OTHER SPECIAL CHARGES EACH YEAR. SEE MANAGEMENT'S DISCUSSION AND ANALYSIS ON PAGE 6.

(2) THE CALCULATION OF THE COMPANY'S DEBT-TO-CAPITAL RATIO WAS MODIFIED IN 1998 TO CONFORM WITH THE GENERALLY ACCEPTED CALCULATION USED BY RATING AGENCIES. RATIOS FOR ALL PRIOR PERIODS HAVE BEEN RESTATED TO REFLECT THIS NEW CALCULATION. THIS RATIO IS CALCULATED AS FOLLOWS: THE SUM OF LONG-TERM DEBT PLUS LONG-TERM DEBT DUE WITHIN ONE YEAR PLUS SHORT-TERM DEBT DIVIDED BY THE SUM OF LONG-TERM DEBT PLUS LONG-TERM DEBT DUE WITHIN ONE YEAR PLUS SHORT-TERM DEBT PLUS SHAREHOLDERS' EQUITY PLUS LONG-TERM DEFERRED INCOME TAXES.

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

DECEMBER 31 (DOLLARS IN THOUSANDS)		1998	1997
<S>		<C>	<C>
CURRENT ASSETS	Cash and cash equivalents	$ 268,934	$ 171,438
	Marketable securities	41,133	8,021
	Trade accounts receivable	145,079	151,201
	Inventories:		
	Raw material	2,619	15,462
	Semi-finished goods	7,401	9,132
	Finished goods	1,981	26,503
	Supplies	17,400	15,899
	Deferred advertising	7,939	15,763
	Deferred income taxes	63,785	50,345
	Prepaid expenses and other current assets	62,961	48,849
	Total current assets	619,232	512,613

		1998	1997
LONG-TERM INVESTMENTS		45,208	52,910
PROPERTY, PLANT AND EQUIPMENT	Land and land improvements	46,826	59,967
	Buildings and building improvements	209,416	267,135
	Machinery and equipment	512,683	562,983
	Total	768,925	890,085
	Less accumulated depreciation	424,365	475,077
	Property, plant and equipment-net	344,560	415,008
INTANGIBLES	Cost in excess of net assets acquired-net	42,836	54,435
	Internal use software-net	118,417	74,584
	Other intangible assets-net	32,781	38,814
	Total intangibles	194,034	167,833
	Total assets	$ 1,203,034	$ 1,148,364
CURRENT LIABILITIES	Accounts payable	$ 53,555	$ 73,516
	Accrued liabilities:		
	Wages, including vacation pay	60,540	62,513
	Employee profit sharing and pension	41,762	40,517
	Accrued income taxes	33,087	31,960
	Accrued rebates	34,712	36,708
	Accrued contract/relationship losses	35,356	
	Other	185,022	129,263
	Long-term debt due within one year	7,332	7,078
	Total current liabilities	451,366	381,555
LONG-TERM DEBT		106,321	109,986
DEFERRED INCOME TAXES		36,018	6,040
OTHER LONG-TERM LIABILITIES		419	40,535
SHAREHOLDERS' EQUITY	Common shares $1 par value (authorized: 500,000,000 shares; issued: 1998--80,480,526 shares 1997--81,325,925 shares)	80,481	81,326
	Additional paid-in capital	6,822	4,758
	Retained earnings	522,087	525,302
	Unearned compensation	(238)	(649)
	Accumulated other comprehensive income	(242)	(489)

Shareholders' equity	608,910	610,248
Total liabilities and shareholders' equity	$ 1,203,034	$ 1,148,364

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		1998	1997	1996
<S>		<C>	<C>	<C>
NET SALES		$ 1,931,796	$ 1,919,366	$ 1,979,627
OPERATING EXPENSES	Cost of sales	912,780	883,187	983,444
	Selling, general and administrative	772,381	797,566	797,174
	Goodwill impairment charge		82,893	111,900
	Total	1,685,161	1,763,646	1,892,518
INCOME FROM OPERATIONS		246,635	155,720	87,109
OTHER INCOME (EXPENSE)	Other income (expense)	8,178	(31,748)	42,305
	Interest expense	(8,273)	(8,822)	(10,649)
INCOME BEFORE INCOME TAXES		246,540	115,150	118,765
PROVISION FOR INCOME TAXES		101,132	70,478	53,302
NET INCOME		$ 145,408	$ 44,672	$ 65,463
NET INCOME PER SHARE - BASIC		$ 1.80	$ .55	$ .80
NET INCOME PER SHARE - DILUTED		$ 1.80	$ .55	$ .79
CASH DIVIDENDS PER COMMON SHARE		$ 1.48	$ 1.48	$ 1.48

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31 (DOLLARS IN THOUSANDS)		1998	1997	1996
<S>		<C>	<C>	<C>
NET INCOME		$ 145,408	$ 44,672	$ 65,463
OTHER COMPREHENSIVE INCOME, NET OF TAX:				
	Foreign currency translation adjustments	177	(1,135)	146
	Unrealized gains on securities:			
	Unrealized holding gains arising during the year	116		242
	Less reclassification adjustment for gains included in net income	(46)		
	Other comprehensive income (loss)	247	(1,135)	388

COMPREHENSIVE INCOME		$ 145,655	$ 43,537	$ 65,851
RELATED TAX (EXPENSE) BENEFIT OF OTHER COMPREHENSIVE INCOME:	Foreign currency translation adjustments	$ (123)	$ 1,790	$ (119)
	Unrealized gains on securities:			
	Unrealized holding gains arising during the year	(61)		(130)
	Less reclassification adjustment for gains included in net income	24		

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

YEARS ENDED DECEMBER 31 (DOLLARS IN THOUSANDS)		1998	1997	1996
<S>		<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES	Net Income	$ 145,408	$ 44,672	$ 65,463
	Adjustments to reconcile net income to net cash provided by operating activities:			
	Depreciation	59,451	68,816	66,269
	Amortization of intangibles	26,333	28,453	40,367
	Goodwill impairment charge		82,893	111,900
	Stock purchase discount	5,905	6,654	7,478
	Net loss (gain) on sales of businesses	4,850	(866)	(37,007)
	Deferred income taxes	13,415	(25,733)	(20,690)
	Changes in assets and liabilities, net of effects from acquisitions and sales of businesses:			
	Trade accounts receivable	(5,241)	(5,806)	13,082
	Inventories	3,568	5,019	13,367
	Accounts payable	(6,008)	9,678	(11,456)
	Other assets and liabilities	47,127	81,998	41,930
	Net cash provided by operating activities	294,808	295,778	290,703
CASH FLOWS FROM INVESTING ACTIVITIES	Proceeds from sales of marketable securities with maturities of more than 3 months	19,199		6,250
	Purchases of marketable securities with maturities of more than 3 months	(52,411)	(8,000)	
	Purchases of capital assets	(121,275)	(109,500)	(92,038)
	Payments for acquisitions, net of cash acquired		(10,600)	(15,098)
	Net proceeds from sales of businesses, net of cash sold	89,416	21,627	112,913
	Proceeds from sales of capital assets	28,518	20,036	5,618
	Other	(395)	(2,925)	5,870
	Net cash (used in) provided by investing activities	(36,948)	(89,362)	23,515

CASH FLOWS FROM FINANCING ACTIVITIES	Net payments on short-term debt		(16,783)	(32,428)
	Payments on long-term debt	(6,589)	(6,818)	(10,934)
	Payments to retire common stock	(60,323)	(56,281)	(48,065)
	Proceeds from issuing stock under employee plans	26,230	23,654	28,088
	Cash dividends paid to shareholders	(119,682)	(121,321)	(121,976)
	Net cash used in financing activities	(160,364)	(177,549)	(185,315)
NET INCREASE IN CASH AND CASH EQUIVALENTS		97,496	28,867	128,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		171,438	142,571	13,668
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 268,934	$ 171,438	$ 142,571
Supplementary cash flow disclosure:	Interest paid	$ 8,018	$ 9,620	$ 10,672
	Income taxes paid	82,276	63,612	83,600

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION - The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries. All significant intercompany accounts, transactions and profits have been eliminated.

CASH AND CASH EQUIVALENTS - The Company considers all cash on hand, money market funds and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents. The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents approximate fair value.

MARKETABLE SECURITIES - Marketable securities consist of debt and equity securities. They are classified as available for sale and are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income in the shareholders' equity section of the consolidated balance sheets. Realized gains and losses and permanent declines in value are included in other income. The cost of securities sold is determined using the specific identification method.

INVENTORY - Inventory is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for substantially all inventory. LIFO inventories at December 31, 1998 and 1997, were approximately $5 million and $8.5 million, respectively, less than replacement cost.

In 1998, the dispositions of PaperDirect, Inc., and the Social Expressions unit of Current, Inc. (see Note 6), included the sale of LIFO inventories.

DEFERRED ADVERTISING - These costs consist of materials, production, postage and design expenditures required to produce catalogs for the Company's direct mail businesses. Such costs are amortized over periods (generally less than 12 months) that correspond to the estimated revenue streams of the individual catalogs. The actual timing of these revenue streams may differ from these estimates. Sales materials are charged to expense when no longer owned or expected to be used. The total amount of deferred advertising expense for 1998, 1997 and 1996 was $100 million, $101.3 million and $107.4 million, respectively.

LONG-TERM INVESTMENTS - Long-term investments consist principally of cash surrender values of insurance contracts, investments with maturities in excess of one year and notes receivable. Such investments are carried at cost or

amortized cost which approximates their fair values.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment, including leasehold and other improvements that extend an asset's useful life or productive capabilities, are stated at historical cost. Buildings with 40-year lives and machinery and equipment with lives of five to 11 years are generally depreciated using accelerated methods. Leasehold and building improvements are depreciated on a straight-line basis over the estimated useful life of the property or the life of the lease, whichever is shorter.

INTANGIBLES - Intangibles are presented in the consolidated balance sheets net of accumulated amortization. Amortization expense is determined on the straight-line basis over periods of five to 30 years for cost in excess of net assets acquired (goodwill), and three to 10 years for internal use software and other intangibles. Other intangibles consist primarily of software to be licensed and costs of installing electronic benefit transfer systems. Total intangibles at December 31 were as follows (dollars in thousands):

	1998	1997
Cost in excess of net assets acquired	$ 63,131	$ 123,786
Internal use software	147,131	94,826
Other intangible assets	89,840	103,682
Total	300,102	$ 322,294
Less accumulated amortization	(106,068)	(154,461)
Intangibles - net	$ 194,034	$ 167,833

IMPAIRMENT OF LONG-LIVED ASSETS - The Company evaluates the recoverability of long-lived assets not held for sale by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with them. Should the sum of the expected future net cash flows be less than the carrying value of the long-lived asset, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset. There were no material adjustments in 1998, 1997 or 1996 to the carrying value of long-lived assets to be held and used.

The Company evaluates the recoverability of long-lived assets held for disposal by comparing the asset's carrying amount with its fair value less costs to sell. Should the fair value less costs to sell be less than the carrying value of the long-lived asset, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds the fair value of the asset less costs to sell. In keeping with this policy, the

Company recorded a charge of $99 million in 1997 and $111.9 million in 1996 to write down businesses held for disposal within its Deluxe Direct and Deluxe Electronic Payment Systems segments (see Note 4).

INCOME TAXES - Deferred income taxes result from temporary differences between the financial reporting basis of assets and liabilities and their respective tax reporting bases. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not.

ACCRUED REBATES - On occasion, the Company enters into contractual agreements with its customers for rebates on certain products it sells. The Company records these amounts as reductions to sales and accrues them on the consolidated balance sheets as incurred.

TRANSLATION ADJUSTMENT - The financial position and results of operations of the Company's international subsidiaries are measured using local currencies as the functional currencies. Assets and liabilities of these operations were translated at the exchange rate in effect at the balance sheet date. Income statement accounts were translated at the average exchange rate during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in other comprehensive income in the shareholders' equity section of the consolidated balance sheets. Gains and losses that result from foreign currency transactions are included in earnings.

REVENUE RECOGNITION - The Company records sales and related profits for the majority of its operations as products are shipped and as services are performed. Sales and estimated profits under long-term contracts are recognized under the percentage-of-completion method. Under this method, income is recognized based on the estimated stage of completion of individual contracts, using the units of delivery method.

EMPLOYEE STOCK-BASED COMPENSATION - As permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company continues to account for its employee stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for fixed stock options issued under the Company's stock incentive plan. The Company has adopted the disclosure-only provisions of SFAS No. 123

(see Note 9).

COMPREHENSIVE INCOME - In the first quarter of 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income," which requires disclosure of comprehensive income and its components in the Company's financial statements. The adoption of this statement had no impact on net income or total shareholders' equity. The Company's comprehensive income consists of net income, unrealized holding gains and losses on securities, and foreign currency translation adjustments.

RECLASSIFICATIONS - Certain amounts reported in 1997 and 1996 have been reclassified to conform with the 1998 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

USE OF ESTIMATES - The Company has prepared the accompanying consolidated financial statements in conformity with generally accepted accounting principles. In this process, it is necessary for management to make certain assumptions and related estimates affecting the amounts reported in the consolidated financial statements and attached notes. These estimates and assumptions are developed based upon all information available using management's best efforts. However, actual results can differ from assumed and estimated amounts.

NEW ACCOUNTING PRONOUNCEMENTS - In March 1998, the Accounting Standards Executive Committee (AcSEC) of the American Institute of CPAs issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," which provides guidance on accounting for costs of internal-use computer software. The Company's early adoption of this SOP in 1998 did not have a material impact on the Company's reported operating results or financial position.

In April 1998, AcSEC issued SOP 98-5, "Reporting the Costs of Start-up Activities," which provides guidance on the appropriate accounting for start-up activities. This statement is effective for the Company on January 1, 1999. In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which provides guidance on accounting for derivatives and hedge transactions. This statement is effective for the Company on January 1, 2000. The Company anticipates that the effect of these pronouncements will not have a material impact on reported operating results.

NOTE 2 EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

		1998	1997	1996
<S>		<C>	<C>	<C>
NET INCOME PER SHARE - BASIC:	Net income	$145,408	$ 44,672	$ 65,463
	Weighted average shares outstanding	80,648	81,854	82,311
	Net income per share - basic	$ 1.80	$ .55	$ .80
NET INCOME PER SHARE - DILUTED:	Net income	$145,408	$ 44,672	$ 65,463
	Weighted average shares outstanding	80,648	81,854	82,311
	Dilutive impact of options	179	92	121
	Shares contingently issuable	28	11	1
	Weighted average shares and potential dilutive shares outstanding	80,855	81,957	82,433
	Net income per share - diluted	$ 1.80	$ .55	$ .79

</TABLE>

During 1998 and 1997, options to purchase .7 million shares were outstanding but were not included in the computation of diluted earnings per share. During 1996, options to purchase .9 million shares of common stock were outstanding but were not included in the computation of diluted earnings per share. The exercise prices of the excluded options were greater than the average market price of the Company's common shares during the respective periods.

In January 1998, the Company awarded options to substantially all employees (excluding foreign employees and employees of businesses held for sale), allowing them, subject to certain conditions, to purchase 100 shares of common stock at an exercise price of $33 per share. Options for the purchase of 1.7 million shares of common stock were issued under this program. Had these options been issued in previous years, the dilutive impact of options presented above for 1997 and 1996 may have differed.

- --

NOTE 3 RESTRUCTURING CHARGES

- --

In the first quarter of 1996, the Company announced a plan to close 21 of its financial institution check printing plants over a two-year period. The plant closings were made possible by advancements in the Company's telecommunications, order processing and printing technologies. Also, during the first quarter of 1996, the Company announced a plan to move the operating and administrative facilities of one of its direct mail businesses from New Jersey to Colorado. In conjunction with these plans, the Company recorded a pretax restructuring charge of $45.4 million in 1996. The charge consisted of estimated costs for asset dispositions ($9 million) and employee severance ($36.4 million). The severance portion of this charge assumed the termination of approximately 1,300 employees in production, customer service and front-end processing functions. This charge is reflected in cost of sales ($35.2 million) and selling, general and administrative (SG&A) expense ($10.2 million) in the 1996 consolidated statement of income.

During the third quarter of 1997, the Company recorded pretax restructuring charges of $24.5 million. The charges included additional costs for closing the 21 plants discussed above and costs associated with the continued consolidation of the Company's core businesses. The additional charge for plant closing costs represented amounts that could not be recorded in 1996 because they did not meet the requirements for accrual in that year. Termination of additional employees was expected to result from process improvements in the post-press phase of check production, implementation of a new order processing and customer service system and reductions in support functions at corporate operations and other businesses. The restructuring charges consisted of employee severance costs of $21.6 million and $2.9 million for expected losses on the disposition of assets. The severance portion of this charge assumed the termination of approximately 2,800 employees. Expenses of $7.7 million were included in cost of sales, $13.9 million in SG&A expense and $2.9 million in other expense in the 1997 consolidated statement of income. As of December 31, 1998, the production functions at all 21 plants were closed. The front-end operations of three of the plants remain open and are expected to close in 1999.

Implementation of the new order processing and customer service system and improvements to the post-press production process are expected to be substantially completed in 1999. Through December 31, 1998, termination benefits of approximately $42.5 million have been paid to approximately 2,950 employees under the plans included in the 1996 and 1997 charges.

During the third quarter of 1998, the Company recorded pretax restructuring charges of $39.5 million. The charges included costs associated with reducing SG&A expense, discontinuing production of the Deluxe Direct Response segment's direct mail products, and closing four additional financial institution check printing plants. The Company anticipates eliminating 800 SG&A positions within sales and marketing, finance and accounting, human resources, and information services. Discontinuing production of direct mail products will result in the elimination of approximately 60 positions. The Company also plans to close four additional financial institution check printing plants in 1999 and early 2000, affecting approximately 870 employees. The restructuring charges consisted of employee severance costs of $31.2 million and $8.3 million for expected losses on the disposition of assets. Expenses of $10.9 million were included in cost of sales, $21.1 million in SG&A expense and $7.5 million in other expense in the 1998 consolidated statement of income. Through December 31, 1998, termination benefits of approximately $1 million have been paid to approximately 100 employees under the 1998 plans.

The Company's consolidated balance sheets reflect restructuring accruals of $45.7 million and $39.5 million as of December 31, 1998 and 1997, respectively, for employee severance costs, and $6.8 million and $3.7 million as of December 31, 1998 and 1997, respectively, for estimated losses on asset dispositions. The majority of the severance costs are expected to be paid in 1999 and early 2000 with cash generated from the Company's operations.

- --

NOTE 4 IMPAIRMENT LOSSES

- --

In 1996, the Company announced plans to divest three businesses in the Deluxe Direct segment-Nelco, Inc., PaperDirect, Inc., and the Social Expressions unit of Current, Inc. In 1997, the Company determined that it would dispose of the international operations of the Deluxe Electronic Payment Systems segment, and in 1998 the Company determined that it would dispose of the businesses in the Deluxe Direct Response segment. The Company does not depreciate or amortize any of the long-term assets of businesses while they are held for disposal.

Based on fair market value estimates, the Company recorded charges of $99 million in 1997 and $111.9 million in 1996 to write down the carrying amounts of businesses held for sale to their estimated fair values less costs to sell. These charges are included in the 1997 consolidated statement of income in goodwill impairment charge ($82.9 million) and SG&A expense ($16.1 million), and

in the 1996 consolidated statement of income in goodwill impairment charge. The disposal of the businesses in the Deluxe Direct and Deluxe Direct Response segments was completed in 1998. In January 1999, the Company determined that the international operations of the Deluxe Electronic Payment Systems segment maintained a continuing strategic importance within the segment and is no longer held for sale. This will not have a material impact on the results of operation or the financial position of the Company. At December 31, 1997, the aggregate remaining carrying amount of businesses held for sale on that date was $83 million. Together, all of the aforementioned businesses recorded sales of $270.4 million, $270.1 million and $292 million and contributed a net loss of $2.6 million, $13.2 million and $19.2 million in 1998, 1997 and 1996, respectively, excluding the impairment charges in 1997 and 1996.

NOTE 5 ACCRUED CONTRACT/RELATIONSHIP LOSSES

During the third quarter of 1998, the Company recorded a charge of $36.4 million to reserve for expected future losses on existing long-term contracts and relationships of the Deluxe Government Services segment. This charge is reflected in cost of sales in the 1998 consolidated statement of income. This segment provides electronic benefits transfer services to state governments. Due to a continuing strong economy, record low unemployment and welfare reform, the actual transaction volumes and expected future revenues of this business are well below original expectations. Additionally, actual and expected future telecommunications, installation, help desk and other costs are significantly higher than originally anticipated, resulting in expected future losses on the existing electronic benefits transfer contracts and relationships of this business.

NOTE 6 BUSINESS COMBINATIONS AND DIVESTITURES

1998 DIVESTITURES - During 1998, the Company sold substantially all of the assets of PaperDirect (UK) Limited, ESP Employment Screening Partners, Inc., Social Expressions, and the businesses within the Deluxe Direct Response segment. The Company also sold all of the outstanding stock of PaperDirect, Inc. The aggregate net sales price for these businesses was $113.7 million, consisting of cash proceeds of $87.9 million and notes receivable of $25.8 million. The Company realized a loss of $10.5 million on the combined sale of PaperDirect and Social Expressions. The individual gains and losses recognized on the sales of the other businesses did not have a material impact on the results of the Company. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates.

The following summarized, unaudited pro forma results of operations for the years ended December 31, 1998 and 1997, assume the divestitures occurred as of the beginning of the respective periods. No assumptions were made in the pro forma information concerning the use of the cash received in consideration for the sales of the businesses.

(dollars in thousands, except per share amounts)	1998	1997
Net sales	$1,682,000	$1,654,812
Cost of sales	792,097	751,802
SG&A and goodwill impairment charge	638,428	650,130
Other income (expense)	9,381	(40,862)
Provision for income taxes	106,143	89,928
Net income	154,713	122,090
Net income per share - basic	1.92	1.49
Net income per share - diluted	1.91	1.49

1997 DIVESTITURES - During 1997, the Company sold substantially all of the assets of Nelco, Inc., its U.K. checks business, and a product line within the Deluxe Direct Response segment. The aggregate sales price for these businesses was $17.4 million, consisting of cash proceeds of $11.7 million and notes receivable of $5.7 million. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. In aggregate, the effect of these divestitures did not have a material impact on the operations of the Company.

1997 ACQUISITIONS - During 1997, the Company acquired substantially all of the assets of Fusion Marketing Group, Inc. for $10.6 million plus amounts contingent on the future earnings of the business. Fusion provides customized database marketing services to financial institutions. The acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. The total cost in excess of net assets acquired of $9.6 million was recorded as goodwill and was being amortized over 15 years. In December 1998, the Company sold the assets of this business. The effect of this acquisition and subsequent divestiture did not have a material pro forma

impact on the Company's operations.

1996 DIVESTITURES - During 1996, the Company sold its Health Care Forms, T/Maker Company, Financial Alliance Processing Services, Inc., U.K. forms, and internal bank forms businesses. The aggregate sales price for these businesses was $133.3 million, consisting of cash proceeds of $116.7 million and notes receivable of $16.6 million. The resultant aggregate net gain on these sales was $37 million. The consolidated financial statements of the Company include the results of these businesses through their individual sale dates. In aggregate, the 1996 consolidated financial statements of the Company include revenues from these businesses of $118.1 million and net income of $2.6 million.

1996 ACQUISITIONS - During 1996, the Company purchased a number of businesses in the payment protection and database marketing fields. The aggregate amount paid for these acquisitions was $18.6 million. Additionally, under the purchase agreements, the Company may have to pay additional amounts up to $14.3 million contingent on the future net earnings of some of the acquired businesses. Each acquisition was accounted for using the purchase method of accounting. Accordingly, the consolidated financial statements of the Company include the results of these businesses subsequent to their purchase dates. The purchase price for each acquisition was allocated to the assets acquired and liabilities assumed based on their fair values at the time of purchase. The aggregate cost in excess of net assets acquired for these acquisitions was $16.5 million, which was recorded as goodwill and is being amortized over periods ranging from five to 25 years. In December 1998, the assets of the database marketing businesses were sold. The combined effect of these acquisitions and the subsequent divestiture did not have a material pro forma impact on the operations of the Company.

1996 JOINT VENTURE - During 1997, the Company completed its 1996 agreement to form a joint venture with HCL Corporation of India. This venture was formed to provide software development and other services to financial institutions in the United States and in certain foreign countries. The joint venture commenced operations in September 1997. The results of the joint venture did not have a material effect on the Company's operations in 1998 or 1997.

NOTE 7 MARKETABLE SECURITIES

On December 31, 1998 and 1997, marketable securities available for sale consisted of the following (dollars in thousands):

<TABLE>
<CAPTION>

	1998				1997
	Cost	Unrealized holding gain	Unrealized holding loss	Fair value	Cost, which approximates fair value
Debt securities issued by the U.S. Treasury and other government agencies	$ 17,084		$ (97)	$ 16,987	$ 8,021
Debt securities issued by states of the U.S. and political subdivisions of states	14,677	$ 23	(2)	14,698	
Corporate debt securities	9,450		(2)	9,448	
Total marketable securities	$ 41,211	$ 23	$ (101)	$ 41,133	$ 8,021
Other debt securities (included in cash equivalents)	256,186	185		256,371	129,700
Total	$ 297,397	$ 208	$ (101)	$ 297,504	$ 137,721

</TABLE>

At December 31, 1998, debt securities with a cost basis of $284.3 million and a fair value of $284.5 million mature in 1999. At December 31, 1998,

securities with a cost basis of $13.1 million and a fair value of $13 million mature in 2000 and 2001.

Proceeds from sales of marketable securities available for sale were $19.2 million and $6.3 million in 1998 and 1996, respectively. The Company realized a net gain of $70,000 and a net loss of $36,000 on the sales of marketable securities in 1998 and 1996, respectively. There were no sales of marketable securities in 1997.

NOTE 8 PROVISION FOR INCOME TAXES

The components of the provision for income taxes are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1998	1997	1996
Current tax provision:			
Federal	$ 73,763	$ 84,392	$ 67,749
State	22,716	14,062	11,794
Total	96,479	98,454	79,543
Deferred tax provision (benefit):			
Federal	4,521	(23,876)	(29,581)
State	132	(4,100)	3,340
Total	$101,132	$ 70,478	$ 53,302

</TABLE>

The Company's effective tax rate on pretax income differs from the U.S. Federal statutory tax rate of 35% as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1998	1997	1996
Income tax at Federal statutory rate	$ 86,289	$ 40,303	$ 41,568
State income taxes net of Federal income tax benefit	14,851	6,442	9,837
Amortization and write-down of non-deductible intangibles	745	32,116	44,170
Recognition of excess of tax basis over book investment in subsidiaries sold and held for disposal	(2,220)	(3,786)	(45,430)
Change in valuation allowance	(542)	1,024	7,496
Other	2,009	(5,621)	(4,339)
Provision for income taxes	$ 101,132	$ 70,478	$ 53,302

</TABLE>

Income before income taxes consisted of domestic income of $137.7 million and foreign losses of $22.5 million for the year ended December 31, 1997, and domestic income of $129.3 million and foreign losses of $10.5 million for the year ended December 31, 1996. Foreign income before income taxes for the year ended December 31, 1998 was less than five percent of the Company's total income before income taxes.

Tax effected temporary differences which give rise to a significant portion of deferred tax assets and liabilities at December 31, 1998 and 1997, are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1998		1997	
	Deferred tax	Deferred tax	Deferred tax	Deferred tax

	assets	liabilities	assets	liabilities
<S>	<C>	<C>	<C>	<C>
Property, plant and equipment		$ 22,505		$ 21,837
Capital loss carryforwards	$ 25,294		$ 425	
Deferred advertising		2,698		2,994
Employee benefit plans	7,490		12,599	
Inventory	708		1,755	
Intangibles		41,587		19,280
Net operating loss carryforwards	13,919		14,224	
Excess of tax basis over book investment in subsidiaries held for disposal			34,203	
Restructuring accrual	19,218		18,419	
Reserve for legal proceedings	12,373		13,991	
Accrued contract and relationship losses	12,375			
Miscellaneous reserves and accruals	13,414		7,213	
All other	14,679	7,706	9,861	7,111
Subtotal	119,470	74,496	112,690	51,222
Valuation allowance	(17,207)		(17,163)	
Total deferred taxes	$ 102,263	$ 74,496	$ 95,527	$ 51,222

</TABLE>

At December 31, 1998, net operating loss carryforwards relating to both foreign and state jurisdictions totaled $85.2 million. Of these carryforwards, $61.3 million expire in various years between 2002 and 2014 and $23.9 million may be carried forward indefinitely. At December 31, 1998, the Company also had capital loss carryforwards of $72.3 million, of which $1.2 million expire in 2002 and $71.1 million expire in 2004. In accordance with SFAS No. 109, "Accounting for Income Taxes," the Company does not recognize deferred tax assets for the excess of tax basis over the basis for financial reporting of investments in subsidiaries until it becomes apparent that these temporary differences will reverse in the foreseeable future. In December 1996, the Company announced its intention to sell certain businesses within its Deluxe Direct segment. These businesses were sold in 1998 (see Note 6). The deferred tax assets relating to the investments in these subsidiaries were reflected in the Company's consolidated financial statements at December 31, 1997.

The valuation allowance at December 31, 1998 and 1997 relates to the uncertainty of realizing foreign and state deferred tax assets.

NOTE 9 EMPLOYEE BENEFIT AND STOCK-BASED COMPENSATION PLANS

STOCK PURCHASE PLAN - The Company has an employee stock purchase plan that enables eligible employees to purchase the Company's common stock at 75% of its fair market value on the first business day following each three-month purchase period. Compensation expense recognized for the difference between the employees' purchase price and the fair value of the stock was $5.9 million, $6.7 million and $7.5 million in 1998, 1997 and 1996, respectively. Under the plan, 698,830, 840,143 and 907,424 shares were issued at prices ranging from $24.38 to $26.16, $22.88 to $24.75 and $22.41 to $28.04 in 1998, 1997 and 1996, respectively.

STOCK INCENTIVE PLAN - Under the stock incentive plan, stock-based awards may be issued to employees via a broad range of methods, including non-qualified or incentive stock options, restricted stock and restricted stock units, stock appreciation rights and other awards based on the value of the Company's common stock. Options become exercisable in varying amounts beginning generally one year after the date of grant. The plan was amended in 1996 to reserve an aggregate of 7 million shares of common stock for issuance under the plan. Through 1998, the Company has issued restricted shares and restricted stock units, and non-qualified and incentive stock options. At December 31, 1998, options for 3.8 million shares remain available for issuance under the plan.

In 1998, the Company adopted the DeluxeSHARES program. Under this program, options were awarded to substantially all employees (excluding foreign employees and employees of businesses held for sale), allowing them, subject to certain conditions, to purchase 100 shares of common stock at an exercise price of $33 per share. The options become exercisable when the value of the Company's common stock reaches $49.50 per share or January 30, 2001, whichever occurs

first. Options for the purchase of 1.7 million shares of common stock were issued under this program.

All options allow for the purchase of shares of common stock at prices equal to their market value at the date of grant. Information regarding the options issued under the current plan, which was adopted in 1994, the remaining options outstanding under the former plan adopted in 1984, and the DeluxeSHARES plan, is as follows:

	Number of shares	Weighted-average exercise price
Outstanding at January 1, 1996	2,147,573	$34.81
Granted	631,250	30.63
Exercised	(144,039)	30.71
Canceled	(496,225)	34.54
Outstanding at December 31, 1996	2,138,559	$33.92
Granted	808,400	30.92
Exercised	(126,100)	29.25
Canceled	(317,507)	35.07
Outstanding at December 31, 1997	2,503,352	$33.04
Granted	3,085,800	33.18
Exercised	(277,848)	29.76
Canceled	(689,042)	34.60
Outstanding at December 31, 1998	4,622,262	$33.10

For options outstanding and exercisable at December 31, 1998, the exercise price ranges and average remaining lives were as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
$27.125 to $32.875	1,494,697	6.76 years	$30.39	1,116,733	$30.21
$33.00 to $35.125	2,677,500	6.48 years	33.22	74,500	33.29
$35.50 to $45.875	450,065	3.75 years	41.37	450,065	41.37
	4,622,262	6.30 years	$33.10	1,641,298	$33.41

The Company issued 60,912, 72,581 and 19,752 restricted shares and restricted stock units at weighted-average fair values of $33.22, $31.52 and $35.25 during 1998, 1997 and 1996, respectively. These awards generally vest over periods ranging from one to five years.

Pro forma information regarding net income and income per share has been determined as if the Company had accounted for its employee stock-based compensation under the fair value method of SFAS No. 123. The fair value of these options was estimated at the date of grant using a Black-

Scholes option pricing model. The following weighted-average assumptions were used in valuing options issued in 1998: risk-free interest rate of 5.94%, dividend yield of 4.52% and expected volatility of 21.75%. The following weighted-average assumptions were used in valuing options issued in 1997 and 1996: risk-free interest rate of about 6%, dividend yield of approximately 4% and expected volatility of 23%. The weighted-average expected option life was 5.90 years, 7.17 years and 6.90 years for 1998, 1997 and 1996, respectively. The weighted-average fair value of options granted in 1998, 1997 and 1996 was $5.99, $7.49 and $6.86 per share, respectively. For purposes of pro forma disclosures, the estimated fair value of the options was recognized as expense over the options' vesting periods. The Company's pro forma net income and income per share were as follows (dollars in thousands, except per share amounts):

	1998	1997	1996
Net income:			
As reported	$145,408	$44,672	$65,463
Pro forma	142,851	44,536	63,353
Basic net income per share:			
As reported	$ 1.80	$ .55	$ .80

Pro forma	1.77	.54	.77
Diluted net income per share:			
As reported	$ 1.80	$ .55	$ .79
Pro forma	1.77	.54	.77

These pro forma calculations only include the effects of grants made subsequent to January 1, 1995. As such, these impacts are not necessarily indicative of the effects on reported net income of future years.

PROFIT SHARING, DEFINED CONTRIBUTION AND 401(K) PLANS - The Company maintains profit sharing plans, a defined contribution pension plan and plans established under section 401(k) of the Internal Revenue Code to provide retirement benefits for certain employees. The plans cover substantially all full-time employees with approximately 15 months of service. Contributions to the profit sharing and defined contribution plans are made solely by the Company. Employees may contribute up to the lessor of $10,000 or 10% of their wages to the 401(k) plan. The Company will match the first 1% of wages contributed and 50% of the next 4% of wages contributed. All contributions are remitted to the plans' respective trustees, and benefits provided by the plans are paid from accumulated funds by the trustees.

Contributions to the defined contribution pension plan equaled 4% of eligible compensation in 1998 and 6% of eligible compensation in 1997 and 1996. Related expense for these years was $13.7 million, $18.6 million and $19.9 million, respectively. Contributions to the profit sharing plans vary based on the Company's performance. Expense for these plans was $27.5 million, $25.6 million and $44.5 million in 1998, 1997 and 1996, respectively. The 401(k) plan was established on January 1, 1997. Company contributions to this plan were $7.8 million and $7 million in 1998 and 1997, respectively.

NOTE 10 POSTRETIREMENT BENEFITS

The Company provides certain health care benefits for a large number of its retired employees. Employees included in the plan may become eligible for such benefits if they attain the appropriate years of service and age while working for the Company. Certain retirees' medical insurance premiums are based on the amounts paid by active employees. Effective January 1, 1998, active employees' premiums were reduced, thus reducing the medical premiums required to be paid by these retirees. Additionally, for retirees who participate in the active employees' indemnity plans, their copayment amount was increased 5%. In 1997, the plan was also amended to provide employees who are involuntarily terminated and who are qualified retirees at the time of termination with a bridge for retiree medical benefits if they are terminated prior to age 53.

The following table summarizes the change in benefit obligation and plan assets during 1998 and 1997 (dollars in thousands):

Benefit obligation, January 1, 1997	$ 59,145
Service cost	877
Interest cost	4,163
Actuarial gains and losses	6,195
Benefits paid from plan assets and general funds of the Company	(4,197)
Benefit obligation, December 31, 1997	66,183
Service cost	1,218
Interest cost	4,651
Actuarial gains and losses	14,232
Effect of curtailment	(1,056)
Benefits paid from general funds of the Company	(4,589)
Benefit obligation, December 31, 1998	$ 80,639
Fair value of plan assets, January 1, 1997	$ 51,828
Actual return on plan assets	11,133
Benefits paid	(2,758)
Fair value of plan assets, December 31, 1997	60,203
Actual return on plan assets	4,283
Fair value of plan assets, December 31, 1998	$ 64,486

The funded status of the plan was as follows at December 31 (dollars in thousands):

	1998	1997
Accumulated postretirement benefit obligation	$ 80,639	$ 66,183
Less:		
Fair value of plan assets (debt and equity securities)	64,486	60,203

Unrecognized prior service cost	1,285	1,621
Unrecognized net loss (gain)	13,367	(2,364)
Unrecognized transition obligation	8,209	10,192
Prepaid postretirement asset recognized in the consolidated balance sheets	$ (6,708)	$ (3,469)

Net postretirement benefit cost for the years ended December 31 consisted of the following components (dollars in thousands):

	1998	1997	1996
Service cost-benefits earned during the year	$ 1,218	$ 877	$ 899
Interest cost on the accumulated postretirement benefit obligation	4,651	4,163	4,416
Expected return on plan assets	(5,719)	(4,979)	(4,299)
Amortization of transition obligation	680	680	1,025
Amortization of prior service cost	269	269	415
Recognized net amortization of gains and losses	(63)	(78)	(48)
Net postretirement benefit cost	1,036	932	2,408
Curtailment loss	315		3,019
Total postretirement benefit cost	$ 1,351	$ 932	$ 5,427

As a result of the sale of the Social Expressions unit of Current, Inc. (see Note 6), and a reduction in employees as a result of the Company's cost-saving initiatives (see Note 3), the Company recognized a net postretirement benefit curtailment loss of $.3 million in 1998. The 1996 curtailment loss of $3 million resulted from the 1996 plan to close 21 financial institution check printing plants (see Note 3) and the sale of the Company's Health Care Forms and internal bank forms businesses in 1996 (see Note 6).

In measuring the accumulated postretirement benefit obligation as of December 31, 1998, the Company's health care inflation rate for 1999 was assumed to be 7%. Inflation rates are assumed to trend downward gradually over the next two years to 5% for the years 2000 and beyond. A one percentage point increase in the health care inflation rate for each year would increase the accumulated postretirement benefit obligation by approximately $11.9 million, and the service and interest cost components of the net postretirement benefit cost by approximately $1 million. A one percentage point decrease in the health care inflation rate for each year would decrease the accumulated postretirement benefit obligation by approximately $10.4 million, and the service and interest cost components of the net postretirement benefit cost by approximately $.9 million. The discount rate used in determining the accumulated postretirement benefit obligation as of December 31, 1998 and 1997, was 6.75% and 7.25%, respectively. The expected long-term rate of return on plan assets used to determine the net periodic postretirement benefit cost was 9.5% in 1998, 1997 and 1996.

NOTE 11 LEASE AND DEBT COMMITMENTS

Long-term debt was as follows at December 31 (dollars in thousands):

	1998	1997
8.55% unsecured and unsubordinated notes due February 15, 2001	$100,000	$100,000
Other	13,653	17,064
Total long-term debt	113,653	117,064
Less amount due within one year	7,332	7,078
Total	$106,321	$109,986

In February 1991, the Company issued $100 million of 8.55% unsecured and unsubordinated notes due February 15, 2001. The notes are not redeemable prior to maturity. The fair values of these notes were estimated to be $106.4 million and $106.7 million at December 31, 1998 and 1997, respectively, based on quoted market prices.

Other long-term debt consists principally of capital leases on equipment. The capital lease obligations bear interest rates of 3.7% to 16.2% and are due through the year 2011. Carrying value materially approximates fair value for these obligations.

Maturities of long-term debt for the five years ending December 31, 2003, are $7.3 million, $2.9 million, $101.8 million, $1.0 million and $.1 million, and $.6 million thereafter.

The Company has uncommitted bank lines of credit for $145 million available at variable interest rates. No amounts were drawn on these lines during 1998. The average amount drawn on these lines during 1997 was $3.1 million at a weighted-average interest rate of 6.47%. There was no outstanding

balance at December 31, 1998 and 1997 on these lines of credit. The Company also has in place a $150 million committed line of credit available for borrowing and as support for commercial paper. As of December 31, 1998 and 1997, the Company had no commercial paper outstanding and no indebtedness outstanding under its committed line of credit. Additionally, the Company has 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 acqui-

sitions and repayment or repurchase of outstanding indebtedness and other securities of the Company. As of December 31, 1998 and 1997, no such notes were issued or outstanding.

Minimum future rental payments for leased facilities and equipment for the five years ending December 31, 2003, are $31.6 million, $22.7 million, $10.5 million, $5.7 million and $2.7 million, and $4.5 million thereafter. Rental expense was $45.4 million, $40.9 million and $40.4 million, for 1998, 1997 and 1996, respectively.

Absent certain defined events of default under the Company's $150 million committed credit facility or the indenture related to its outstanding 8.55% unsecured and unsubordinated notes due February 15, 2001, there are no significant contractual restrictions on the ability of the Company to pay cash dividends.

NOTE 12 COMMON STOCK PURCHASE RIGHTS

On February 5, 1988, the Company declared a distribution to shareholders of record on February 22, 1988, of one common stock purchase right for each outstanding share of common stock. These rights were governed by the terms and conditions of a rights agreement entered into by the Company as of February 12, 1988. That agreement was amended and restated as of January 31, 1997 (Restated Agreement).

Pursuant to the Restated Agreement, upon the occurrence of certain events, each right will entitle the holder to purchase one share of common stock at an exercise price of $150. In certain circumstances described in the Restated Agreement, if (i) any person becomes the beneficial owner of 15% or more of the Company's common stock, (ii) the Company is acquired in a merger or other business combination or (iii) upon the occurrence of other events, each right will entitle its holder to purchase a number of shares of common stock of the Company, or the acquirer or the surviving entity if the Company is not the surviving corporation in such a transaction. The number of shares purchasable will be equal to the exercise price of the right divided by 50% of the then-current market price of one share of common stock of the Company, or other surviving entity (i.e., at a 50% discount), subject to adjustments provided in the Restated Agreement. The rights expire January 31, 2007, and may be redeemed by the Company at a price of $.01 per right at any time prior to the occurrence of the circumstances described above.

NOTE 13 SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

					Accumulated other comprehensive income	
(Dollars in thousands)	Common shares	Additional paid-in capital	Retained earnings	Unearned compensation	Unrealized gain (loss) on marketable securities	Cumulative translation adjustment
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1995	$ 82,364	$ 1,455	$ 697,036	$ (739)	$ (242)	$ 500
Net income			65,463			
Cash dividends			(121,976)			
Common stock issued	1,106	35,824				
Common stock retired	(1,414)	(37,279)	(9,372)			
Unearned compensation				(198)		
Unrealized fair value adjustments					242	
Translation adjustment						146

Balance, December 31, 1996	82,056	0	631,151	(937)	0	646
Net income			44,672			
Cash dividends			(121,321)			
Common stock issued	985	30,124				
Common stock retired	(1,715)	(25,366)	(29,200)			
Unearned compensation				288		
Translation adjustment						(1,135)
Balance, December 31, 1997	81,326	4,758	525,302	(649)	0	(489)
Net income			145,408			
Cash dividends			(119,682)			
Common stock issued	988	31,613				
Common stock retired	(1,833)	(29,549)	(28,941)			
Unearned compensation				411		
Unrealized fair value adjustments					70	
Translation adjustment						177
Balance, December 31, 1998	$ 80,481	$ 6,822	$ 522,087	$ (238)	$ 70	$ (312)

</TABLE>

NOTE 14 BUSINESS SEGMENT INFORMATION

During the third quarter of 1998, the Company adopted SFAS 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. SFAS No. 131 also establishes standards for related disclosures about products and services, geographic areas and major customers. The adoption of this statement did not affect the Company's results of operations or financial position.

The Company has organized its business units into six operating segments based on the nature of the products and services offered by each: Deluxe Paper Payment Systems, Deluxe Payment Protection Systems, Deluxe Electronic Payment Systems, Deluxe Direct Response, Deluxe Government Services and Deluxe Direct. Deluxe Paper Payment Systems provides check printing services to financial services companies and markets checks and business forms directly to households and small businesses. Deluxe Payment Protection Systems provides payment protection, collection and risk management services to financial institutions and retailers. Deluxe Electronic Payment Systems provides electronic funds transfer processing and software services to the financial and retail industries. Deluxe Direct Response, which was sold in 1998, provided direct marketing, customer database management and related services to the financial industry and other businesses. Deluxe Government Services provides electronic benefits transfer services to state governments. Deluxe Direct, which was sold in 1998, primarily sold greeting cards, stationery, and specialty paper products through direct mail. All segments operate primarily in the United States. Deluxe Electronic Payment Systems also has international operations. No single customer of the Company accounted for more than 10% of net sales in 1998, 1997 or 1996.

The accounting policies of the segments are the same as those described in Note 1. In evaluating segment performance, management focuses on income from operations. This measurement excludes special charges (e.g., restructuring charges, asset impairment charges, charges for legal proceedings, etc.), interest expense, investment income, income tax expense and other non-operating items, such as gains or losses from asset disposals. Corporate expenses are allocated to the segments as a fixed percentage of segment revenues. This allocation includes expenses for various support functions such as human resources, information services and finance and includes depreciation and amortization expense related to corporate assets. The corresponding corporate asset balances are not allocated to the segments. Most intersegment sales are based on current market pricing.

<TABLE>
<CAPTION>

1998 (dollars in thousands)	Deluxe Paper Payment Systems	Deluxe Payment Protection Systems	Deluxe Electronic Payment Systems	Deluxe Direct Response	Deluxe Government Services	Deluxe Direct	Total segments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	

<C>

Net sales from external customers	$1,277,875	$ 214,407	$ 128,976	$ 42,662	$ 43,970	$ 223,906	$1,931,796
Intersegment sales	1,956	1,304	1,880	722			5,862
Operating income (loss) excluding special charges	312,782	29,791	1,803	(20,060)	(7,423)	5,047	321,940
Special charges	11,099	623	1,381	2,513	36,630		52,246
Operating income (loss) including special charges	301,683	29,168	422	(22,573)	(44,053)	5,047	269,694
Segment assets	408,005	103,296	123,328		43,845		678,474
Depreciation and amortization expense	37,731	9,990	13,244	2,213	6,193		69,371
Capital purchases	58,705	13,254	15,508	602	320	1,623	90,012

<CAPTION>

1997 (dollars in thousands)							
Net sales from external customers	$1,287,367	$ 190,559	$ 115,012	$ 49,781	$ 26,965	$ 249,682	$1,919,366
Intersegment sales	786	2,280	1,584	3,187		1,137	8,974
Operating income (loss) excluding special charges	291,626	33,984	(709)	(19,742)	(12,270)	(5,231)	287,658
Goodwill impairment charge			9,361	3,000		70,532	82,893
Other special charges	17,696		3,270	2,000		13,480	36,446
Operating income (loss) including special charges	273,930	33,984	(13,340)	(24,742)	(12,270)	(89,243)	168,319
Segment assets	402,661	92,739	111,486	47,876	32,124	121,824	808,710
Depreciation and amortization expense	34,267	8,830	17,378	8,902	3,580	12,353	85,310
Capital purchases	38,623	9,042	12,226	3,026	690	2,191	65,798

</TABLE>

<TABLE>
<CAPTION>

1996 (dollars in thousands)	Deluxe Paper Payment Systems	Deluxe Payment Protection Systems	Deluxe Electronic Payment Systems	Deluxe Direct Response	Deluxe Government Services	Deluxe Direct	Total segments
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net sales from external customers	$1,274,336	$ 145,507	$ 108,845	$ 46,719	$ 20,894	$ 383,326	$1,979,627
Intersegment sales	406	2,248	181	3,288		3,911	10,034
Operating income (loss) excluding special charges	282,165	29,472	(9,317)	369	(8,776)	(31,016)	262,897
Goodwill impairment charge						111,900	111,900
Other special charges	40,705		6,925			14,500	62,130
Operating income (loss) including special charges	241,460	29,472	(16,242)	369	(8,776)	(157,416)	88,867
Segment assets	419,105	85,698	134,272	17,117	14,358	223,019	893,569
Depreciation and amortization expense	36,188	5,581	17,546	3,687	3,622	28,261	94,885

Capital purchases	54,870	8,896	2,823		1,624	7,699	75,912

</TABLE>

Segment information reconciles to consolidated amounts as follows (dollars in thousands):

<TABLE>
<CAPTION>

OPERATING INCOME INCLUDING SPECIAL CHARGES	1998	1997	1996
<S>	<C>	<C>	<C>
Total segment operating income including special charges	$ 269,694	$ 168,319	$ 88,867
Elimination of intersegment profits	28	99	(1,758)
Unallocated corporate expenses	(23,087)	(12,698)	
Total consolidated operating income including special charges	$ 246,635	$ 155,720	$ 87,109

</TABLE>

1998 unallocated corporate expenses consist of corporate special charges and charges for certain corporate liabilities that are not allocated to the segments. 1997 unallocated corporate expenses consist primarily of corporate special charges.

<TABLE>
<CAPTION>

		December 31,	
TOTAL ASSETS	1998	1997	1996
<S>	<C>	<C>	<C>
Total segment assets	$ 678,474	$ 808,710	$ 893,569
Unallocated corporate assets	524,560	339,654	282,871
Total consolidated assets	$1,203,034	$1,148,364	$1,176,440

</TABLE>

Unallocated corporate assets consist primarily of cash, investments, and fixed assets and intangibles used by the corporate support functions.

<TABLE>
<CAPTION>

DEPRECIATION AND AMORTIZATION EXPENSE	1998	1997	1996
<S>	<C>	<C>	<C>
Total segment depreciation and amortization expense	$ 69,371	$ 85,310	$ 94,885
Depreciation and amortization of unallocated corporate assets	16,413	11,959	11,751
Total consolidated depreciation and amortization expense	$ 85,784	$ 97,269	$ 106,636

</TABLE>

<TABLE>
<CAPTION>

CAPITAL PURCHASES	1998	1997	1996
<S>	<C>	<C>	<C>
Total segment capital purchases	$ 90,012	$ 65,798	$ 75,912
Corporate capital purchases	31,263	43,702	16,126
Total consolidated capital purchases	$ 121,275	$ 109,500	$ 92,038

</TABLE>

Corporate capital purchases consist primarily of a new financial information system and various other information system enhancements.

Revenues are attributed to geographic areas based on the location of the assets producing the revenues. The Company's operations by geographic area are as follows (dollars in thousands):

<TABLE>
<CAPTION>

	Net sales from external customers			Long-lived assets December 31,	
	1998	1997	1996	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
United States	$1,905,294	$1,882,100	$1,935,996	$ 341,531	$ 409,177

Foreign countries	26,502	37,266	43,631	3,029	5,831
Total consolidated	$1,931,796	$1,919,366	$1,979,627	$ 344,560	$ 415,008

</TABLE>

NOTE 15 LEGAL PROCEEDINGS

During 1997, a judgment was entered against Deluxe Electronic Payment Systems, Inc. (DEPS), in the U.S. District Court for the Western District of Pennsylvania. The case was brought against DEPS by Mellon Bank in connection with a potential bid to provide electronic benefit transfer services for the Southern Alliance of States. In September 1997, the Company recorded a pretax charge of $40 million to reserve for this judgment and other related costs. This charge was reflected in other expense in the 1997 consolidated income statement. At December 31, 1997, the remaining liability for this obligation was $40 million and was classified as other long-term liabilities in the consolidated balance sheet.

In 1998, Mellon's motion for prejudgment interest was denied by the district court and the Company reversed $4.2 million of the $40 million liability. This reversal is reflected in other income in the 1998 consolidated statement of income. In January 1999, the United States Court of Appeals for the Third Circuit affirmed the judgment of the district court. At December 31, 1998, the remaining liability of $34.4 million was classified as other accrued liabilities in the consolidated balance sheet.

NOTE 15 SUBSEQUENT EVENTS (UNAUDITED)

In February 1999, the Company acquired all of the outstanding shares of eFunds Corporation for $13 million. eFunds provides electronic check conversion solutions for financial services companies and retailers. This acquisition was accounted for under the purchase method of accounting. Accordingly, the consolidated financial statements of the Company will include the results of this business subsequent to its acquisition date. The purchase price was allocated to the assets acquired and liabilities assumed based on their fair values on the date of purchase. The estimated total cost in excess of net assets acquired of $15.7 million will be reflected as goodwill and will be amortized over 10 years. The effect of this acquisition was not material to the operations or financial position of the Company.

In January 1999, the Company's appeal of the judgment against its subsidiary, Deluxe Electronic Payment Systems, Inc., was denied by the Third Circuit Court of Appeals and the Company paid $32.2 million to Mellon Bank in February 1999. The Company is reviewing whether a further appeal is warranted (see Note 15).

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Deluxe Corporation:

We have audited the accompanying consolidated balance sheets of Deluxe Corporation and its subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, comprehensive income and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Deluxe Corporation and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP
Minneapolis, Minnesota
January 26, 1999

SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)

1998 Quarter Ended (dollars in thousands, except per share amounts)		March 31	June 30	September 30	December 31
Net sales		$ 488,970	$ 474,791	$ 469,770	$ 498,265
Cost of sales		223,612	219,571	254,638	214,959
Net income		43,571	42,255	2,828(1)	56,754
Per share of common stock	Net income - basic	.54	.52	.04	.71
	Net income - diluted	.54	.52	.04	.70
	Cash dividends	.37	.37	.37	.37

1997 Quarter Ended (dollars in thousands, except per share amounts)		March 31	June 30	September 30	December 31
Net sales		$ 490,104	$ 463,750	$ 466,908	$ 498,604
Cost of sales		227,195	214,854	222,516	218,622
Net income (loss)		41,425	37,457	(67,515)(2)	33,305
Per share of common stock	Net income (loss) - basic	.50	.46	(.82)	.41
	Net income (loss) - diluted	.50	.46	(.82)	.41
	Cash dividends	.37	.37	.37	.37

(1) 1998 THIRD QUARTER RESULTS INCLUDE A PRETAX CHARGE OF $70.2 MILLION. SEE PAGE 6 OF MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FURTHER DISCUSSION.

(2) 1997 THIRD QUARTER RESULTS INCLUDE A PRETAX CHARGE OF $180 MILLION. SEE PAGE 7 OF MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FURTHER DISCUSSION.

BOARD OF DIRECTORS

J.A. BLANCHARD III
Chairman of the Board, President and Chief Executive Officer, Deluxe Corporation

CALVIN W. AURAND, JR.
Former Chairman, President and Chief Executive Officer, Banta Corporation

BARBARA B. GROGAN
President and Chief Executive Officer, Western Industrial Contractors, Inc.

DONALD R. HOLLIS
President of DRH Strategic Consulting, Inc., a banking industry consulting company and former Executive Vice President and Chief Technical Officer, First Chicago Corporation

STEPHEN P. NACHTSHEIM*
Vice President, Intel Corporation

EXECUTIVE LEADERSHIP TEAM

J.A. BLANCHARD III
Chairman, President and Chief Executive Officer

LAWRENCE J. MOSNER
Executive Vice President

RONALD E. EILERS
Senior Vice President and General Manager, Deluxe Paper Payment Systems

JOHN H. LEFEVRE
Senior Vice President, Secretary and General Counsel

THOMAS W. VANHIMBERGEN
Senior Vice President and Chief Financial Officer

SONIA ST. CHARLES
Vice President, Human Resources

JAMES J. RENIER
Former Chairman and Chief Executive Officer,
Honeywell, Inc.

JACK ROBINSON*
Vice President of Finance, Home & Small Business
Group, Dell Computer Corporation

ROBERT C. SALIPANTE*
Senior Vice President, ReliaStar Financial
Corporation

HATIM A. TYABJI
Chairman and Chief Executive Officer, Saraide, Inc.
</TABLE>

*AUDIT COMMITTEE

[PHOTO] WHITNEY MACMILLAN

[PHOTO] ALLEN F. JACOBSON

MACMILLAN, JACOBSON RETIRE
The Company extends its appreciation to directors Whitney MacMillan and Allen F. Jacobson for their service to Deluxe shareholders. Mr. MacMillan, former chairman and CEO of Cargill, Inc., joined the board in 1988 and will retire in May. Mr. Jacobson, former chairman and CEO of 3M Company, retired in January, having joined the board in 1991.

SHAREHOLDER INFORMATION

QUARTERLY STOCK DATA The chart below shows the per-share price range of the Company's common stock for the past two fiscal years as quoted on the New York Stock Exchange.

[BAR CHART]
<TABLE>
<CAPTION>
STOCK PRICE RANGE (DOLLARS) - = closing price

	1997 (Quarters)				1998 (QUARTERS)			
	1	2	3	4	1	2	3	4
40								
35								
30								
25								
HIGH	33 5/8	34 9/16	35 7/8	37	35 11/16	35 3/4	37 15/16	37
LOW	29 3/4	29 3/4	32 5/16	31 1/4	32 1/2	31 3/8	28 3/8	26 3/8
CLOSE	32 1/4	34 1/8	33 9/16	34 1/2	32 15/16	35 3/4	28 7/16	36 9/16

</TABLE>

STOCK EXCHANGE Deluxe Corporation common stock is traded on the New York Stock Exchange under the symbol DLX.

ANNUAL MEETING The annual meeting of the shareholders of Deluxe Corporation will be held Tuesday, May 4, 1999, at 5 p.m. in the Nicollet Grand Ballroom, main level, at the Hyatt Regency Minneapolis, 1300 Nicollet Mall, Minneapolis, Minnesota.

FORM 10-K AVAILABLE A copy of Form 10-K (Annual Report) filed with the Securities and Exchange Commission by the Company may be obtained without charge by calling 1-888-359-6397 (1-888-DLX-NEWS) or by sending a written request to Stuart Alexander, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235.

SHAREHOLDER INQUIRIES Requests for additional information should be sent to corporate headquarters to the attention of:
Stuart Alexander, Vice President
(651) 483-7358

EXECUTIVE OFFICES
STREET ADDRESS:
3680 Victoria St. N.
Shoreview, Minnesota 55126-2966

MAILING ADDRESS:
P.O. Box 64235
St. Paul, Minnesota 55164-0235
(651) 483-7111

STOCK OWNERSHIP AND RECORD KEEPING
Norwest Bank Minnesota N.A.
Stock Transfer Department
161 N. Concord Exchange
P.O. Box 64854
St. Paul, Minnesota 55164-0854
(800) 468-9716
(651) 450-4064
E-mail: shareowner@aol.com

TOLL-FREE SHAREHOLDER INFORMATION LINE You may dial 1-888-359-6397 (1-888-DLX-NEWS) to listen to the latest financial results, dividend news and other information about Deluxe or to request copies of our annual report, 10-K, 10-Q, proxy statement, news releases and financial presentation information.

PLANNED RELEASE DATES Quarterly results: Thursday, April 22, July 15, October 14; Tuesday, January 25. Dividends are announced the second week of February, May, August and November.

WEB SITE Visit our home page at www.deluxe.com

FORWARD-LOOKING STATEMENTS We use "forward-looking," as defined in the Private Securities Reform Act of 1995, in this year's annual report. These statements, such as the Company's statements regarding earnings growth targets for 1999 and 2000, typically address management's present expectations about future performance and typically include wording such as "should result," "targeted," "expect," "anticipate," "estimate" or similar expressions. Because of the unavoidable risks and uncertainties of predicting the future, Deluxe's actual results may vary from management's current expectations. These variations may be significant and may not always be positive. Additional information about factors that may affect our current estimates appears in Exhibit 99 to our Form 10-K filed with the Securities and Exchange Commission on March 31, 1999. To obtain a copy, we encourage investors to call our shareholder information line (1-888-359-6397).

Exhibit 21.1

DELUXE CORPORATION SUBSIDIARIES

Chex Systems, Inc. (Minnesota
Deluxe Checks Unlimited, Inc. (Colorado)
Deluxe Canada, Inc. (Canada)
Deluxe Check Printers, Inc. (Minnesota)
Deluxe Check Texas, Inc. (Minnesota)
Deluxe Data International Limited (United Kingdom)
Deluxe Electronic Payment Systems, Inc. (Delaware)
Deluxe Electronic Benefits, Inc.
Deluxe Financial Services, Inc. (Minnesota)
Deluxe Financial Services Texas, L.P. (Texas)
Deluxe-HCL, Inc. (Delaware) (100% owned by HCL-Deluxe N.V.)
Deluxe Holdings (Netherlands) B.V. (Netherlands)
Deluxe Mexicana S.A. de C.V. (Mexico)
Deluxe Overseas, Inc. (Minnesota)
Deluxe Payment Protection Systems, Inc. (Delaware)
DLX Holdings Limited (United Kingdom)
eFunds Corporation (California)
HCL-Deluxe N.V. (Netherlands) (50% owned)
HCL-Deluxe Private Limited (India) (100% owned by HCL-Deluxe N.V.)
NRC Holding Corporation (Delaware)
National Credit Services Corporation (Missouri)
National Receivables Corporation (Ohio)
National Revenue Corporation (Ohio)
United Creditors Alliance Corporation (Ohio)
United Creditors Alliance International Limited (United Kingdom)

Exhibit 24.1

POWER OF ATTORNEY

Each of the undersigned directors and officers of DELUXE CORPORATION, a Minnesota corporation, hereby constitutes and appoints John A. Blanchard III, Thomas W. VanHimbergen and John H. LeFevre his true and lawful attorneys-in-fact, and each of them, with full power to act without the other, to sign the Company's annual report on Form 10-K for the year ended December 31, 1998, and any and all amendments to such report, and to file the same and any such amendment, with any exhibits, and any other documents required in connection with such filing, with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934. Date

/s/ John A. Blanchard III 1/29/99

John A. Blanchard III, Director and Principal Executive Officer

/s/ Thomas W. VanHimbergen 1/29/99

Thomas W. VanHimbergen, Principal
Financial Officer and Principal Accounting Officer

/s/ Whitney MacMillan 1/29/99

Whitney MacMillan, Director

/s/ James J. Renier 1/29/99

James J. Renier, Director

/s/ Barbara B. Grogan 1/29/99

Barbara B. Grogan, Director

Allen F. Jacobson, Director

/s/ Stephen P. Nachtsheim 1/29/99

Stephen P. Nachtsheim, Director

/s/ Calvin W. Aurand, Jr. 1/29/99

Calvin W. Aurand, Jr., Director

/s/ Donald R. Hollis 1/29/99

Stephen P. Nachtsheim, Director

/s/ Robert C. Salipante 1/29/99

Robert C. Salipante, Director

/s/ Jack Robinson 1/29/99

Jack Robinson, Director

/s/ Hatim A. Tyabji 1/29/99

Hatim A. Tyabji, Director

Exhibit 99.1

RISK FACTORS AND CAUTIONARY STATEMENTS

When used in this Annual Report on Form 10-K and in future filings by the Company with the Securities and Exchange Commission (the "Commission"), in the Company's press releases, letters to shareholders and in oral statements made by the Company's representatives, the words or phrases "should result," "are expected to," "targeted," "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 the Company's current Quarterly Report on Form 10-Q for the quarter ended September 30, 1998.

Earnings Estimates; Cost Reductions. From time to time, 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 11 to 15 percent annual growth in earnings in1999 and 2000, 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. In addition, it is not expected that the earnings growth projected for 1999 and 2000 will be representative of results that may be achieved in subsequent years.

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, 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 the reasonableness of the assumptions on which they are based.

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 projected annual 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 previously experienced unanticipated delays in the planned roll-out of its on-line ordering system. Although the Company began converting customers to this new system in the fourth quarter of 1998 and believes that the delays it has experienced in the past 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 the achievement of the expected productivity improvements 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 throughout the Company's operations. These additional efforts include the consolidation of the Company's purchasing process and certain administrative and sales 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

still being evaluated by the Company. Unexpected delays, complicating factors and other hindrances are common in the implementation of these types of endeavors and can arise from a variety of sources, some of which are likely to have been unanticipated. The Company may also incur additional charges against its earnings in connection with future 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.

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.

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 or that any such loss can be counterbalanced through the addition of new customers or by expanded sales to the Company's remaining customers.

Revised Analytic Approach. The Company has announced that it is applying a new methodology for evaluating the Company's projected return on various forms of investment. The use of this methodology represents a revised analytic approach by the Company and the long-term benefits to be derived therefrom cannot presently be precisely determined.

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 or delivery 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 similar pressures can reasonably be expected in the future, although the timing and amount of reduced profits that may result from such pressure is not ascertainable.

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. The Company believes that there will continue to be a substantial market for checks for the foreseeable future, although a reduction in the volume of checks used by consumers is expected. The rate and the extent to which alternative payment methods will achieve consumer acceptance and replace checks cannot, however, 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.

Although the Company believes that is recent acquisition of eFunds Corporation ("eFunds") may enable it to prolong the viability of the paper check as a payment mechanism by accelerating processing times and reducing processing costs, there can be no assurance that the check conversion technology developed by eFunds and its competitors will achieve widespread market or consumer acceptance or have a measurable impact on the market for the Company's principal product.

Debit Bureau. The Company has announced its intention 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 the first service enhanced with this data Fraud FinderSM, will be commercially released when scheduled or that it will generate

revenues in material amounts. Further, there can be no assurance that the Company's Debit BureauSM initiative will result in the introduction of a significant number of new products or services or the generation of incremental revenues or profits 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.

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. 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 achieve its 1999 revenue target of $25 million or that it will ever generate significant revenues or profits or provide an adequate return on the Company's investment.

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.

Year 2000 Readiness Disclosure. In 1996, the Company initiated a company-wide program to prepare its computer systems, applications and embedded chip equipment and third-party suppliers/customers for the year 2000. Although the

Company presently believes that with the planned modifications to existing systems and the replacement or retirement 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, there can be no absolute assurances in this regard. The Company's business operations, as well as its ability to provide products and services to its customers without undue delay or interruption, could be at risk in the event unanticipated year 2000 issues arise. In addition, there can be no absolute assurances that unanticipated expenses related to the Company's ongoing year 2000 compliance efforts will not be incurred. 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 and there can be no assurance that the Company's contingency plans will adequately mitigate the effects of any third party noncompliance. In addition, it is unrealistic to assume that the Company could remain unaffected if the year 2000 issue results in a widespread economic downturn. Also, it is possible that the Company's insurance carriers could assert that its existing liability insurance programs do not cover liabilities arising out of any operational problems associated with the advent of the year 2000.

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