UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1 TO

[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, as amended hereby (the "Amended Annual Report"), are incorporated by reference in Parts I and II.

PART I

ITEM 1. NARRATIVE DESCRIPTION OF BUSINESS

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The information appearing under the caption "Note 14. Business Segment Information" on pages 32-34 of the Amended Annual Report 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 34 of the Amended Annual Report is incorporated by reference.

PART II

ITEM 6. SELECTED FINANCIAL DATA

The information appearing under the caption "Five-year Summary" on page 12 of the Amended 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 1 through 10 of the Amended Annual Report is incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements, notes and independent auditors' report on pages 13 through 36 of the Amended Annual Report and the information appearing under the caption "Summarized Quarterly Financial Data" (unaudited) on page 37 of the Amended Annual Report is incorporated by reference.

On December 31, 1998, the registrant received a number of questions and comments from the Securities and Exchange Commission's Division of Corporate Finance (the "Division") with respect to the registrant's Annual Report on Form 10-K for the year ended December 31, 1997 and its quarterly Report on Form 10-Q for the Quarter ended September 30, 1998. From January through September of 1999, representatives of the registrant and the Division engaged in an extensive dialog concerning the comments raised by the Division. The principal focus of these discussions related to the $36.4 million accrual

recorded by the registrant in the third quarter of 1998 to reserve for expected future losses on the existing long-term contracts and relationships of its Deluxe Government Services segment.

In the first quarter of 1999, the registrant determined that one relationship included in the 1998 loss accrual should no longer be included because the definitive agreement between the registrant and the prime contractor remains subject to negotiation. By not considering this relationship in the charge for expected future losses, $4.3 million of assets dedicated to this relationship were exposed to impairment. The resulting reclassification between accrued contract/relationship losses and the write-off of the long-lived assets dedicated to this relationship was recorded in the first quarter of 1999.

As a result of extended discussions with the Division, the registrant concluded its method of calculating a contract's costs should exclude the depreciation and amortization associated with any assets related to that contract which are determined to be impaired pursuant to the registrant's policy on impairment of long-lived assets. The principal impact of this revised methodology is to record an asset impairment charge of $26.3 million at September 30, 1998. In calculating the impairment charge, the Company determined that the assets utilized by this business have no fair market value. Thus, the long-lived assets of this business were reduced to a carrying value of $0. In addition, the Company revised the amount of the reserve recorded for expected future losses on long-term service contracts and relationships and reversed $21.7 million of the original loss reserve at September 30, 1998. In effect, this revised approach results in the immediate recognition by the registrant of the impairment of the assets employed on its loss contracts, as opposed to depreciating those assets over time and including the amount of such depreciation in the estimated amount of the future losses from these long-term service contracts.

As a collorary to the revised methodology, however, the assets associated with the profitable long-term service contracts of the registrant's Deluxe Government Services segment must also be written-off. Originally, these assets were not encompassed within the loss contract accrual because the related contracts were profitable. Incorporating the assets employed on the profitable contracts into the impairment analysis increases the impaired asset write-down by an additional $4.6 million as of September 30, 1998 and increases the amount of the registrant's third quarter charge by an equivalent amount. This additional write-down, in conjunction with the related reduction in the amount of depreciation expense in the fourth quarter of 1998, reduced the Company's after-tax reported earnings by $2.9 million, or $.04 per share, for the quarter ended September 30, 1998 and by $2.3 million, or $.03 per share for the year ended December 31, 1998. The other primary effects of the revised methodology are presented in the revised financial statements included in the Amended Annual Report.

The registrant has recently been notified that the prime contractor for a number of states and state coalitions for which the registrant's Deluxe Government Services business provides switching services does not intend to renew its switching agreement with the registrant. The registrant's Deluxe Government Services business is currently negotiating with the contractor

regarding the timing and cost of this transition and the subsequent conversion of the

switching services to a third party. The registrant will adjust the charge described above when the results of these negotiations are reasonably estimable. It is possible that the loss of this contract and revenue stream will require the registrant to record an additional accrual.

For purposes of this 10-K/A, and in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the registrant has amended and restated in its entirety each item of its Annual Report on Form 10-K which has been affected by the financial statement restatement. In order to preserve the nature and character of the disclosures set forth in such items as of the original filing date of such Report, this Form 10-K/A does not otherwise modify the disclosures in that report which were not affected by the restatement.

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:

<TABLE>
<CAPTION>

Financial Statements	Page in Amended Annual Report
<S>	<C>
Consolidated Balance Sheets for the years ended December 31, 1998 and 1997	13
Consolidated Statements of Income for each of the three years in the period ended December 31, 1998	14
Consolidated Statements of Comprehensive Income for each of the three years in the period ended December 31, 1998	14
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1998	15
Notes to Consolidated Financial Statements	16 - 35
Independent Auditors' Report	36
Supplemental Financial Information (Unaudited):	
Summarized Quarterly Financial Data	37
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

</TABLE>

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

<TABLE>
<CAPTION>

Exhibit Number	Description	Method of Filing
<S>	<C>	<C>
12.5	Amended Statement re: computation of ratios	Filed herewith

</TABLE>

<TABLE>

<S>	<C>	<C>
13.1	1998 Annual Report to shareholders (as amended September 24, 1999).	Filed herewith
13.2	Amended Financial Highlights to the 1998 Annual Report	Filed herewith
23.1	Consent of Experts and Counsel (incorporated by reference to page F-1 of this Amended Annual Report on Form 10-K).	*
24.1	Power of attorney (incorporated by reference to Exhibit 24.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).	*

27.5	Amended Financial Data Schedule for the year ended December 31, 1998.	Filed herewith

</TABLE>

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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: October 7, 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 October 7,1999.

<TABLE>
<CAPTION>

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)
/s/ Lawrence J. Mosner Lawrence J. Mosner	Vice-Chairman of the Board of Directors
* James J. Renier	Director
* Barbara B. Grogan	Director
* Stephen P. Nachtsheim	Director
* Calvin W. Aurand, Jr.	Director
* Donald R. Hollis	Director
*	

</TABLE>

<TABLE>

Robert C. Salipante	Director

* ------------------------------------- Jack Robinson	Director
* ------------------------------------- Hatim A. Tyabji	Director

*By:/s/ John A. Blanchard III

John A. Blanchard III
Attorney-in-Fact

</TABLE>

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, September 24, 1999, as to Note 16 (which expresses an unqualified opinion and includes explanatory paragraph relating to the restatement described in Note 16), incorporated by reference in this Amendment No. 1 to the 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
October 4, 1999

EXHIBIT INDEX

The following exhibits are filed as part of this report:

Exhibit Number	Description	Page Number
12.5	Amended Statement re: computation of ratios	
13.1	1998 Annual Report to Shareholders (as amended September 24, 1999)	
13.2	Amended Financial Highlights to the 1998 Annual Report	
27.5	Amended Financial Data Schedule for the year ended December 31, 1998	

DELUXE CORPORATION EXHIBIT 12.5

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended December 31, 1998 (As restated)(1)	Years Ended December 31, 1997	1996	1995	1994	1993	1992
Earnings							
Income from Continuing Operations before Income Taxes	$242,915	$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	$266,436	$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:	10.7	5.9	5.6	6.7	11.2	10.9	12.2

(1)Subsequent to the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and after discussions with the Securities and Exchange Commission, which concluded in September 1999, the Company revised its accounting treatment for future losses on long-term contracts and relationships and its calculation of impairment charges on long-lived assets related to the Company's Deluxe Government Services segment. As a result, the Company has restated its financial information for the year ended December 31, 1998. See Note 16 in the Notes to Consolidated Financial Statements contained in the Company's Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 1998.

EXHIBIT 13.1

DELUXE CORPORATION

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

INTRODUCTION

This Amendment to the Annual Report on Form 10-K of Deluxe Corporation (the "Company") for the year ended December 31, 1998, gives effect to certain changes resulting from discussions with the Staff of the Securities and Exchange Commission which were concluded in September 1999 concerning the accounting treatment of the expected future losses on long-term contracts and relationships of the Company's Deluxe Government Services segment.

As discussed in Note 16 to the Notes to Consolidated Financial Statements, subsequent to the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and after discussions with the Securities and Exchange Commission, which concluded in September 1999, the Company revised its accounting treatment for future losses on long-term contracts and relationships and its calculation of impairment charges on long-lived assets related to the Company's Deluxe Government Services segment.

Such revisions for the year ended December 31, 1998 consisted of asset impairment charges of $26.3 million on long-lived assets, offset by reductions of $20.7 million in accrued contract/relationship losses and $2.0 million related to depreciation and amortization expense, for a net charge to cost of sales of $3.6 million and a reduction in net income of $2.3 million, net of a tax benefit of $1.3 million. As a result of these adjustments, basic and diluted net income per share for the year ended December 31, 1998 decreased to $1.77 per share from $1.80 per share. The accompanying financial information for the year ended December 31, 1998 has been restated to give effect to these revised calculations.

This discussion summarizes the significant factors that affected the consolidated operating results and financial condition of the Company 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 and online medical eligibility verification services to the State of New York. 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 $143.1 million, compared to $44.7 million in 1997 and $65.5 million in 1996. Basic earnings per share were $1.77 in 1998, compared to $.55 in 1997 and $.80 in 1996. Return on average assets was 12.3% for 1998, compared to 3.8% in 1997 and 5.3% in 1996. Return on average shareholders' equity was 23.5% in 1998, compared to 6.8% in 1997 and 8.8% in 1996. These results included pretax reorganization and other special charges of $74.7 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 $74.7 million. These consisted of restructuring charges of $39.5 million, losses on existing contracts and relationships of the Deluxe Government Services segment of $14.7 million, and an asset impairment charge of $26.3 million on the long-lived assets of the Deluxe Government Services segment, 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 and the impairment of the long-lived assets of this 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 $51.6 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 $14.7 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 52.6% 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 .3% in 1998, reflecting increased volume and lower depreciation and amortization expense due to the asset impairment charge recorded 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 41.1% 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 $143.1 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 $189.7 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 $181.3 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 83.7% 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 the 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.

SIGNATURE	TITLE
By /s/ John A. Blanchard III John A. Blanchard III	Chairman of the Board of Directors, President and Chief Executive Officer
By /s/ Thomas W. VanHimbergen Thomas W. VanHimbergen	Senior Vice President and Chief Financial Officer

September 24, 1999

FIVE-YEAR SUMMARY

<TABLE>
<CAPTION>

***Years ended December 31 (dollars in thousands, except per share amounts)	1998 (AS RESTATED)(1)	1997	1996	1995	1994
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	99,852	70,478	53,302	74,885	102,453
Income from continuing operations(2)	143,063	44,672	65,463	94,434	144,253
Return on sales	7.41%	2.33%	3.31%	4.88%	7.87%
Per share - basic	1.77	.55	.80	1.15	1.75
Per share - diluted	1.77	.55	.79	1.15	1.75
Return on average shareholders' equity	23.51%	6.75%	8.77%	11.84%	17.86%
Return on average assets	12.33%	3.84%	5.30%	7.40%	11.50%
Net income(2)	143,063	44,672	65,463	87,021	140,866
Per share - basic	1.77	.55	.80	1.06	1.71
Per share - diluted	1.77	.55	.79	1.06	1.71
Cash dividends per common share	1.48	1.48	1.48	1.48	1.46
Shareholders' equity	606,565	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	83,816	81,143	106,636	103,303	85,906
Working capital increase (decrease)	50,248	22,911	95,857	(118,116)	(94,086)
Total assets	1,171,519	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(3)	15.20%	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)Subsequent to the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and after discussions with the Securities and Exchange Commission, which concluded in September 1999, the Company revised its accounting treatment for future losses on long-term contracts and relationships and its calculation of impairment charges on long-lived assets related to the Company's Deluxe Government Services segment. As a result, the Company has restated its financial information for the year ended December 31, 1998. See Note 16 in the Notes to Consolidated Financial Statements contained in the Company's Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 1998.

(2)Income from continuing operations and net income include reorganization and other special charges each year. See Management's discussion and analysis on page 2.

(3)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 (AS RESTATED, SEE NOTE 16)	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	56,554	50,345
Prepaid expenses and other current assets	62,961	48,849
Total current assets	612,001	512,613
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	507,680	562,983
Total	763,922	890,085
Less accumulated depreciation	423,845	475,077
Property, plant and equipment--net	340,077	415,008
INTANGIBLES		
Cost in excess of net assets acquired--net	42,836	54,435
Internal use software--net	116,734	74,584
Other intangible assets--net	14,663	38,814
Total intangibles	174,233	167,833
Total assets	$1,171,519	$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	33,075	31,960
Accrued rebates	34,712	36,708
Accrued contract/relationship losses	14,697	
Other	185,022	129,263
Long-term debt due within one year	7,332	7,078
Total current liabilities	430,695	381,555
LONG-TERM DEBT	106,321	109,986
DEFERRED INCOME TAXES	27,519	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	519,742	525,302
Unearned compensation	(238)	(649)
Accumulated other comprehensive income	(242)	(489)
Shareholders' equity	606,565	610,248
Total liabilities and shareholders' equity	$1,171,519	$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 (AS RESTATED, SEE NOTE 16)	1997	1996
<S>	<C>	<C>	<C>
NET SALES	$1,931,796	$1,919,366	$1,979,627
OPERATING EXPENSES			
Cost of sales	916,405	883,187	983,444
Selling, general and administrative	772,381	797,566	797,174
Goodwill impairment charge		82,893	111,900

Total	1,688,786	1,763,646	1,892,518
INCOME FROM OPERATIONS	243,010	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	242,915	115,150	118,765
PROVISION FOR INCOME TAXES	99,852	70,478	53,302
NET INCOME	$ 143,063	$ 44,672	$ 65,463
NET INCOME PER SHARE - BASIC	$ 1.77	$ .55	$ .80
NET INCOME PER SHARE - DILUTED	$ 1.77	$ .55	$ .79
CASH DIVIDENDS PER COMMON SHARE	$ 1.48	$ 1.48	$ .48

</TABLE>
See Notes to Consolidated Financial Statements***

***CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

Years Ended December 31 (dollars in thousands)	1998 (AS RESTATED, SEE NOTE 16)	1997	1996
<S>	<C>	<C>	<C>
NET INCOME	$143,063	$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 adjustments for gains included in net income	(46)		
Other comprehensive income (loss)	247	(1,135)	388
COMPREHENSIVE INCOME	$143,310	$43,537	$65,851
RELATED TAX (EXPENSE) BENEFIT OF OTHER COMPREHENSIVE INCOME:			
Foreign currency translation adjustments	$ (124)	$ 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 (AS RESTATED, SEE NOTE 16)	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	$143,063	$ 44,672	$ 65,463
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	58,931	54,690	66,269
Amortization of intangibles	24,885	26,453	40,367
Asset impairment charge	26,252	99,019	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	12,146	(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	26,457	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. 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	146,100	94,826
Other intangible assets	69,622	103,682
Total	278,853	$ 322,294
Less accumulated amortization	(104,620)	(154,461)
Intangibles - net	$ 174,233	$ 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. In evaluating whether there is any impairment of long-lived assets associated with long-term service contracts, the amount of any contract loss accrual is excluded from the undiscounted future cash flows associated with the long-lived assets when determining whether those assets are impaired. An impairment loss of $26.3 million was recognized in 1998 on the long-lived assets of the Deluxe Government Services segment (see Note 4). There were no material adjustments in 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..

***LONG-TERM SERVICE CONTRACTS- On occasion, the Company enters into long-term service contracts, which are definitive agreements to provide services over a period of time in excess of one year and with respect to which the Company has no contractual right to adjust the prices or terms at or on which its services are supplied during the term of the contract. Revenues are recognized for all long-term service contracts when the service is performed. Total revenues for some long-term service contracts may vary based on the demand for services. Expenses are recognized when incurred, with the exception of installation costs. Any installation costs are capitalized and recognized ratably over the life of the contract, which approximates the anticipated revenue recognition. Any equipment and software purchased to support a long-term service contract is capitalized and depreciated or amortized over the life of the related contract or the life of the asset, whichever is shorter.

In determining the profitability of a long-term service contract, only direct and allocable indirect costs associated with the contract are included in the calculation. The appropriateness of allocations of indirect costs depends on the circumstances and involves the judgement of management, but such costs may include the costs of indirect labor, contract supervision, tools and equipment, supplies, quality control and inspection, insurance, repairs and maintenance, depreciation and amortization and, in some circumstances, support costs. The method of allocating any indirect costs included in the analysis is also dependent upon the circumstances and the judgement of management, but the allocation method must be systematic and rational. General and administrative costs and selling costs are not included in the analysis. Provisions for estimated losses on long-term service contracts, if any, are made in the period in which the loss first becomes probable and reasonably estimable. Projected losses are based on management's best estimates of a contract's revenue and costs. Actual losses on individual long-term service contracts are compared to the loss projections periodically, with any changes in the estimated total contract loss recognized as they become probable and reasonably estimable.

Certain direct costs associated with the electronic benefits transfer contracts discussed in Note 5 are common to a number of contracts and are attributed to each contract based on its use of the services associated with these common direct costs. Revenues or case counts are used to attribute these costs to individual contracts.

In the event an asset impairment loss is recognized on long-lived assets used to support a long-term service contract, the original estimation of the contract's costs is revised to exclude the depreciation and amortization associated with the impaired assets.***

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).

	1998	1997	1996
Net income per share - basic:			
Net income	$143,063	$44,672	$65,463
Weighted average shares outstanding	80,648	81,854	82,311
Net income per share - basic	$ 1.77	$ .55	$ .80
Net income per share - diluted:			
Net income	$143,063	$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	$ 1.77	$ .55	$ .79

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.

An impairment charge of $26.3 million was recorded in 1998 to write-down the carrying value of long-lived assets of the Deluxe Government Services segment. The assets consist of point-of-sale equipment, internal-use software and capitalized installation costs utilized in the electronic benefits transfer (EBT) activities of this segment. During the third quarter of 1998, management concluded that the operating losses incurred by this business would continue. This is primarily due to the fact that the variable costs associated with supporting benefit recipient activity are higher than originally anticipated and actual transaction volumes are below original expectations. In calculating the impairment charge, the Company determined that the assets utilized by this business have no fair market value. The point-of-sale equipment was purchased via capital leases. The lease buy-out prices for this equipment plus the deinstallation costs exceed the amount equipment resellers are willing to pay for the equipment. The utility of the internal-use software is limited to its use in supporting the EBT business, and the installation costs could not be resold. Thus, the long-lived assets of this business were reduced to a carrying value of $0. This impairment charge is reflected in cost of sales in the 1998 consolidated statement of income.

***NOTE 5: ACCRUED CONTRACT/RELATIONSHIP LOSSES

During the third quarter of 1998, the Company recorded a charge of $14.7 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 and online medical eligibility verification services to the State of New York. 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. This charge was calculated in accordance with the Company's policy on long-term service contracts (see Note 1). ***

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	795,722	751,802
SG&A and goodwill impairment charge	638,428	650,130
Other income (expense)	9,381	(40,862)
Provision for income taxes	104,863	89,928
Net income	152,368	122,090
Net income per share - basic	1.89	1.49
Net income per share - diluted	1.88	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.

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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
<S>	<C>	<C>	<C>	<C>	<C>
Debt securities issued by the U.S. Treasury	$ 17,084		$ (97)	$ 16,987	$ 8,021

and other government agencies					
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
<S>	<C>	<C>	<C>
Current tax provision:			
Federal	$ 73,776	$ 84,392	$ 67,749
State	22,692	14,062	11,794
Total	96,468	98,454	79,543
Deferred tax provision (benefit):			
Federal	3,252	(23,876)	(29,581)
State	132	(4,100)	3,340
Total	$ 99,852	$ 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
<S>	<C>	<C>	<C>
Income tax at Federal statutory rate	$85,020	$40,303	$41,568
State income taxes net of Federal income tax benefit	14,836	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	2,013	(5,621)	(4,339)
Provision for income taxes	$99,852	$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 assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant, and equipment		$20,937		$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		34,656		19,280
Net operating loss carry forwards	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	5,144			
Miscellaneous reserves and accruals	13,414		7,213	
All other	14,679	7,706	9,861	7,111
Subtotal	112,239	65,997	112,690	51,222
Valuation allowance	(17,207)		(17,163)	
Total deferred taxes	$ 95,032	$65,997	$ 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:

<TABLE>
<CAPTION>

	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

</TABLE>

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

<TABLE>
<CAPTION>

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted-average remaining life	Weighted-average exercise price	Number exercisable	Weighted-average exercise price
<S>	<C>	<C>	<C>	<C>	<C>
$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

</TABLE>

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):

<TABLE>
<CAPTION>

***	1998	1997	1996
<S>	<C>	<C>	<C>
Net income:			
As reported	$143,063	$44,672	$65,463
Pro forma	140,510	44,536	63,353
Basic net income per share:			
As reported	$ 1.77	$ .55	$ .80
Pro forma	1.74	.54	.77
Diluted net income per share:			
As reported	$ 1.77	$ .55	$ .79
Pro forma	1.74	.54	.77

***
</TABLE>

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)

</TABLE>

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

<TABLE>
<CAPTION>

	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

</TABLE>

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 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.

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>
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***(Dollars in thousands)	Common shares	Additional paid-in capital	Retained earnings	Unearned compensation	Accumulated other comprehensive income: Unrealized gain (loss) on marketable securities	Accumulated other comprehensive income: Cumulative translation adjustment
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			143,063			
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	$ 519,742	$ (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 and online medical eligibility verification services to the State of New York. 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
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)	(6,498)	5,047	322,865
Special charges	11,099	623	1,381	2,513	41,180		56,796
Operating income (loss) including special charges	301,683	29,168	422	(22,573)	(47,678)	5,047	266,069
Segment assets	408,005	103,296	123,328		12,330		646,959
Depreciation and amortization expense	37,731	9,990	13,244	2,213	4,225		67,403
Capital purchases	58,705	13,254	15,508	602	320	1,623	90,012

</TABLE>

1997 (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
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	14,908	6,902	3,580	697	69,184
Capital purchases	38,623	9,042	12,226	3,026	690	2,191	65,798

***

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
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	$266,069	$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	$243,010	$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	$ 646,959	$ 808,710	$ 893,569
Unallocated corporate assets	524,560	339,654	282,871
Total consolidated assets	$1,171,519	$1,148,364	$1,176,440

***
</TABLE>

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

<TABLE>
<CAPTION>

***DEPRECIATION AND AMORTIZATION EXPENSE	1998	1997	1996
<S>	<C>	<C>	<C>
Total segment depreciation and amortization expense	$67,403	$69,184	$ 94,885
Depreciation and amortization of unallocated corporate assets	16,413	11,959	11,751
Total consolidated depreciation and amortization expense	$83,816	$81,143	$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 (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	$337,048	$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	$340,077	$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 16: RESTATEMENT

Subsequent to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, the management of the Company and the Securities and Exchange Commission ("SEC") had discussions regarding the Company's accounting for expected future losses on long-term service contracts and relationships of the Deluxe Government Services segment. As a result of these discussions, which concluded in September 1999, the Company has revised the amount of the reserve recorded for expected future losses on these contracts and relationships. Additionally, the Company has recorded an asset impairment charge relating to the long-lived assets of this segment.

The Company concluded that any contract loss accrual should be excluded from the undiscounted cash flow analysis used in determining whether or not there is an impairment of long-lived assets. In the situation where an impairment is recorded, the original estimation of contract costs used in the calculation of a contract loss accrual would then require an adjustment to exclude the depreciation and amortization associated with the impaired assets.

Application of the revised methodology modified the calculations related to the Deluxe Government Services segment. Such revisions for the year ended December 31, 1998 consisted of asset impairment charges of $26.3 million on long-lived assets, offset by reductions of $20.7 million in the contract loss accrual and $2.0 million related to depreciation and amortization expense, for a net charge to cost of sales of $3.6 million and a reduction in net income of $2.3 million, net of a tax benefit of $1.3 million. As a result of these adjustments, basic and diluted net income per share for the year ended December 31, 1998 decreased to $1.77 per share from $1.80 per share. The accompanying consolidated financial statements for the year ended December 31, 1998 have been restated to give effect to these revised calculations.

NOTE 17: 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).

REPORT OF INDEPENDENT AUDITORS

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.

As discussed in Note 16, the accompanying 1998 consolidated financial statements have been restated.

/s/ Deloitte & Touche LLP
Deloitte & Touche LLP

Minneapolis, Minnesota
January 26, 1999 (September 24, 1999, as to Note 16)

SUMMARIZED QUARTERLY FINANCIAL DATA (UNAUDITED)
***

<TABLE>
<CAPTION>

1998 Quarter Ended	March 31	June 30	September 30	December 31
<S>	<C>	<C>	<C>	<C>
Net Sales	$488,970	$474,791	$469,770	$498,265
Cost of sales	223,612	219,571	259,188	214,034
Net income (loss)	43,571	42,255	(115)(1)	57,352(1)
Per share of common stock				
Net income - basic	.54	.52	.00	.71
Net income - diluted	.54	.52	.00	.71
Cash dividends	.37	.37	.37	.37

- -- ---------------- ---------------- ---------------- ----------------
***

<CAPTION>

1997 Quarter Ended	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

</TABLE>

(1)***1998 third quarter results include a pretax charge of $74.7 million. See page 2 of Management's discussion and analysis for further discussion. 1998 third and fourth quarter results were restated, as discussed in Note 16 in the Notes to Consolidated Financial Statements. Net income (loss) for the third quarter of 1998 decreased to a net loss of $.1 million from net income of $2.8 million. Net income for the fourth quarter of 1998 increased to $57.4 million from $56.8 million.***

(2)1997 third quarter results include a pretax charge of $180 million. See page 2 of Management's discussion and analysis for further discussion.

EXHIBIT 13.2

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share amounts)	1998 (AS RESTATED)(1)	1997
Net sales	$1,931,796	$1,919,366
Net income(2)	143,063	44,672
Return on sales	7.41%	2.33%
Per share - basic	1.77	.55
Per share - diluted	1.77	.55
Return on average shareholders' equity	23.51%	6.75%
Cash dividends per share	1.48	1.48
Shareholders' equity	606,565	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

(1)Subsequent to the issuance of the Company's Annual Report on Form 10-K for the year ended December 31, 1998, and after discussions with the Securities and Exchange Commission, which concluded in September 1999, the Company revised its accounting treatment for future losses on long-term contracts and relationships and its calculation of impairment charges on long-lived assets related to the Company's Deluxe Government Services segment. As a result, the Company has restated its financial information for the year ended December 31, 1998. See Note 16 in the Notes to Consolidated Financial Statements contained in the Company's Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 1998.

(2)Net income includes reorganization and other special charges in both 1998 and 1997. See page 2 of Management's Discussion and Analysis included in the Company's Amendment No. 1 to the Annual Report on Form 10-K for the year ended December 31, 1998.

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	1.77

NET INCOME
(Dollars in millions)

[BAR CHART]

94	140.9
95	87.0
96	65.5
97	44.7
98	143.1

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<CGS>	916,405
<TOTAL-COSTS>	1,688,786
<OTHER-EXPENSES>	(8,178)
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	8,273
<INCOME-PRETAX>	242,915
<INCOME-TAX>	99,852
<INCOME-CONTINUING>	143,063
<DISCONTINUED>	0
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<CHANGES>	0
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<EPS-BASIC>	1.77
<EPS-DILUTED>	1.77

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