VIAD CORP

FORM 10-Q
(Quarterly Report)

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Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 1998
Commission file number 001-11015

VIAD CORP
(Exact name of registrant as specified in its charter)

DELAWARE	36-1169950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1850 N. CENTRAL AVE., PHOENIX, ARIZONA	85077
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (602) 207-4000

Indicate by check mark whether the registrant (1) has filed all Exchange Act reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes x No

As of October 31, 1998, 99,412,058 shares of Common Stock ($1.50 par value) were outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VIAD CORP
CONSOLIDATED BALANCE SHEET

(000 omitted, except share data)	September 30, 1998	December 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,432	$ 12,341
Receivables, less allowance of $5,024 and $4,805	112,435	131,620
Inventories	74,066	105,331
Deferred income taxes	35,672	29,444
Other current assets	37,219	29,207
	275,824	307,943
Funds, agents' receivables and current maturities of investments restricted for a subsidiary's payment service obligations, after eliminating $90,000 of such funds invested in Viad commercial paper	116,882	617,887
Total current assets	392,706	925,830
Investments restricted for a subsidiary's payment service obligations	2,221,825	1,615,464
Property and equipment	454,712	470,052
Other investments and assets	112,472	113,274
Deferred income taxes	72,841	74,659
Intangibles	847,168	531,034
	$ 4,101,724	$ 3,730,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 128,492	$ 145,641
Accrued compensation	92,574	75,589
Other current liabilities	162,912	134,477
Current portion of long-term debt	34,752	32,291
	418,730	387,998
Payment service obligations	2,345,387	2,248,004
Total current liabilities	2,764,117	2,636,002
Long-term debt	475,053	377,849
Pension and other benefits	67,647	62,988
Other deferred items and insurance reserves	156,991	109,323
Minority interests	2,547	8,378
$4.75 Redeemable preferred stock	6,622	6,612
Common stock and other equity:		
Common stock, $1.50 par value, 200,000,000 shares authorized, 99,739,925 shares issued	149,610	149,610
Additional capital	314,209	291,414
Retained income	298,786	209,127
Unearned employee benefits and other	(146,618)	(121,968)
Unrealized gain on securities classified as available for sale, net of tax	27,490	13,625
Cumulative translation adjustments	(6,215)	(3,022)
Common stock in treasury, at cost, 371,170 and 516,926 shares	(8,515)	(9,625)
Total common stock and other equity	628,747	529,161
	$ 4,101,724	$ 3,730,313

See Notes to Consolidated Financial Statements.

VIAD CORP
STATEMENT OF CONSOLIDATED INCOME

(000 omitted, (except per share data)	Quarter ended September 30, 1998	Quarter ended September 30, 1997	Nine months ended September 30, 1998	Nine months ended September 30, 1997
REVENUES	$ 672,393	$ 622,226	$1,932,244	$ 1,806,897
Costs and expenses:				
Costs of sales and services	596,687	553,971	1,749,677	1,641,286
Corporate activities and nonoperating items, net	5,422	6,910	17,362	22,412
Sale of trade accounts receivable expense	1,123	1,110	3,338	3,330
Interest expense	10,261	11,471	31,668	38,073
Nonrecurring items:				
Provision for payments previously received pursuant to patent litigation			10,642	
Gains on sales of businesses	(26,684)		(47,839)	
Minority interests	1,105	555	1,571	1,039
	587,914	574,017	1,766,419	1,706,140
Income before income taxes	84,479	48,209	165,825	100,757
Income taxes	27,446	14,359	52,791	29,712
INCOME BEFORE EXTRAORDINARY CHARGE	57,033	33,850	113,034	71,045
Extraordinary charge for early retirement of debt, net of tax benefit of $4,554				(8,458)
NET INCOME	$ 57,033	$ 33,850	$ 113,034	$ 62,587
DILUTED NET INCOME PER COMMON SHARE:				
Income before extraordinary charge	$ 0.58	$ 0.36	$ 1.14	$ 0.75
Extraordinary charge				(0.09)
Diluted net income per common share	$ 0.58	$ 0.36	$ 1.14	$ 0.66
BASIC NET INCOME PER COMMON SHARE:				
Income before extraordinary charge	$ 0.60	$ 0.37	$ 1.19	$ 0.77
Extraordinary charge				(0.09)
Basic net income per common share	$ 0.60	$ 0.37	$ 1.19	$ 0.68
Average outstanding common shares	94,595	91,077	94,331	90,547
Additional dilutive shares related to stock-based compensation	4,000	3,162	4,023	2,910
Average outstanding and potentially dilutive common shares	98,595	94,239	98,354	93,457
Dividends declared per common share	$ 0.08	$ 0.08	$ 0.24	$ 0.24
Preferred stock dividends	$ 282	$ 282	$ 846	$ 845

See Notes to Consolidated Financial Statements.

VIAD CORP
STATEMENT OF RETAINED INCOME

Nine months ended September 30, (000 omitted)	1998	1997
Balance, beginning of year	$ 209,127	$ 146,664
Net income	113,034	62,587
Dividends on common and preferred shares	(23,606)	(22,715)
Adjust distribution of consumer products business to Viad stockholders for post-closing settlements		(1,216)
Other	231	186
Balance, end of period	$ 298,786	$ 185,506

See Notes to Consolidated Financial Statements.

VIAD CORP
STATEMENT OF COMPREHENSIVE INCOME

	Quarter ended September 30,		Nine months ended September 30,	
(000 omitted)	1998	1997	1998	1997
Net income	$ 57,033	$ 33,850	$ 113,034	$ 62,587
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities classified as available for sale:				
Holding gains arising during the period	15,912	8,469	19,946	12,370
Reclassification adjustment for realized gains included in net income	(2,427)	(2,084)	(6,081)	(3,201)
	13,485	6,385	13,865	9,169
Foreign currency translation adjustments:				
Holding losses arising during the period	(1,217)	(902)	(3,244)	(1,318)
Reclassification adjustment for sale of investment in a foreign entity included in net income			51	
	(1,217)	(902)	(3,193)	(1,318)
Other comprehensive income	12,268	5,483	10,672	7,851
Comprehensive income	$ 69,301	$ 39,333	$ 123,706	$ 70,438

See Notes to Consolidated Financial Statements.

VIAD CORP
STATEMENT OF CONSOLIDATED CASH FLOWS

Nine months ended September 30, (000 omitted)	1998	1997
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income	$ 113,034	$ 62,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,331	58,995
Deferred income taxes	(10,683)	2,879
Extraordinary charge for early retirement of debt		8,458
Gains on sales of businesses and assets, net	(62,494)	(12,812)
Other noncash items, net	10,461	9,596
Change in operating assets and liabilities:		
Receivables and inventories	(5,754)	(54,958)
Payment service assets and obligations, net	572,776	334,608
Accounts payable and accrued compensation	17,684	(3,612)
Other assets and liabilities, net	8,267	(24,552)
Net cash provided by operating activities	707,622	381,189
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:		
Capital expenditures	(57,466)	(71,178)
Purchase of asset previously leased		(20,997)
Acquisitions of businesses, net of cash acquired	(335,870)	(18,676)
Proceeds from sales of businesses and other assets, net	185,265	177,716
Investments restricted for payment service obligations:		
Proceeds from sales and maturities of securities classified as available for sale	698,273	535,441
Proceeds from maturities of securities classified as held to maturity	85,576	25,061
Purchases of securities classified as available for sale	(1,233,696)	(765,767)
Purchases of securities classified as held to maturity	(96,309)	(97,525)
Investments in and advances to discontinued operations, net		(21,319)
Net cash used by investing activities	(754,227)	(257,244)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:		
Payments on long-term borrowings	(2,408)	(75,780)
Premium paid upon early retirement of debt		(13,012)
Net change in short-term borrowings classified as long-term debt	98,000	(21,003)
Dividends on common and preferred stock	(23,606)	(22,715)
Proceeds from issuances of treasury stock, net of exchanges	14,403	16,373
Common stock purchased for treasury	(17,274)	
Cash payments on swap agreements	(18,419)	(2,273)
Net cash provided (used) by financing activities	50,696	(118,410)
Net increase in cash and cash equivalents	4,091	5,535
Cash and cash equivalents, beginning of year	12,341	4,422
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,432	$ 9,957

See Notes to Consolidated Financial Statements.

VIAD CORP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A--Basis of Preparation

The Consolidated Financial Statements of Viad Corp ("Viad") include the accounts for Viad and all of its subsidiaries. This information should be read in conjunction with the financial statements set forth in the Viad Corp Annual Report to Stockholders for the year ended December 31, 1997.

Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted fueling and ground-handling operations. ASIG's operations were included in Viad's Airline Catering and Services segment until the date of sale.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services. MoneyGram's operations are included in Viad's Travel and Leisure and Payment Services segment results from the date of acquisition.

Effective September 15, 1998, Viad sold its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI"). GLSI's operations were included in Viad's Travel and Leisure and Payment Services segment until the date of sale.

Accounting policies utilized in the preparation of the financial information herein presented are the same as set forth in Viad's annual financial statements except as modified for interim accounting policies which are within the guidelines set forth in Accounting Principles Board Opinion No. 28, "Interim Financial Reporting." The interim consolidated financial information is unaudited. In the opinion of management, all adjustments, consisting only of normal recurring accruals, necessary to present fairly Viad's financial position as of September 30, 1998, and its results of operations and its cash flows for the quarters and nine months ended September 30, 1998 and 1997 have been included. Interim results of operations are not necessarily indicative of the results of operations for the full year.

Certain prior year amounts have been reclassified to conform with the 1998 presentation.

NOTE B--Fiduciary Assets Restricted for Payment Service Obligations

A Viad payment services subsidiary generates funds from the issuance of money orders and other payment instruments, with the related liability classified as "Payment service obligations." The funds are invested primarily in permissible securities, principally debt instruments. Such investments, along with related cash and funds in transit, are restricted by state regulatory agencies for use by the subsidiary to satisfy the liability to pay, upon presentment, the face amount of such payment service obligations. Accordingly, such fiduciary assets are not available to satisfy working capital or other financing requirements of Viad.

Following is a summary of amounts related to the payment service obligations, including excess funds:

(000 omitted)	September 30, 1998	December 31, 1997
Fiduciary Assets:		
Funds, agents' receivables and current maturities of investments restricted for payment service obligations, including $90,000 invested in Viad commercial paper (1)	$ 206,882	$ 707,887
Investments restricted for payment service obligations (2)	2,221,825	1,615,464
	2,428,707	2,323,351
Payment service obligations	2,345,387	2,248,004
Asset carrying amounts in excess of 1:1 funding coverage of payment service obligations (2)	$ 83,320	$ 75,347

(1) See Note E of Notes to Consolidated Financial Statements for description of Viad's revolving bank credit agreement, which supports its commercial paper obligations.
(2) See Note C of Notes to Consolidated Financial Statements for a summary of investments and their classification and carrying amounts in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As detailed therein, securities classified as "available for sale" are carried at fair value, and the fair value of securities classified as "held to maturity" exceeded their carrying amounts by $21,501,000 and $10,724,000 at September 30, 1998, and December 31, 1997, respectively. Accordingly, the aggregate fair value of investments restricted for payment service obligations (less current maturities) was

$2,243,326,000 and $1,626,188,000 at September 30, 1998, and December 31, 1997, respectively; the aggregate fair value of fiduciary assets was $2,450,208,000 and $2,334,075,000 at September 30, 1998, and December 31, 1997, respectively; and the aggregate fair value of fiduciary assets in excess of 1:1 funding coverage of payment service obligations was $104,821,000 and $86,071,000 at September 30, 1998, and December 31, 1997, respectively.

NOTE C--Investments Restricted for Payment Service Obligations

Investments restricted for payment service obligations include the following debt and equity securities:

(000 omitted)	September 30, 1998	December 31, 1997
Securities available for sale, at fair value (amortized cost of $1,617,779 and $1,074,371)	$ 1,662,845	$ 1,096,706
Securities held to maturity, at amortized cost (fair value of $598,038 and $559,497)	576,537	548,773
	2,239,382	1,645,479
Less current maturities	(17,557)	(30,015)
	$ 2,221,825	$ 1,615,464

NOTE D--MoneyGram Acquisition

On May 26, 1998, Viad announced that its cash tender offer for MoneyGram at $17.35 per share had attracted a sufficient number of shares to result in the acquisition of MoneyGram. Approximately 67 percent of the 16,513,800 MoneyGram shares outstanding were tendered. The funding for the MoneyGram shares tendered was financed in early June 1998 with short-term borrowings. Payment for the remaining 33 percent of the outstanding MoneyGram shares was completed on July 10, 1998, with funds from additional short-term borrowings, following approval of an agreement and plan of merger by MoneyGram stockholders.

MoneyGram's operations are included in Viad's Travel and Leisure and Payment Services segment results beginning June 1, 1998. The acquisition was accounted for as a purchase. The purchase price, including acquisition costs, is being allocated to the net tangible and intangible assets acquired based on estimated fair values at the date of acquisition, as follows:

(000 omitted)	
Assets acquired:	
Property and equipment	$ 7,206
Intangibles, primarily goodwill	297,499
Other assets	17,107
Liabilities assumed	(39,352)
Net cash paid	$ 282,460

Viad is still gathering certain information required to complete the allocation of the purchase price. Further adjustments may arise as a result of this analysis.

NOTE E--Debt

At September 30, 1998 and December 31, 1997, Viad classified as long- term debt $148,000,000 and $50,000,000, respectively, of short-term borrowings which, along with the $90,000,000 of commercial paper issued to Viad's payment services subsidiary, are supported by unused commitments under a $300,000,000 long-term revolving bank credit agreement.

As discussed further in Note F of Notes to Consolidated Financial Statements, Viad sold ASIG and GLSI effective April 1, 1998, and September 15, 1998, respectively. The sale proceeds were used to repay short-term borrowings. As discussed in Note D of Notes to Consolidated Financial Statements, Viad completed its cash tender offer for MoneyGram at $17.35 per share in early June. The funding for the acquisition of MoneyGram's shares was financed with short- term borrowings supported by Viad's long-term revolving bank credit agreement.

In late March 1997, Viad repurchased $58,414,000 par value of its 10.5 percent subordinated debentures at a premium, resulting in an extraordinary after-tax charge of $8,458,000.

NOTE F--Nonrecurring Items

Following protracted efforts, including formal mediation, to settle patent infringement litigation initiated by Viad's Payment Services subsidiary, Travelers Express Company, Inc. ("TECI"), against Integrated Payment Systems ("IPS"), a subsidiary of First Data Corporation, TECI petitioned the Federal District Court in May 1998 to set aside a settlement term sheet entered into more than three years previously because of the parties' failure to agree on final settlement terms. At the same time, TECI tendered back to IPS amounts which IPS had paid to TECI pursuant to the term sheet. The Court granted TECI's motion and set a trial date for its patent infringement lawsuit against IPS. While TECI expects a favorable outcome, the timing and amount of recovery pursuant to litigation cannot be assured. Accordingly, TECI recorded a one-time provision in the second quarter of 1998 for the payments received from IPS (which had been reported as income in prior years), plus interest thereon and related expenses totaling $10,642,000 ($6,917,000 after-tax).

Effective April 1, 1998, Viad sold ASIG. ASIG's operations were included in Viad's Airline Catering and Services segment until the date of sale. After repaying short-term borrowings with proceeds of the sale, Viad terminated certain related interest rate swap agreements. The gain on the sale of ASIG, after deducting costs of sale and related expense provisions, was $21,155,000 ($13,201,000 after-tax).

Effective September 15, 1998, Viad sold GLSI. GLSI's operations were included in Viad's Travel and Leisure and Payment Services segment until the date of sale. The gain on sale, after deducting costs of sale and related expense provisions was $26,684,000 ($15,650,000 after-tax).

NOTE G--Income Taxes

A reconciliation of the provision for income taxes and the amount that would be computed using statutory federal income tax rates on income before income taxes for the nine months ended September 30, is as follows:

(000 omitted)	1998	1997
Computed income taxes at statutory federal income tax rate of 35%	$ 58,039	$ 35,265
Nondeductible goodwill amortization	2,816	2,637
Minority interests	550	364
State income taxes	4,812	3,501
Tax-exempt income	(15,496)	(11,518)
Adjustment to estimated annual effective rate	650	500
Other, net	1,420	(1,037)
Provision for income taxes	$ 52,791	$ 29,712

NOTE H--Supplementary Information--Revenues and Operating Income

	Quarter ended September 30,		Nine months ended September 30,	
(000 omitted)	1998	1997	1998	1997
Revenues:				
Airline Catering and Services:				
Catering	$ 237,083	$ 213,625	$ 669,149	$ 596,488
Fueling and ground-handling (sold as of 4/1/98)		30,912	30,594	90,867
	237,083	244,537	699,743	687,355
Convention Services	187,276	181,310	625,448	612,977
Travel and Leisure and Payment Services (1)	206,754	148,148	471,194	365,540
Duty-free and ship-board concessions (sold as of 9/15/98)	41,280	48,231	135,859	141,025
	248,034	196,379	607,053	506,565
	$ 672,393	$ 622,226	$ 1,932,244	$1,806,897
Operating Income:				
Airline Catering and Services (2):				
Catering	$ 23,006	$ 21,708	$ 53,717	$ 50,044
Fueling and ground-handling (sold as of 4/1/98)		2,634	2,723	8,744
	23,006	24,342	56,440	58,788
Convention Services (2)	16,435	14,046	63,492	54,273
Travel and Leisure and Payment Services (1)(2):				

Before nonrecurring item and duty-free and shipboard concessions	34,106	27,084	54,780	44,773
Nonrecurring item (3)			(10,642)	
Duty-free and shipboard concessions (sold as of 9/15/98)	2,159	2,783	7,855	7,777
	36,265	29,867	51,993	52,550
Total principal business segments (2)(3)	75,706	68,255	171,925	165,611
Corporate activities and nonoperating items, net (2)	(5,422)	(6,910)	(17,362)	(22,412)
Sale of trade accounts receivable expense	(1,123)	(1,110)	(3,338)	(3,330)
	$ 69,161	$ 60,235	$ 151,225	$ 139,869

(1) A Viad payment services subsidiary is investing increasing amounts in tax-exempt securities. On a fully taxable equivalent basis, revenues and operating income would be higher by $10,459,000 and $7,103,000 for the 1998 and 1997 quarters, respectively, and by $28,306,000 and $21,040,000 for the 1998 and 1997 nine month periods, respectively.
(2) In 1998, Viad began charging its operating subsidiaries an increased allocation of Corporate expenses, which is offset by reductions in expense for Corporate activities for the 1998 periods.
(3) A one-time provision totaling $10,642,000 was recorded by a Viad payment services subsidiary in the second quarter of 1998 for payments previously received pursuant to patent litigation (which had been recorded as income in prior years), including interest thereon and related expenses. See Note F of Notes to Consolidated Financial Statements.

NOTE I--Impact of New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133, which becomes effective in the year 2000 but may be adopted earlier, requires that entities record all derivatives as assets or liabilities, measured at fair value, with the change in fair value recognized in earnings or in other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. SFAS No. 133 amends or supersedes several current accounting Statements. Viad is in the process of analyzing SFAS No. 133 and the impact on its consolidated financial position and results of operations.

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

RESULTS:

Effective April 1, 1998, Viad sold its Aircraft Services International Group ("ASIG"), which conducted fueling and ground-handling operations. ASIG's operations were included in Viad's Airline Catering and Services segment until the date of sale.

Effective June 1, 1998, Viad acquired MoneyGram Payment Systems, Inc. ("MoneyGram"), a provider of consumer money wire transfer services, as the result of a cash tender offer. MoneyGram's operations are included in Viad's Travel and Leisure and Payment Services segment results from the date of acquisition.

Effective September 15, 1998, Viad sold its duty-free and shipboard concessions business, Greyhound Leisure Services, Inc. ("GLSI"). GLSI's operations were included in Viad's Travel and Leisure and Payment Services segment until the date of sale.

There were no other material changes in the nature of Viad's business, nor were there any other changes in the general characteristics of its operations as described and discussed in the first paragraph of the results section of Management's Discussion and Analysis of Results of Operations and Financial Condition presented in the Viad Corp Annual Report to Stockholders for the year ended December 31, 1997.

In 1998, Viad began charging its operating subsidiaries an increased allocation of Corporate expenses. The increased charges for Corporate expenses reduced 1998 operating income of Viad's segments, resulting in lower reported increases over 1997 segment operating income levels.

All per share figures discussed are stated on the diluted basis.

COMPARISON OF THIRD QUARTER OF 1998 TO THE THIRD QUARTER OF 1997:

In the third quarter of 1998, revenues increased $50.2 million, or 8.1 percent, to $672.4 million from $622.2 million in 1997. The 1998 third quarter operating income of Viad's principal business segments increased $7.5 million, or 10.9 percent, over that of 1997. A payment services subsidiary continues to invest increasing amounts of its growing money order and official check funds in tax-exempt securities. On a fully taxable equivalent basis, and excluding the effects of ASIG and GLSI (sold as of April 1, 1998, and September 15, 1998, respectively), third quarter revenues rose 16.6 percent and operating income of Viad's principal business segments was up 20.1 percent (21.9 percent before the increased corporate allocation).

Net income for the third quarter of 1998 was $57.0 million, or $0.58 per share. Excluding the gain on sale of GLSI of $15.7 million (net of income taxes of $11.0 million), or $0.16 per share, income for the third quarter of 1998 was $41.4 million, or $0.42 per share. Net income for the 1997 quarter was $33.9 million, or $0.36 per share.

There were 4.4 million more average common and equivalent shares outstanding in the 1998 quarter than in the 1997 quarter, due primarily to the acquisition of Game Financial Corporation in December 1997 (for approximately 2.6 million shares of Viad stock), stock option exercises and the effects of a higher Viad stock price on the calculation of additional common shares arising from unexercised stock options. A stock repurchase program (which commenced in July 1998) is having the intended effect of reducing the dilution otherwise resulting from common shares issued upon exercise of stock options and in connection with other stock compensation plans.

AIRLINE CATERING AND SERVICES.
The third quarter 1998 revenues of the Airline Catering and Services group were $237.1 million, a decrease of 3.0 percent from the 1997 third quarter revenues of $244.5 million. Operating income decreased $1.3 million, or 5.5 percent. Excluding the effects of ASIG (sold effective as of April 1, 1998), 1998 third quarter revenues from airline catering increased 11.0 percent, operating income increased $1.3 million, or 6.0 percent (7.4 percent before the increased corporate allocation), and operating margins decreased slightly to 9.7 percent (9.8 percent before the increased corporate allocation) from 1997's 10.2 percent. Revenue increases were driven by airline traffic growth and new business added over the past year, including the June 1998 acquisition of a catering kitchen in Las Vegas. Margins and operating income growth were affected by the start-up of new and replacement kitchens and the effects of the Northwest Airlines strike in the third quarter.

CONVENTION SERVICES.
Convention Services third quarter 1998 revenues increased $6.0 million, or 3.3 percent, to $187.3 million from $181.3 million in the 1997 third quarter. GES Exposition Services ("GES") continued to eliminate low-margin business during the 1998 quarter, and Exhibitgroup/Giltspur revenues were 3.1 percent lower than last year due to certain customers delaying delivery of their exhibits into the fourth quarter. Operating income increased $2.4 million, or 17.0 percent (20.8 percent before the increased corporate allocation), and operating margins increased from 7.7 percent in the 1997 quarter to 8.8 percent (9.1 percent before the increased corporate allocation). Both GES and Exhibitgroup/Giltspur had solid gains in operating income due to improved cost controls and higher margin business in the 1998 quarter. Acquisitions completed during the second quarter of 1998 also contributed to the segment's improved third quarter performance.

TRAVEL AND LEISURE AND PAYMENT SERVICES.
Revenues of the Travel and Leisure and Payment Services companies were $248.0 million for the third quarter of 1998, up $51.7 million, or 26.3 percent, from 1997 third quarter revenues, while operating income increased $6.4 million, or 21.4 percent. Excluding the effects of GLSI (sold effective as of September 15, 1998), third quarter revenues increased 39.6 percent and operating income increased 25.9 percent. On the fully taxable equivalent basis, third quarter revenues and operating income would have been higher by $10.5 million and $7.1 million in 1998 and 1997, respectively. Excluding GLSI, revenues on the fully taxable equivalent basis would have increased 39.9 percent, and operating income would have increased 30.4 percent (31.5 percent before the increased corporate allocation). Operating margins on this same basis were 20.5 percent (20.7 percent before the increased corporate allocation) in the third quarter of 1998, down slightly from 22.0 percent in the 1997 third quarter.

Results for the third quarter of 1998 were driven by contributions from Game Financial Corporation ("Game," acquired in December 1997) and MoneyGram (acquired as of June 1, 1998) and by continuing strong growth at Travelers Express. Both Game and MoneyGram have lower operating margins than Travelers Express' traditional business. The third quarter of 1998 also included full operation of Restaura's concession operations at Bank One Ballpark, home of the new Arizona Diamondbacks major league baseball franchise, which helped to overcome effects of a third quarter strike at General Motors plants where Restaura provides contract foodservice.

On the fully taxable equivalent basis, payment services revenues and operating income increased $68.7 million and $9.0 million, respectively, over those of the 1997 third quarter, due to contributions from the Game and MoneyGram acquisitions as well as continuing rapid growth in official check business.

Travel tour service revenues decreased $6.3 million from those of the 1997 third quarter, due primarily to the decline in Japanese tourism into Canada. Operating income decreased $100,000, as reductions in operating costs offset most of the effects of the revenue decline.

Restaura foodservice revenues and operating income increased $9.6 million and $3.0 million, respectively, over those of the 1997 third quarter. The third quarter of 1998 included full operation of concessions at Bank One Ballpark, which helped overcome effects of the aforementioned third quarter strike at General Motors plants.

CORPORATE ACTIVITIES AND NONOPERATING ITEMS, NET.
Corporate activities and nonoperating items, net, decreased $1.5 million in the third quarter of 1998 compared to the third quarter of 1997. As discussed above, Viad began charging its operating subsidiaries an increased allocation of Corporate expenses in 1998.

SALE OF TRADE ACCOUNTS RECEIVABLE EXPENSE.
Sale of trade accounts receivable expense in the third quarter of 1998 was even with that of the 1997 third quarter, as the level of trade receivables sold was unchanged from the prior year.

INTEREST EXPENSE.
Interest expense decreased $1.2 million in the 1998 third quarter. Repayment of debt and termination of related interest rate swaps with proceeds from the previously described sale of ASIG as of April 1, 1998, as well as debt repayment with proceeds from the previously described sale of GLSI as of September 15, 1998, and other sales of noncore assets and businesses in 1997 and 1998, more than offset the impact of new borrowings incurred in 1998 for the MoneyGram acquisition.

INCOME TAXES.
The effective tax rate in the 1998 third quarter was 32.5 percent. Excluding the effects of the $26.7 million gain on the sale of GLSI, the effective tax rate for the third quarter of 1998 was 28.4 percent compared to 29.8 percent for the third quarter of 1997.

COMPARISON OF FIRST NINE MONTHS OF 1998 TO THE FIRST NINE MONTHS OF 1997:

Revenues for the first nine months of 1998 increased $125.3 million, or 6.9 percent, to $1.93 billion from $1.81 billion in the same period of 1997. Operating income of Viad's principal business segments (excluding a $10.6 million provision for payments previously received pursuant to patent litigation, as discussed in Note F of Notes to Consolidated Financial Statements) increased $17.0 million, or 10.2 percent, over that of 1997. On the fully taxable equivalent basis, and excluding the provision noted above and the effects of ASIG and GLSI (sold as of April 1, 1998, and September 15, 1998, respectively), revenues rose 12.4 percent and operating income was up 17.7 percent (19.9 percent before the increased corporate allocation).

Net income for the first nine months of 1998 was $113.0 million, or $1.14 per share. Excluding the gains on sales of businesses of $28.8 million (net of income taxes of $19.0 million), or $0.29 per share, and excluding the provision for payments previously received pursuant to patent litigation of $6.9 million (net of tax benefit of $3.7 million), or $0.07 per share, income for the first nine months of 1998 was $91.1 million, or $0.92 per share. Net income for the first nine months of 1997 was $62.6 million, or $0.66 per share, after deducting an extraordinary charge of $8.5 million (net of tax benefit of $4.6 million), or $0.09 per share, for the early retirement of debt.

Nine months ended September 30,	1998	1997
Income before extraordinary charge (000 omitted):		
Before nonrecurring items	$ 91,100	$ 71,045
Provision for patent infringement payments received, net of tax benefit of $3,725	(6,917)	
Gains on sales of businesses, net of tax provision of $18,988	28,851	
Income before extraordinary charge	$ 113,034	$ 71,045
Diluted income before extraordinary charge per common share (dollars):		
Before nonrecurring items	$ 0.92	$ 0.75
Provision for patent infringement payments received	(0.07)	
Gains on sales of businesses	0.29	
Diluted income before extraordinary charge per common share	$ 1.14	$ 0.75

There were 4.9 million more average common and equivalent shares outstanding in the 1998 nine month period than in the same period of 1997 for the reasons previously discussed.

AIRLINE CATERING AND SERVICES.
Nine month revenues of the Airline Catering and Services group were $699.7 million in 1998, a 1.8 percent increase from the 1997 first half revenues of $687.4 million. Operating income decreased $2.3 million, or 4.0 percent. Excluding the effects of ASIG (sold effective as of April 1, 1998), nine month revenues from airline catering increased 12.2 percent, and operating income increased $3.7 million, or 7.3 percent (9.2 percent before the increased corporate allocation), over that of the 1997 period. These results were accomplished primarily as a result of new business added over the past year, including expansion of American Airlines business to six new cities late in the second quarter of 1997 and the acquisition of a catering kitchen in Las Vegas in June 1998, as well as airline traffic growth, which more than offset the effects of the Northwest Airlines strike in the 1998 third quarter. Excluding ASIG, operating margins decreased slightly to 8.0 percent (8.2 percent before the increased corporate allocation)from 1997's 8.4 percent, due to start-up costs associated with new business and new and replacement kitchens and to the effects of the Northwest Airlines strike.

CONVENTION SERVICES.
Convention Services' 1998 nine month revenues of $625.4 million were $12.5 million, or 2.0 percent, greater than the 1997 nine month period. GES has concentrated on eliminating low-margin business during 1998, resulting in a disproportionately low revenue increase. In addition, certain Exhibitgroup/Giltspur customers delayed delivery of their exhibits into the fourth quarter of 1998. Operating income for the segment increased $9.2 million, or 17.0 percent (20.0 percent before the increased corporate allocation), and operating margins increased to 10.2 percent (10.4 percent before the increased corporate allocation) from 8.9 percent in 1997. These increases were due to improved cost controls and higher margin business in 1998. Acquisitions completed during the second quarter of 1998 also contributed to the segment's improved performance.

TRAVEL AND LEISURE AND PAYMENT SERVICES.
For the first nine months of 1998, revenues of the Travel and Leisure and Payment Services companies were $607.1 million, up $100.5 million, or 19.8 percent, from those of the 1997 period. Excluding the provision for payments previously received pursuant to patent litigation, which had been recorded as income in prior years, plus interest thereon and related expenses (see Note F of Notes to Consolidated Financial Statements), operating income increased 19.2 percent to $62.6 million. Also excluding the effects of GLSI (sold effective as of September 15, 1998), nine month revenues increased 28.9 percent and operating income increased 22.4 percent. On the fully taxable equivalent basis, nine month revenues and operating income for the segment would have been higher by $28.3 million and $21.0 million in 1998 and 1997, respectively. On the fully taxable equivalent basis, and excluding GLSI, revenues would have increased 29.2 percent and operating income would have increased 26.2 percent (28.1 percent before the increased corporate allocation). On this same basis, 1998 operating margins decreased slightly to 16.6 percent (16.9 percent before the increased corporate allocation) from 17.0 percent in 1997.

On the fully taxable equivalent basis and excluding the provision for patent infringement payments received, payment services revenues and operating income increased $131.9 million and $14.0 million, respectively, over those of 1997's first nine months, due primarily to results generated from the Game and MoneyGram acquisitions (acquired in December 1997 and June 1998, respectively), continuing strong growth in official check business, and increased investment income arising from larger investment balances.

Travel tour service revenues decreased $8.3 million from those of the first nine months of 1997, primarily as a result of weaker off-season package tour traffic in the first quarter of 1998 and a decline in Japanese and other Asian tourism into Canada. Operating income improved $200,000, as operating cost reductions more than offset the effects of the revenue decline.

Restaura foodservice revenues and operating income for the first nine months of 1998 increased $16.8 million and $4.8 million, respectively, from those of the same period in 1997, primarily due to full operation of concessions for Bank One Ballpark's inaugural season, which began late in the first quarter of 1998. The ballpark business helped overcome effects of a third quarter strike at General Motors plants where Restaura provides contract foodservice.

CORPORATE ACTIVITIES AND NONOPERATING ITEMS, NET.
Corporate activities and nonoperating items, net, decreased $5.1 million in the first nine months of 1998 compared to the same period in 1997. As discussed previously, Viad began charging its operating subsidiaries an increased allocation of Corporate expenses in 1998.

SALE OF TRADE ACCOUNTS RECEIVABLE EXPENSE.
Expenses from the sale of trade accounts receivable for the first nine months of 1998 was essentially even with those of the 1997 period, as the level of trade receivables sold was unchanged from the prior year.

INTEREST EXPENSE.
Interest expense for the first nine months of 1998 decreased $6.4 million from that of the same period of 1997. Repayment of debt and termination of related interest rate swaps with proceeds from the previously described sale of ASIG as of April 1, 1998, as well as debt repayment with proceeds from the previously described sale of GLSI as of September 15, 1998, and other sales of noncore assets and businesses in 1997 and 1998 along with the repurchase of $58.4 million par value of Viad's 10.5 percent subordinated debentures in March 1997, more than offset the impact of new borrowings incurred for the MoneyGram acquisition.

INCOME TAXES.
The effective tax rate for the first nine months of 1998 was 31.8 percent. Excluding the effects of the gains on the sales of ASIG and GLSI and the $10.6 million provision for payments previously received pursuant to patent litigation, the effective tax rate for the first nine months of 1998 was 29.2 percent compared to 29.5 percent for the 1997 period.

LIQUIDITY AND CAPITAL RESOURCES:

Viad's total debt at September 30, 1998 was $509.8 million compared with $410.1 million at December 31, 1997. The debt-to-capital ratio at September 30, 1998 was 0.44 to 1 compared to 0.43 to 1 at December 31, 1997. As mentioned above, Viad sold ASIG and GLSI in April 1998 and September 1998, respectively. The sale proceeds were used to repay short-term borrowings. In mid-1998, Viad completed its cash tender offer for MoneyGram at $17.35 per share. The acquisition was financed with short-term borrowings supported by Viad's long-term revolving bank credit agreement.

In June 1998, Viad's payment services subsidiary amended its agreement to sell undivided percentage ownership interests in certain receivables. The maximum amount to be sold under the agreement was increased from $250 million to $400 million, and the expiration date was extended to June 30, 2003. The items included in the program were expanded to include receivables from bill payment agents as well as receivables from money order agents. The receivables are sold in order to accelerate payment services' cash flow for investment in admissible securities.

During July 1998, Viad announced a stock repurchase program for the purpose of replenishing common shares issued upon exercise of stock options and in connection with other stock compensation plans, with the intended effect of reducing dilution caused by the issuance of such shares. During the third quarter of 1998, 689,000 shares were purchased for a total price of $17.3 million. Year-to-date proceeds received from the issuances of treasury stock related to stock option exercises was $14.4 million.

There were no other material changes in Viad's financial condition nor were there any substantive changes relative to matters discussed in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Results of Operations and Financial Condition as presented in Viad Corp's Annual Report to Stockholders for the year ended December 31, 1997.

READINESS FOR THE YEAR 2000:

Viad is continuing the implementation of initiatives necessary to make its systems, products and infrastructure "Year 2000" compliant on a timely basis, including replacing and/or updating certain systems. Internal initiatives to address Year 2000 compliance within each business unit have been broken down into various phases, including the following:

1. Identification of business systems and applications subject to Year 2000 risk;
2. Assessment of such business systems and applications to determine the appropriate method of correcting Year 2000 problems;
3. Implementation of corrective measures to bring systems and applications to Year 2000 compliance;
4. Testing and maintaining Year 2000 compliance.

Although no assurances can be made, Viad believes that it has identified all material systems and applications that are subject to Year 2000 risk and has either achieved Year 2000 compliance or initiated the implementation of plans to achieve timely Year 2000 compliance for such systems. A significant portion of Viad's Year 2000 initiatives have been finished with the remainder in various stages of completion. Viad's entire Year 2000 project is expected to be completed by mid-1999. Incremental costs (primarily for software consultants and outside programming help) necessary to bring systems and applications into Year 2000 compliance are being expensed as incurred. Viad currently estimates that the incremental cost of its Year 2000 projects will total approximately $13.5 million, of which approximately 70 percent will have been expensed by the end of 1998, including about 10 percent in 1997. A substantial portion of the aggregate Year 2000 cost estimate pertains to efforts at Viad's payment services operations, where remediation of several key systems has already been completed, with the remaining systems scheduled for completion by the end of 1999's first quarter. The Year 2000 costs are exclusive of costs which would have been incurred as part of normal systems and application replacements and/or upgrades to meet current and future business needs. Viad continues to monitor and evaluate the additional efforts and costs associated with the Year 2000 initiative.

Viad is also communicating with key vendors, service providers, customers and other third parties with whom business is conducted to determine the nature of any impact of Year 2000 issues on Viad. While Viad does not anticipate any material adverse effect on its business or its financial position or results of operations as a result of failure of such parties to achieve Year 2000 readiness, no assurance can be given that the parties on whom Viad relies will have accurately assessed and completed their Year 2000 remediation requirements. Viad's aggregate cost estimate does not include any expenses that may be incurred as a result of the failure of any such parties to become Year 2000 compliant.

As a part of its Year 2000 initiative, Viad is developing contingency plans for actions that would need to be taken in the event any critical system of Viad and/or key vendors, service providers, customers and other third parties with whom Viad conducts business was not Year 2000 compliant. Viad believes, based on information available to date, that it will be able to accomplish its total Year 2000 transition by mid-1999, without any material adverse effect on its business operations, products, financial position or results of operations. However, due to the complexity and pervasiveness of the Year 2000 issues and in particular the uncertainty regarding the compliance programs of third parties, no assurance can be given that successful transition will be achieved by the Year 2000 deadline or that Viad would not suffer any material adverse effect on its business, financial position or results of operations if such changes are not completed timely.

FORWARD-LOOKING STATEMENTS:

Statements made in this Quarterly Report on Form 10-Q, including those relating to expectations of or current trends in growth in air traffic, consumer demand, new business, improved cost controls and Year 2000 compliance issues, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in those statements. Among other things, the rate of expansion of flights to new locations, consumer demand patterns, purchasing decisions related to customer demand for trade show services, additional competition from existing and new competitors, consolidation and growth patterns within the industries in which Viad competes, and the timely achievement of Year 2000 compliance by Viad and third parties with whom Viad conducts business, may individually or in combination impact future results. In addition to the factors mentioned elsewhere, economic, competitive, governmental, technological and other factors could affect the forward-looking statements contained in this filing.

PART II. OTHER INFORMATION

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

No matters were submitted to a vote of security holders during the third quarter of 1998.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 27 -- Financial Data Schedule

(b) No reports on Form 8-K were filed by the registrant during the quarter for which this report is filed

SIGNATURES

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

VIAD CORP
(Registrant)

November 10, 1998	*By /s/ Richard C. Stephan* *--------------------------* *Richard C. Stephan* *Vice President-Controller* *(Chief Accounting Officer* *and Authorized Officer)*

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VIAD CORP'S FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000 Exhibit 27 VIAD CORP FINANCIAL DATA SCHEDULE

FISCAL YEAR END	DEC 31 1998
PERIOD END	SEP 30 1998
PERIOD TYPE	9 MOS
CASH	16,432
SECURITIES	0
RECEIVABLES	117,459
ALLOWANCES	5,024
INVENTORY	74,066
CURRENT ASSETS	392,706
PP&E	823,012
DEPRECIATION	368,300
TOTAL ASSETS	4,101,724
CURRENT LIABILITIES	2,764,117
BONDS	475,053
COMMON	149,610
PREFERRED MANDATORY	6,622
PREFERRED	0
OTHER SE	479,137
TOTAL LIABILITY AND EQUITY	4,101,724
SALES	0
TOTAL REVENUES	1,932,244
CGS	0
TOTAL COSTS	1,760,319
OTHER EXPENSES	20,700
LOSS PROVISION	0
INTEREST EXPENSE	31,668
INCOME PRETAX	165,825
INCOME TAX	52,791
INCOME CONTINUING	113,034
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	113,034
EPS PRIMARY	1.19
EPS DILUTED	1.14

End of Filing