UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 1996
Commission File Numbers 0-9115 and 0-24494

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

COMMONWEALTH OF PENNSYLVANIA	25-0644320
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
TWO NORTHSHORE CENTER, PITTSBURGH, PA	15212-5851
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (412) 442-8200

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, $1.00 par value	NASDAQ National Market System
Class B Common Stock, $1.00 par value	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. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405a of Regulation S-K 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 nonaffiliates of the registrant as of November 30, 1996 was $227,252,000.

As of November 30, 1996, shares of common stock outstanding were:

Class A Common Stock	6,148,581 shares
Class B Common Stock	2,604,192 shares

Documents incorporated by reference: None

The index to exhibits is on pages 62-64.

PART I

ITEM 1. BUSINESS.

Matthews International Corporation, founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphic Systems and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorial products used primarily in cemeteries. The Graphic Systems segment manufactures and provides custom identification-related products and services used by the corrugated packaging industry and the flexible packaging industry. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables used by customers to mark or identify various consumer and industrial products, components and packaging containers.

The following table sets forth sales and operating profit for the three business segments of the Company for the past three fiscal years. Detailed financial information relating to business segments and to foreign and domestic operations is presented in Note 14 (Segment Information) to the Consolidated Financial Statements included in Part II of this Annual Report on Form 10-K.

	Fiscal Year Ended September 30,					
	1996		1995		1994	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Sales to unaffiliated customers:						
Bronze	$ 84,529	49.2%	$ 80,032	48.0%	$ 75,065	47.3%
Graphic Systems	43,062	25.0	42,360	25.4	43,025	27.1
Marking Products	44,387	25.8	44,356	26.6	40,610	25.6
Total	$171,978	100.0%	$166,748	100.0%	$158,700	100.0%
Operating profit:						
Bronze	20,072	75.0	18,171	74.3	17,508	73.2
Graphic Systems	4,217	15.7	4,254	17.4	5,083	21.3
Marking Products	2,482	9.3	2,033	8.3	1,318(1)	5.5
Total	$ 26,771	100.0%	$ 24,458	100.0%	$ 23,909	100.0%

(1) Fiscal 1994 operating profit for the Marking Products segment reflected unfavorable charges of approximately $450,000 representing inventory, currency exchange and other adjustments of its Italian operation.

ITEM 1. BUSINESS, continued.

In fiscal 1996, approximately 81% of the Company's sales were made from the United States, and 8%, 5% and 6% were made from Europe, Canada and Australia, respectively. Bronze operations are primarily conducted in the United States and Canada with 6% of the segment's revenues coming from Australia. Graphic Systems products are manufactured and primarily sold in the United States. Marking Products sells equipment and consumables directly to industrial consumers and through distributors throughout the world. This segment has manufacturing and marketing facilities in the United States, Canada and Sweden with additional sales and distribution facilities in France, Australia and the United Kingdom. Approximately 52% of Marking Products sales were made to locations outside the United States in fiscal 1996.

The Company employs approximately 1,400 people and has its principal executive offices at Two NorthShore Center, Pittsburgh, Pennsylvania 15212. Its telephone number is (412) 442-8200.

PRODUCTS AND MARKETS:

Bronze:

The Bronze segment manufactures and markets in the United States, Canada and Australia cast bronze memorial products used primarily in cemeteries. The Bronze segment also manufactures and markets cast bronze and aluminum architectural products used to identify or commemorate people, places and events.

Memorial products, which comprise the majority of the Bronze segment's sales, include flush bronze memorials, flower vases, crypt letters, cremation urns, niche units and cemetery features, along with other related products. Flush bronze memorials, which represent approximately two-thirds of the segment's memorial product sales, are bronze plaques which contain vital information about a deceased individual such as name and birth and death dates. These memorials are used in cemeteries as an alternative to upright granite tombstones. The memorials are even or "flush" with the ground and therefore are preferred by many cemeteries for easier mowing and other maintenance.

The Bronze segment manufactures a full line of memorial products for cremation, including urns in a variety of sizes, styles and shapes. In addition, the Company manufactures bronze niche units which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. The Company's other bronze memorial products include flower vases and, in order to provide products for the granite memorial market, bronze plaques and letters that can be affixed to tombstones, mausoleums and crypts.

Bronze segment sales in the United States account for over 85% of the segment's revenues. Principal customers for memorial products are cemeteries and memorial parks, which in turn sell the Company's products to the consumer.

Within the Bronze segment was a wholly-owned subsidiary, Sunland Memorial Park, Inc. ("Sunland"). Sunland, located in Sun City, Arizona, was the only cemetery and mortuary facility owned by the Company. In January 1996, Sunland was sold to Service Corporation International. The revenues of Sunland represented approximately 7% of the Bronze segment's fiscal 1995 sales.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Bronze, continued:

In March 1996, Matthews International Corporation acquired Industrial Equipment and Engineering Company, Inc. ("IEECF"). IEECF, headquartered in Orlando, Florida, is the leading North American manufacturer of cremation equipment and related cremation products. IEECF sales were approximately $7.5 million for the year ended December 31, 1995. The acquisition is expected to provide Matthews International Corporation with the opportunity to further participate in the increasing cremation trend and expand its range of products and services to the deathcare industry. In August 1996, the Company acquired the assets of All Crematory Corporation, which is also a manufacturer of cremation equipment.

Architectural products include cast bronze and aluminum plaques, etchings and letters that are used to recognize, commemorate and identify people, places, events and accomplishments. The Company's plaques are frequently used to identify the name of a building or the names of companies or individuals located within a building. Such products are also used to commemorate events or accomplishments, such as military service or financial donations. The principal markets for the segment's architectural products are corporations, fraternal organizations, contractors, churches, hospitals, schools and government agencies. These products are distributed through a network of independent dealers including sign suppliers, recognition companies and trophy dealers.

Raw materials consist principally of bronze and aluminum ingot, sheet metal and coating materials and are generally available in adequate supply. Ingot is obtained from various North American and Australian smelters.

Graphic Systems:

The Graphic Systems segment provides printing plates and related products and services used in the corrugated packaging industry (manufacturers of printed corrugated boxes) for decorating and identifying corrugated packaging. The Graphic Systems segment also provides custom identification-related products and services used in the flexible packaging industry (manufacturers of printed bags and other packaging products made of paper, film and foil).

The segment's principal products are printing plates used by corrugated packaging manufacturers to print corrugated boxes with graphics that help sell the packaged product and provide information such as product identification, logos, bar codes and other packaging detail specified by the manufacturer of the packaged product. The corrugated packaging manufacturer produces printed boxes by first combining linerboard with fluted paper to form a corrugated sheet. Using the Company's products, this sheet is then printed and die cut to make a finished box. The flexible packaging industry produces printed packaging from paper, film and foil, such as for food wrappers.

The Company works closely with manufacturers to provide the proper printing plates and tooling used to print the packaging to the user's specifications. The segment's printing plate products are made from natural rubber, synthetic rubber or photopolymer resin. Upon customer request, plates can be pre-mounted press-ready in a variety of configurations that maximize print quality and minimize press set-up time.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Graphic Systems, continued:

The segment also provides creative art design services to manufacturers of corrugated and flexible packaging and end users of such packaging. Other products and services include pre-press preparation, such as computer-generated camera-ready art, negatives, films and master patterns; plate mounting accessories for the corrugated industry; various press aids designed to improve print quality; rotary and flat cutting dies used to cut out intricately designed containers and point-of-purchase displays; and film masters used to print bar codes such as Universal Product Codes (known as "UPCs").

The Graphic Systems segment customer base consists of packaging industry manufacturers and "national accounts." National accounts are generally large, well-known consumer goods companies with a national presence that purchase their printing plates directly. These companies then provide their printing plates to the packaging industry manufacturer of their choice.

Major raw materials for this segment's products include rubber, photopolymer resin, film and graphic art supplies. All such materials are presently available in adequate supply from various industry sources.

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables used by customers to mark or identify various consumer and industrial products, components and packaging containers. Marking products range from simple handstamps made from special alloy steel to sophisticated microprocessor-based ink-jet printing systems. The Marking Products segment employs contact printing, indenting, ink-jet printing and labeling methods to meet customer needs, sometimes using a combination of these marking methods.

A significant portion of the revenue of this segment is attributable to the sale of consumables, software and replacement parts in connection with the marking hardware sold by the Company. The Company develops inks in harmony with the marking equipment in which they are used, which is critical to assure ongoing equipment reliability and mark quality. Most marking equipment customers also use the Company's ink, solvents and cleaners.

The principal customers for the Company's marking products include food and beverage processors, metal fabricators, producers of health and beauty products and manufacturers of textiles, plastic and rubber products. A large percentage of the segment's sales are outside the United States and are distributed through Company subsidiaries in Canada, Australia, Sweden and France.

The marking products industry is fragmented, with many companies having limited product lines which focus on well-defined specialty markets. Other industry participants, like the Company, have broad product offerings and compete in various countries. In the United States, the Company has been supplying marking products for over 140 years.

Major raw materials for this segment's products include printing components, tool steels, castings, rubber and chemicals, all of which are presently available in adequate supply from various sources.

ITEM 1. BUSINESS, continued.

COMPETITION:

Bronze:

Competition from other bronze memorial manufacturers, which is intense, is on the basis of product quality, delivery, price and design availability. The Company also competes with upright granite tombstone and flush granite memorial providers. The Company and its two major competitors account for a substantial portion of the bronze memorial market. The Company believes that its superior quality, broad product lines, innovative designs, delivery capability, customer responsiveness, experienced personnel and customer oriented merchandising systems are competitive advantages in its markets. Competitors in the architectural market are numerous and include companies that manufacture cast and painted signs, plastic materials and other fabricated products.

Graphic Systems:

Graphic Systems is one of only two manufacturers with a national presence and competes in a fragmented industry consisting of a few multi-plant regional printing plate suppliers and a large number of local one-plant companies located across the United States. Competition is on the basis of price, timeliness of delivery and product quality. The Company differentiates itself from the competition by meeting customer demands and by distinguishing itself as an innovator of new products.

Marking Products:

Competition is intense and based on product performance, service and price. The Company normally competes with specialty companies in specific marking applications. The Company believes that, in general, it has the broadest lines of marking products to address industrial marking applications.

PATENTS, TRADEMARKS AND LICENSES:

The Company holds a number of domestic and foreign patents and trademarks. However, the Company believes the loss of any or a significant number of patents or trademarks would not have a material impact on operations or revenues.

BACKLOG:

Because the nature of the Company's business is custom products made to order with short lead times, backlogs are not generally material in any segment of the Company's operations except Marking Products. Backlogs in the Marking Products segment generally vary in the range of four to six weeks of sales.

REGULATORY MATTERS:

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company believes that its current operations are in material compliance with all presently applicable environmental laws and regulations. The Company's expenditures for environmental compliance have not had, nor are they presently expected to have, a material adverse effect on the Company.

The Clean Air Act Amendments of 1990 are not expected to impact two of the Company's operating segments, Graphic Systems and Marking Products. In the United States, the Company's Bronze segment operates four nonferrous foundries, none of which is within the "major source" industry category as defined by the Environmental Protection Agency. As such, it is believed that the Bronze segment operations will be regulated as "area sources" at certain locations. No material capital expenditures are anticipated within the next few years as a result of the Clean Air Act Amendments.

Like most nonferrous foundry operations, the Company's plants produce a significant volume of residual materials as a result of the bronze casting process. Chief among these is spent foundry sands. Currently, the majority of these materials, including foundry sands, are regulated as solid waste under most state and federal laws. Pursuant to the Resource Conservation and Recovery Act, the Company is regulated as a generator of hazardous waste, and all plants are registered with the Environmental Protection Agency in accordance with applicable regulations. The Company has implemented detailed plans and procedures for waste management at each of its Bronze operating plants in the United States.

ITEM 2. PROPERTIES.

The principal properties of the Company are as follows (all are owned by the Company except as noted):

Location	Description of Property	Square Feet
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	94,000
Searcy, AR	Manufacturing	84,000
Milton, Ontario, Canada	Manufacturing	30,000
Melbourne, Australia	Manufacturing	26,000(1)
Apopka, FL	Manufacturing	21,000
Sun City, CA	Manufacturing	24,000
Seneca Falls, NY	Manufacturing	21,000
Sun City, AZ	Cemetery	14,000(2)
Graphics Systems:		
Pittsburgh, PA	Manufacturing / Division Offices	56,000
Atlanta, GA	Manufacturing	16,000
Chicago, IL	Manufacturing	15,000(3)
Dallas, TX	Manufacturing	15,000(1)
LaPalma, CA	Manufacturing	22,000
Randolph, MA	Manufacturing	2,500(1)
St. Louis, MO	Manufacturing	24,000
Marking Products:		
Pittsburgh, PA	Manufacturing / Division Offices	67,000
Pittsburgh, PA	Ink Manufacturing	18,000
Melbourne, Australia	Distribution/Offices	13,000
Europe (various facilities)	Manufacturing / Distribution	43,000(1)
Corporate Office:		
Pittsburgh, PA	General Offices	48,000(4)

(1) These properties are leased by the Company under operating lease arrangements. Rent expense for these facilities was approximately $777,000 in fiscal 1996.

(2) Business and property were sold during fiscal 1996.

(3) Operation was consolidated into the Company's St. Louis, MO facility during fiscal 1996. Property is currently being held for sale.

(4) The Company uses approximately one-third of this building and leases, or offers to lease, the remainder to unrelated parties.

All of the owned properties are unencumbered. The Company believes its facilities are generally well suited for their respective uses and are of adequate size and design to provide the operating efficiencies necessary for the Company to be competitive. The Company's facilities provide adequate space for meeting its near term production requirements and have availability for additional capacity. The Company intends to continue to expand and modernize its facilities as necessary to meet the demand for its products.

ITEM 3. LEGAL PROCEEDINGS.

The Company is party to various legal proceedings generally incidental to its business. The eventual outcome of these matters is not predictable and it is possible that their resolution could be unfavorable to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion, based on the facts now known, that the matters should not result in liabilities in an amount which would materially affect the consolidated financial position, annual results of operations or cash flows of the Company.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 1996.

PART II

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

(a) Market Information:

On July 20, 1994, the Company and some of its shareholders completed an initial public offering of 1,380,000 shares of its Class A Common Stock at an offering price of $14 per share. Prior to the offering, no shares of Class A Common Stock had been outstanding and there had been no established public trading market for the Company's common stock.

The authorized common stock of the Company is divided into two classes consisting of Class A Common Stock, $1 par value, and Class B Common Stock, $1 par value. The Company's Class A Common Stock is traded on the NASDAQ National Market System. The following table sets forth the high, low and closing prices as reported by NASDAQ for the periods indicated:

	High	Low	Close
Fiscal 1996:			
Quarter ended: September 30, 1996	$30.50	$27.125	$28.25
June 30, 1996	29.50	25.50	27.50
March 31, 1996	27.25	18.625	26.75
December 31, 1995	20.25	18.50	19.50
Fiscal 1995:			
Quarter ended: September 30, 1995	20.50	18.25	20.125
June 30, 1995	19.00	15.00	18.75
March 31, 1995	16.25	12.50	15.50
December 31, 1994	15.50	13.75	13.75

Shares of Class A stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B stock have ten votes per share and are only transferable by a shareholder to the Company or to an active employee of the Company. If shareholders wish to otherwise sell Class B

Common Stock, the Company may, at its discretion, purchase such shares at the fair market value per share of the Company's Class A Common Stock or permit shareholders to tender such shares to the Company in exchange for an equal number of shares of Class A Common Stock.

In May 1996, the Company announced that the Board of Directors approved a limited stock repurchase program authorizing the Company to purchase up to 500,000 shares of Class A and Class B Common Stock. In conjunction with the buy-back program, the Company also changed its practice regarding sales of Class B Common Stock by the Company's employees. Effective July 21, 1996, the Company invoked the provisions of the Fifth Article of its Restated Articles of Incorporation. Such Article provides (among other things) that any shareholder wishing to sell any Class B common shares must first offer such shares to the Company for redemption. The Company had previously waived its rights to such redemptions. The Company will then have an option to purchase such shares for a 24-hour period. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Restated Articles of Incorporation.

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

(b) Holders:

The number of registered holders of the Company's common stock at November 30, 1996 was as follows:

Class A Common Stock	453
Class B Common Stock	364

(c) Dividends:

A quarterly dividend of $.08 per share was paid for the fourth quarter of fiscal 1996 to shareholders of record on September 30, 1996. The Company paid quarterly dividends of $.07 per share for the first three quarters of fiscal 1996 and the fourth quarter of fiscal 1995. The Company paid quarterly dividends of $.06 per share for the first three quarters of fiscal 1995.

Cash dividends have been paid on common shares in every year for at least the past thirty years. It is the present intention of the Company to continue to pay quarterly cash dividends on its common stock. However, there is no assurance that dividends will be declared and paid as the declaration and payment of dividends is at the discretion of the Board of Directors of the Company and is dependent upon the Company's financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board.

ITEM 6. SELECTED FINANCIAL DATA.

<TABLE>
<CAPTION>

	Years ended September 30,				
	1996(1)	1995	1994	1993(4)	1992
	(Not Covered by Independent Auditor's Report)				
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$171,977,619	$166,747,781	$158,700,158	$151,094,305	$149,781,172
Gross profit	76,640,900	74,729,267	71,613,709	64,128,595	65,203,097
Interest expense	131,364	104,820	309,939	594,513	710,612
Income before income taxes and cumulative effect of changes in accounting principles	33,522,616	25,079,263	23,705,257	16,574,586	18,017,307
Income taxes	13,265,062	9,628,028	9,677,091	6,618,543	7,316,474
Income before cumulative effect of changes in accounting principles	20,257,554	15,451,235	14,028,166	9,956,043	10,700,833
Cumulative effect of changes in accounting principles (3)	-	-	-	(10,836,726)	-

Net income (loss)	$ 20,257,554	$ 15,451,235	$ 14,028,166	$ (880,683)	$ 10,700,833
Per common share (2):					
Income before cumulative effect of changes in accounting principles	$ 2.28	$ 1.75	$ 1.56	$ 1.07	$ 1.11
Net income (loss)	2.28	1.75	1.56	(.09)	1.11
Cash dividends	.29	.25	.10	.03	.03
Weighted average common shares outstanding (2)	8,890,912	8,850,350	8,982,353	9,312,105	9,651,285
Total assets	$153,411,709	$138,206,376	$120,683,005	$110,568,941	$114,336,773
Long-term debt, noncurrent	-	270,092	745,616	6,133,340	7,768,962

<FN>

(1) Fiscal 1996 included after-tax income of $2.9 million ($.33 per share) which consisted of a gain on the sale of Sunland Memorial Park, Inc., the write-off of the remaining goodwill of Matthews Swedot AB and certain other non-operating charges. See "Management's Discussion and Analysis of Results of Operations and Financial Condition."

(2) All periods reflect the 15-for-1 common stock split during fiscal 1994. See Note 7 of the Notes to Consolidated Financial Statements.

(3) Fiscal year 1993 includes the cumulative effect of changes in accounting for postretirement benefits and income taxes.

(4) Fiscal year 1993 includes charges of $1 million relative to inventory write-offs and other adjustments, $800,000 for a change in the amortization period of goodwill for Matthews Swedot AB and $500,000 in connection with a public offering which did not occur during fiscal 1993. See "Management's Discussion and Analysis of Results of Operations and Financial Condition."

/TABLE

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

The following discussion should be read in conjunction with the consolidated financial statements of the Company and related notes thereto.

RESULTS OF OPERATIONS:

The following table sets forth certain income statement data of the Company expressed as a percentage of net sales for the periods indicated and the percentage change in such income statement data from year to year.

	Years Ended September 30,			Percentage Change	
	1996	1995	1994	1996-1995	1995-1994
Sales	100.0%	100.0%	100.0%	3.1%	5.1%
Gross profit	44.6	44.8	45.1	2.6	4.4
Operating profit	15.6	14.7	15.1	9.5	2.3
Income before taxes	19.5	15.0	14.9	33.7	5.8
Net income	11.8	9.3	8.8	31.1	10.1

Comparison of Fiscal 1996 and Fiscal 1995:

Sales for the year ended September 30, 1996 were $172.0 million and were $5.3 million, or 3.1%, higher than sales of $166.7 million for the year ended September 30, 1995. The increase in fiscal 1996 principally resulted from higher sales in the Bronze segment, but also reflected nominal sales increases in the Graphic Systems and Marking Products segments. Bronze segment sales for the year were up $4.5 million, or 5.6% over fiscal 1995 despite the sale of Sunland Memorial Park, Inc. ("Sunland") in January 1996 (see "Liquidity and Capital Resources"). Sunland sales were 6.5% of the segment's total sales in fiscal 1995. Fiscal 1996 Bronze segment sales reflected increases in both price and unit volume as well as additional sales from Industrial Equipment and Engineering Company, Inc. which was acquired on March 25, 1996, and All Crematory Corporation, which was acquired on August 1, 1996 (see "Liquidity and Capital Resources"). Sales for the Graphic Systems segment increased $700,000, or 1.7%, over fiscal 1995. Sales for this segment were adversely impacted, beginning in the third quarter of fiscal 1995 and carrying over through the fiscal 1996 second quarter, from the postponement by many customers of printing plates purchases in an attempt to offset increased costs for linerboard. However, the segment's sales for the fourth quarter of fiscal 1996 showed an improvement of 3% over the same period a year ago. Marking Products segment sales for fiscal 1996 were up only slightly, less than 1.0%, over fiscal 1995. The segment's international sales increased 5% over the same period a year ago reflecting higher demand in Europe and Australia which more than offset a decline in North American sales volume. International sales for the fiscal 1996 fourth quarter declined from the same period a year ago principally reflecting lower sales in Germany. In September 1996, the Company authorized the liquidation of its German subsidiary due to its declining sales and recent operating losses.

Comparison of Fiscal 1996 and Fiscal 1995, continued:

Gross profit for the year ended September 30, 1996 was $76.6 million, or 44.6% of sales, compared to $74.7 million, or 44.8% of sales, for the year ended September 30, 1995. The increase in gross profit of $1.9 million, or 2.6%, was attributable principally to higher gross profit in the Bronze segment. Bronze segment gross profit increased as a result of higher sales and its gross margin percentage improved slightly over the prior year. Graphic Systems gross margin improved slightly from the prior year also reflecting its higher sales for the year. Marking Products gross profit for year ended September 30, 1996 was approximately 2.0% lower than fiscal 1995 reflecting lower sales in North America and lower margins in Germany.

Selling and administrative expenses for the year ended September 30, 1996 were $49.9 million, representing a decrease of $400,000, less than one percent, from $50.3 million for the year ended September 30, 1995. The reduction in selling and administrative costs for fiscal 1996 reflected the absence of Sunland, which was sold in January 1996, and the discontinuance of the Company's Italian operations effective November 1, 1995. North American selling costs of the Marking Products segment also declined for the period on lower sales volume. In addition, administrative overhead costs were lower for the year as a result of several executive retirements and other management changes as well as management's continued cost control efforts. Higher sales and marketing costs in the Bronze and Graphic Systems segments and the selling and administrative costs of Industrial Equipment and Engineering Company, Inc. partially offset these declines.

Operating profit for the year ended September 30, 1996 was $26.8 million and was $2.3 million, or 9.5%, higher than operating profit of $24.5 million for the year ended September 30, 1995. The higher consolidated operating profit for fiscal 1996 principally resulted from operating profit increases in the Bronze and Marking Products segments. The Bronze segment recorded the largest increase, $1.9 million, or 10.5% over fiscal 1995, due principally to higher sales and related gross profit. Operating profit improvement for the Marking Products segment reflected the increase in international sales combined with lower North American selling expenses. Graphic Systems operating profit was relatively unchanged from fiscal 1995. Fiscal 1997 operating profit will be favorably impacted by changes in the Company's postretirement health care benefits. In September 1996, the Board of Directors approved changes to the retiree medical plan which provides additional plan options while limiting future Company contributions to retiree benefits. These changes will significantly reduce future net periodic postretirement benefit cost. The reduction will be partially offset by costs associated with the Company's planned implementation of a Section 401(k) employee savings plan and related Company contributions.

Investment income for the year ended September 30, 1996 was $2.6 million compared to $1.6 million for fiscal 1995. The increase reflects the Company's higher cash and investment position during the current year and a higher rate of return as a result of a change in the Company's investment strategies (see "Liquidity and Capital Resources").

Interest expense for the year ended September 30, 1996 was $131,000, compared to $105,000 for fiscal 1995. Interest expense principally relates to the Company's capital lease obligations.

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

Comparison of Fiscal 1996 and Fiscal 1995, continued:

Other income (deductions), net for the year ended September 30, 1996 represented a net increase to income of $4.3 million compared to a net reduction of $894,000 for fiscal 1995. Other income for fiscal 1996 primarily included a $9.4 million pre-tax gain on the sale of Sunland. This gain was partially offset by the write-off of the remaining goodwill ($2.3 million) with respect to the Company's investment in its Swedish subsidiary, which manufactures drop-on-demand ink-jet printing equipment. Other deductions for fiscal 1996 also reflected certain other non-operating expenses which principally included estimated costs of $1.2 million associated with the liquidation of the Company's German subsidiary. In September 1996, the Company authorized the liquidation of its German subsidiary. The transaction had no impact on the Company's fiscal 1996 net income due to the tax benefits related to the write-off of an intercompany loan and investment. The German subsidiary had sales of $4,200,000 with an operating loss of $970,000 in fiscal 1996.

The Company's effective tax rate for the year ended September 30, 1996 was 39.6%, compared to 38.4% for the year ended September 30, 1995. The higher effective tax rate for fiscal 1996 is primarily the result of the impact of the Company's foreign income tax position, primarily in Sweden, on the Company's consolidated tax position offset partially by the tax benefits related to the write-off of an intercompany loan and investment in connection with the liquidation of the Company's German subsidiary. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes.

Comparison of Fiscal 1995 and Fiscal 1994:

Sales for the year ended September 30, 1995 were $166.7 million, representing an increase of $8.0 million, or 5.1%, over fiscal 1994 sales of $158.7 million. The increase from the prior year resulted from higher sales in the Company's Bronze and Marking Products segments. Bronze segment sales in fiscal 1995 increased $5.0 million, or 6.6%, over fiscal 1994 reflecting increases in selling price and unit volume. Bronze sales were higher in the United States and Australia and, in the United States, reflected increases in both memorial and architectural products. Sales in the Marking Products segment increased $3.7 million, or 9.2%, over fiscal 1994 resulting principally from an increase in international sales. The increase in international sales reflected higher demand for non-contact printing equipment and related consumables, particularly in Germany and Australia. Sales in the Graphic Systems segment declined $665,000 (or 1.6%) below fiscal 1994. During fiscal 1995, the Graphic Systems segment experienced a reduction in demand for printing plates used by the corrugated packaging industry. This reduction in demand, which resulted from a shortage of linerboard and higher prices for corrugated shipping containers purchased by the packaging industry, is expected to be temporary.

Gross profit for the year ended September 30, 1995 was $74.7 million, or 44.8% of sales, compared to $71.6 million, or 45.1% of sales, for fiscal 1994. The increase of $3.1 million, or 4.4%, from the prior year related primarily to higher gross profit levels in the Bronze and Marking Products segments. The increase in the Bronze segment gross profit reflected benefits of the segment's sales growth for the year, but was offset partially by higher material costs. The average cost of bronze ingot, the major raw material used in the production of the segment's memorial products, increased significantly during fiscal 1995.

Comparison of Fiscal 1995 and Fiscal 1994, continued:

The higher gross profit in the Marking Products segment resulted from an increase in international sales volume, more favorable product mix and reductions in various overhead costs. Graphic Systems gross profit and gross profit as a percent of sales declined from fiscal 1994 primarily due to a reduction in sales for the year. The decline in sales in the Graphic Systems segment and increased prices for bronze ingot resulted in a slight reduction in consolidated gross profit as a percent of sales.

Selling and administrative expenses for the year ended September 30, 1995 were $50.3 million, or 30.1% of sales, compared to $47.7 million, or 30.0% of sales, in fiscal 1994. Selling expenses increased $1.4 million, or 4.6%, over fiscal 1994, proportionate with the higher sales for the year. Selling expense for the year principally reflected higher marketing expenses and increased sales personnel costs in Australia and Europe for Marking Products. Administrative expense increased $1.2 million, or 6.7%, over the prior year. The increase in administrative expense primarily reflected normal growth in general and employee-related costs and an increase in research and development costs, principally in the Marking Products segment.

Operating profit for the year ended September 30, 1995 was $24.5 million, or 14.7% of sales compared to fiscal 1994 operating profit of $23.9 million, or 15.1% of sales. The operating profit increase of $549,000, or 2.3%, generally reflected higher sales in the Bronze and Marking Products segments offset by a decline in demand for printing plates of the Graphic Systems segment and higher bronze ingot costs.

Investment income for the year ended September 30, 1995 was $1.6 million compared to $626,000 for fiscal 1994. The increase from fiscal 1994 related primarily to an increase in the average cash position of the Company from the previous year as well as higher rate of return.

Interest expense for the year ended September 30, 1995 was $105,000 compared to $310,000 for fiscal 1994. The decrease in interest expense was principally a result of the repayment of all amounts outstanding under the Term Loan Agreement during fiscal 1994.

Other income and deductions (net) for the year ended September 30, 1995 resulted in a net reduction in income of $894,000 compared to a net reduction of $519,000 in fiscal 1994. Other deductions in fiscal 1995 reflected costs in connection with the liquidation of the Company's Italian subsidiary.

The Company's effective tax rate for the year ended September 30, 1995 was 38.4%, compared to 40.8% in fiscal 1994. The lower effective tax rate for fiscal 1995 is primarily the result of a reduction in the effect of foreign income taxes on the Company's consolidated tax position and favorable prior year federal income tax adjustments. The difference between the Company's effective tax rate and the federal statutory rate of 35% is principally the result of state and foreign income taxes.

Comparison of Fiscal 1994 and Fiscal 1993:

Sales for the year ended September 30, 1994 were $158.7 million, representing an increase of $7.6 million, or 5.0%, over fiscal 1993. The higher sales reflected increases in the Company's Bronze and Graphic Systems segments. Bronze segment sales in fiscal 1994 increased $4.5 million, or 6.3%, over fiscal 1993 resulting from increases in both price and unit volume. Sales in the Graphic Systems segment increased $3.7 million, or 9.5%, over fiscal 1993 resulting from an increase in unit volume, and a combination of higher prices and a more favorable product mix. Sales in the Marking Products segment declined $573,000 (or 1.4%) below fiscal 1993. Fiscal 1994 sales were adversely affected by reductions in several European currencies against the U.S. dollar. In addition, the segment's lower sales for the fiscal year also reflected a slight decline in the sales volume of certain marking products, particularly in Germany.

Gross profit for the year ended September 30, 1994 was $71.6 million, or 45.1% of sales, compared to $64.1 million, or 42.4% of sales, for fiscal 1993. The increase in gross profit and gross profit as a percent of sales primarily reflected higher margins in the Graphic Systems and Bronze segments. Graphic Systems gross profit increased as a result of improvements in manufacturing efficiency, selling price increases and favorable changes in product mix. The increase in the Bronze segment gross profit is attributed mainly to improved cost/price relationships and continued benefits from improvements in the segment's manufacturing efficiency. Marking Products gross profit and gross profit as a percent of sales also increased over fiscal 1993. The increase in gross profit from the prior year related primarily to additional charges of $1.0 million recorded by Marking Products in fiscal 1993 for inventory write-offs and other adjustments, including costs of the Company's Italian subsidiary related to inventory and unfavorable exchange adjustments of $450,000.

Selling and administrative expenses for the year ended September 30, 1994 were $47.7 million, or 30.0% of sales, compared to $46.6 million, or 30.8% of sales, in fiscal 1993. Selling expense increased $2.3 million or 8.4%, over fiscal 1993. Selling expense was higher in the Graphic Systems and Bronze segments reflecting increased salaries and related benefits and commissions commensurate with the higher sales level of these segments. Administrative expense decreased $1.2 million, or 6.1%, from the prior year. Fiscal 1993 administrative expense included an additional charge of approximately $800,000 for a change in the amortization period of goodwill relative to Matthews Swedot AB. Fiscal 1994 selling and administrative expense also reflected reductions in marketing and research and development costs in Europe.

Operating profit for the year ended September 30, 1994 was $23.9 million, or 15.1% of sales. Fiscal 1993 operating profit was $17.6 million, or 11.6% of sales. The operating profit increase of $6.3 million, or 36.1%, reflected the benefits of higher sales and related gross profit in the Bronze and Graphic Systems segments and the absence of unusual charges recorded by Marking Products last year for inventory write-offs and other adjustments and a change in the amortization period of goodwill.

Investment income for the year ended September 30, 1994 was $626,000 compared to $609,000 for fiscal 1993. The increase reflects a higher average cash

Comparison of Fiscal 1994 and Fiscal 1993, continued:

Interest expense for the year ended September 30, 1994 was $310,000 compared to $595,000 for fiscal 1993. The decrease in interest expense was principally a result of the repayment of all amounts outstanding under the Term Loan Agreement during fiscal 1994.

Other income and deductions (net) for the year ended September 30, 1994 resulted in a net reduction in income of $519,000 compared to a net reduction of $1.0 million in fiscal 1993. Other deductions in fiscal 1993 included expenses of $500,000 in connection with a public offering of the Company's common stock which did not occur during fiscal 1993.

The Company's effective tax rate for the year ended September 30, 1994 was 40.8%, compared to 39.9% in fiscal 1993. Fiscal 1994 was the first year for the full impact to the Company of the increased U.S. federal corporate income tax rate from 34% to 35%. The difference between the Company's effective tax rate and the federal statutory rate of 35% is principally the result of state and foreign income taxes.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flow from operations was $19.2 million for the year ended September 30, 1996, compared to $20.2 million for fiscal 1995 and $20.4 million for fiscal 1994. Operating cash flow for fiscal 1996 reflects net income of $20.3 million adjusted to exclude the effects from the pre-tax gain of $9.4 million of the sale of Sunland, the write-off of remaining $2.3 million goodwill of Matthews Swedot AB and estimated liquidation costs in connection with the Company's German subsidiary. Operating cash flow for fiscal 1995 and 1994 reflected the Company's net income of $15.5 million and $14.0 million, respectively.

Cash used in investing activities was $34.2 million for fiscal 1995, compared to $2.7 million for fiscal 1995 and $3.2 million for fiscal 1994. Investing activities for the year ended September 30, 1996 included net investments of $36.8 million in short-term and intermediate-term securities of the U.S. government and its agencies and corporate obligations. These investments are designed to improve the investment rate of return on the Company's excess cash position while maintaining a sufficient degree of liquidity for future cash needs. Investing activities also included the acquisition (for $1.6 million cash and 19,286 shares of Matthews International Corporation Class A Common Stock) of 49% of the common stock of Applied Technology Developments, Ltd., a

British manufacturer of impulse ink-jet printing equipment.

Capital expenditures were $5.4 million, $6.0 million and $3.9 million in fiscal 1996, 1995 and 1994, respectively. Capital expenditures in the last three fiscal years reflected reinvestment in each of the Company's industry segments and were made primarily for the purchase of new manufacturing machinery, equipment and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. Capital expenditures for all three years were primarily financed through operating cash and the related assets are unencumbered. Capital spending for property, plant and equipment has averaged $5.1 million for the last three years. The capital budget for fiscal 1997 is $8.8 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

LIQUIDITY AND CAPITAL RESOURCES, continued:

Investing activities also included collections on notes receivable from designated officers and employees for the purchase of the Company's common stock under the Employees' Stock Purchase Plan. Collections under such loans were $1.4 million, $1.5 million and $668,000 in fiscal 1996, 1995 and 1994, respectively.

On January 5, 1996, the Company sold for $13.1 million cash its cemetery and mortuary facility (Sunland Memorial Park, Inc.) in Sun City, Arizona to Service Corporation International. The transaction resulted in a pre-tax gain of $9.4 million. Sunland Memorial Park, Inc., which was purchased in 1982, was the only such facility owned by Matthews International Corporation. The facility had sales in fiscal 1995 of approximately $5 million, representing about 3% the consolidated sales of the Company.

On March 25, 1996, the Company acquired Industrial Equipment and Engineering Company, Inc., a Florida corporation ("IEECF"), for 213,862 newly-issued shares of Matthews Class A Common Stock (valued at $5.4 million) and $3.6 million cash. The acquisition was consummated through a statutory merger among IEECF, a real estate holding corporation related to IEECF, and a wholly-owned subsidiary of Matthews International Corporation. The wholly-owned subsidiary of Matthews International Corporation, Industrial Equipment and Engineering Company, Inc., a Delaware corporation ("IEECD"), was the surviving corporation from the merger. IEECF, headquartered in Orlando, Florida, is the leading North American manufacturer of cremation equipment and also a supplier of related cremation products. IEECF sales were approximately $7.5 million for the year ended December 31, 1995 and consisted of about 70% in cremation equipment, 15% in field repairs, and the remainder in cremation supply products. The merger with IEECF is expected to provide Matthews International Corporation with the opportunity to further participate in the increasing world-wide trend of cremation and expand its range of products and services to the deathcare industry.

On August 1, 1996, IEECD acquired for cash substantially all of the assets and certain of the liabilities of All Crematory Corporation. All Crematory Corporation, located in Solon, Ohio, is also a manufacturer of cremation equipment. The total purchase price, including the assumption of liabilities, was $2.0 million.

Investing activities in fiscal 1995 reflected the sale of two of the Company's facilities. Two facilities of the Marking Products segment (one of the Company's Pittsburgh facilities and the Division's Canadian facility) were sold during the year and the related operations were consolidated into other facilities of the Company. These sales did not have a material impact on the Company's results of operations for fiscal 1995.

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

LIQUIDITY AND CAPITAL RESOURCES, continued:

Cash used in financing activities for the year ended September 30, 1996 was $11.9 million principally reflecting the purchase of treasury stock and the Company's quarterly cash dividends on common stock. In May 1996, the Company announced that the Board of Directors approved a limited stock repurchase program authorizing the Company to purchase up to 500,000 shares of Class A and Class B Common Stock. In conjunction with the buy-back program, the Company also changed its practice regarding sales of Class B Common Stock by the Company's employees. Effective July 21, 1996, the Company invoked the provisions of the Fifth Article of its Restated Articles of Incorporation. Such Article provides (among other things) that any shareholder wishing to sell any Class B common shares must first offer such shares to the Company for redemption. The Company had previously waived its rights to such redemptions. The Company will then have an option to purchase such shares for a 24-hour period. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Restated Articles of Incorporation.

Cash used in financing activities for fiscal 1995 was $2.7 million and represented repayments of $466,000 under capital lease obligations and cash dividends on common stock of $2.2 million. Cash used in financing activities for fiscal 1994 was $12.3 million, primarily reflecting long-term debt repayments of $6.6 million and treasury stock redemptions under the Company's Employees' Stock Purchase Plan of $7.5 million. These amounts were partially offset by net proceeds of $2.0 million from an initial public offering of the Company's common stock (see "Initial Public Offering").

Under the terms of the Revolving Credit and Term Loan Agreement, the Company may borrow principal amounts up to $6.0 million in the aggregate at various interest rate options approximating current market rates. The agreement requires the Company to maintain minimum levels of consolidated working capital and tangible net worth. There were no outstanding borrowings under this agreement at September 30, 1996, 1995 or 1994.

The Company has additional lines of credit for $3.0 million in U.S. dollars and $500,000 in Canadian dollars. These lines of credit provide for borrowings at the banks' prime interest rates. The Company has a foreign exchange line of credit of $200,000 for standby letters of credit to support performance guarantees, which bears interest at the bank's current market rates. The Company also maintains a multi-currency line of credit with a bank for 6 million French francs. The multi-currency line of credit bears interest at various rates based on market as determined by the bank. At September 30, 1996, approximately $44,000 of compensating balances were maintained in connection with the various lines of credit. There were no outstanding borrowings on the various lines of credit at September 30, 1996, 1995 and 1994.

Consolidated working capital of the Company was $30.8 million at September 30, 1996 compared to $56.3 million at September 30, 1995. Consolidated working capital was $41.0 million at September 30, 1994. Cash and cash equivalents were $12.4 million at September 30, 1996 compared to $39.2 million at September 30, 1995 and $24.3 million at September 30, 1994. The Company's current ratio at September 30, 1996 was 2.2, compared to 3.5 and 2.9 at September 30, 1995 and 1994, respectively. The reductions in working capital, cash and cash equivalents and current ratio at September 30, 1996 reflect the Company's investments in longer-term securities.

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

INITIAL PUBLIC OFFERING:

On July 20, 1994, the Company and some of its shareholders completed an initial public offering of 1,380,000 shares of its Class A Common Stock at an offering price of $14 per share. Of the 1,380,000 shares, the Company sold 200,000 shares and the remaining 1,180,000 shares were sold by certain shareholders. The proceeds to the Company, after deducting commissions and estimated offering expenses, were $2.0 million. The Company applied its portion of the net proceeds to the repayment of outstanding indebtedness under the Term Loan

Agreement. The Company did not receive any of the proceeds from the sale of 1,180,000 shares by the shareholders.

Immediately prior to the offering, the Articles of Incorporation were amended and restated to change the authorized common stock of the Company to 100 million shares, divided into two classes consisting of 70 million shares of Class A Common Stock, $1 par value, and 30 million shares of Class B Common Stock, $1 par value. The Company previously had one class of common stock, par value of $.10 per share, with 4,000,000 authorized shares. In connection with such amendment, each share of the Company's common stock outstanding immediately prior to the filing of the restated Articles of Incorporation with the Pennsylvania Secretary of State became fifteen shares of Class B Common Stock. All treasury stock was retired.

Under the Employees' Stock Purchase Plan, all outstanding shares of the Company's common stock prior to the offering were subject to option agreements of repurchase. Although the Company was not required to purchase any shareholders' stock, its consistent practice was to redeem all shares with respect to which an option of repurchase had arisen or which were voluntarily tendered.

Shares of Class A stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B stock have ten votes per share and are only transferable by a shareholder to the Company or to an active employee of the Company. If shareholders wish to otherwise sell Class B Common Stock, the Company may, at its discretion, purchase such shares at the fair market value per share of the Company's Class A Common Stock or permit shareholders to tender such shares to the Company in exchange for an equal number of shares of Class A Common Stock. The retirement, death or employment termination of a holder of Class B shares causes (except in limited circumstances) an automatic conversion of such stock to Class A shares.

FASB PRONOUNCEMENTS:

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The pronouncement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 will be adopted by the Company in fiscal 1997 and is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

FASB PRONOUNCEMENTS, continued:

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The pronouncement establishes a fair value based method of accounting for stock-based compensation plans. The pronouncement allows an entity to continue to measure those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue its accounting under APB Opinion No. 25. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS No. 123 had been applied. The disclosure requirements of SFAS No. 123 will be adopted by the Company in fiscal 1997.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and
Board of Directors of
Matthews International Corporation:

We have audited the accompanying consolidated balance sheet of Matthews International Corporation and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1996. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Matthews International Corporation and subsidiaries as of September 30, 1996 and 1995, and the consolidated results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Pittsburgh, Pennsylvania
November 18, 1996

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 1996 and 1995

<TABLE>
<CAPTION>

ASSETS	1996	1995
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 12,418,718	$ 39,204,010
Short-term investments	3,079,084	-
Accounts and notes receivable:		
Trade	25,977,035	28,145,651
Officers and employees	161,224	268,136
Other	20,407	101,823
Inventories (Note 3)	11,973,194	10,341,823
Deferred income taxes	886,450	718,531
Other current assets	1,244,106	456,265
Total current assets	55,760,218	79,236,239
Investments (Note 4)	35,333,326	-
Accounts receivable, noncurrent	28,047	1,401,056
Cemetery inventory, at average cost	-	1,193,652
Property, plant and equipment, net (Note 5)	37,322,773	38,021,777
Deferred income taxes (Note 11)	6,477,022	6,602,396
Other assets	7,064,736	6,391,117
Goodwill, net of accumulated amortization of $1,763,003 and $3,632,585, respectively (Note 2)	11,425,587	5,360,139
	$153,411,709	$138,206,376

The accompanying notes are an integral part of these consolidated financial statements.
/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET, continued
September 30, 1996 and 1995

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	1996	1995
<S>	<C>	<C>
Current liabilities:		
Long-term debt, current maturities	$ 270,092	$ 433,465
Trade accounts payable	6,049,732	5,181,954
Accrued compensation	2,234,233	1,811,438
Accrued vacation pay	2,722,521	2,542,442
Profit distribution to employees	3,579,467	3,590,944
Accrued income taxes	963,886	1,165,805
Customer prepayments	3,069,904	2,413,415
Postretirement benefits, current portion	945,933	1,329,237

Other current liabilities	5,075,162	4,441,320
	----------	----------
Total current liabilities	24,910,930	22,910,020
Long-term debt (Note 6)	-	270,092
Estimated cemetery costs (Note 2)	-	2,143,085
Estimated finishing costs	2,954,299	2,848,391
Postretirement benefits other than pensions (Note 10)	21,005,067	19,727,632
Deferred revenue and other liabilities (Note 2)	2,082,370	3,508,752
Commitments and contingent liabilities (Note 12)		
Shareholders' equity (Notes 7 and 8):		
Common stock:		
Class A, $1.00 par value, authorized 70,000,000 shares, 6,039,542 and 4,009,753 shares issued at September 30, 1996 and 1995, respectively	6,039,542	4,009,753
Class B, $1.00 par value, authorized 30,000,000 shares, 3,043,956 and 4,840,597 shares issued at September 30, 1996 and 1995, respectively	3,043,956	4,840,597
Preferred stock, $100 par value, authorized 10,000 shares, none issued	-	-
Additional paid-in capital	7,466,009	1,844,092
Retained earnings	98,367,657	80,690,206
Other shareholders' equity	(3,651,299)	(4,586,244)
Treasury stock, 318,918 shares at September 30, 1996, at cost (Note 2)	(8,806,822)	-
	-----------	-----------
Total shareholders' equity	102,459,043	86,798,404
	-----------	-----------
	$153,411,709	$138,206,376
	===========	===========

The accompanying notes are an integral part of these consolidated financial statements.
</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
for the years ended September 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Sales	$171,977,619	$166,747,781	$158,700,158
Cost of goods sold	95,336,719	92,018,514	87,086,449
	-----------	-----------	-----------
Gross profit	76,640,900	74,729,267	71,613,709
Selling expense	31,495,111	31,146,043	29,788,416
Administrative expense	18,374,409	19,125,520	17,916,353
	-----------	-----------	-----------
Operating profit	26,771,380	24,457,704	23,908,940
Investment income	2,628,747	1,620,038	625,672
Interest expense	131,364	104,820	309,939
Other income (deductions), net	4,253,853	(893,659)	(519,416)
	-----------	-----------	-----------
Income before income taxes	33,522,616	25,079,263	23,705,257
Income taxes (Note 11)	13,265,062	9,628,028	9,677,091
	-----------	-----------	-----------
Net income	$ 20,257,554	$ 15,451,235	$ 14,028,166
	==========	==========	==========

Earnings per share (Note 2)	$ 2.28	$ 1.75	$ 1.56
	====	====	====
Weighted average number of common shares outstanding (Note 2)	8,890,912	8,850,350	8,982,353
	=========	=========	=========

The accompanying notes are an integral part of these consolidated financial statements.
/TABLE
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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the years ended September 30, 1996, 1995 and 1994

<S>	Common Stock (Note 7) <C>	Additional Paid-in Capital <C>	Retained Earnings <C>	Other Shareholders' Equity <C>	Treasury Stock <C>	Total <C>
Balance, September 30, 1993	$ 400,000	$23,700,871	$100,795,209	$(8,804,126)	$(55,103,106)	$60,988,848
Net income			14,028,166			14,028,166
Treasury stock transactions:						
Purchase of 62,858 shares					(7,468,038)	(7,468,038)
Sale of 5,651 shares		548,568			92,507	641,075
Dividends, $.10 per share			(892,793)			(892,793)
Recapitalization:						
Retirement of treasury shares	(342,331)	(24,249,439)	(37,886,867)		62,478,637	-
Stock split and par value change	8,592,681		(8,592,681)			-
Initial public offering (Note 7):						
Issuance of 200,000 shares	200,000	2,600,000				2,800,000
Offering expenses		(755,908)				(755,908)
Other changes, net				2,021,918		2,021,918
	---------	----------	-----------	---------	----------	----------
Balance, September 30, 1994	8,850,350	1,844,092	67,451,034	(6,782,208)	-	71,363,268
Net income			15,451,235			15,451,235
Dividends, $.25 per share			(2,212,063)			(2,212,063)
Other changes, net				2,195,964		2,195,964
	---------	----------	-----------	---------	----------	----------
Balance, September 30, 1995	8,850,350	1,844,092	80,690,206	(4,586,244)	-	86,798,404
Net income			20,257,554			20,257,554
Treasury stock transactions:						
Purchase of 335,732 shares					(9,247,272)	(9,247,272)
Sale of 5,000 shares		1,769			106,200	107,969
Issuance of 11,814 shares under stock plans (Note 8)		(74,695)			334,250	259,555
Issuance of 233,148 shares for acquisitions (Notes 4 and 15)	233,148	5,694,843				5,927,991
Dividends, $.29 per share			(2,580,103)			(2,580,103)
Other changes, net				934,945		934,945
	---------	----------	-----------	---------	----------	-----------
Balance, September 30, 1996	$9,083,498	$ 7,466,009	$ 98,367,657	$(3,651,299)	$ (8,806,822)	$102,459,043
	=========	==========	===========	=========	==========	===========

The accompanying notes are an integral part of these consolidated financial statements.
/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the years ended September 30, 1996, 1995 and 1994
<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
Cash flows from operating activities:			
Net income	$20,257,554	$15,451,235	$14,028,166
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			

Depreciation and amortization	7,334,669	4,887,122	4,259,313
Change in deferred taxes	(558,999)	(1,313,280)	(1,115,750)
Net change in certain working capital items (Note 13)	2,301,488	(597,897)	2,220,580
Increase in other non-current assets	(1,378,517)	(393,667)	(1,223,162)
Increase in estimated finishing and cemetery costs	156,284	230,363	293,452
Increase (decrease) in deferred revenue and expenses and other liabilities	(287,921)	23,228	419,774
Increase in postretirement benefits	894,131	1,373,095	1,014,089
(Gain) loss on sale of property, plant and equipment	(80,686)	43,170	81,787
Gain on sale of subsidiary	(9,409,058)	-	-
Net gain on investments	(33,756)	-	-
Effect of exchange rate changes on operations	(10,517)	486,135	397,287
Net cash provided by operating activities	19,184,672	20,189,504	20,375,536
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(5,378,053)	(5,976,264)	(3,929,271)
Proceeds from sales of property, plant and equipment	472,697	1,736,869	34,517
Acquisitions, net of cash acquired	(5,182,055)	-	-
Proceeds from sale of subsidiary	13,070,853	-	-
Investments	(43,735,439)	-	-
Proceeds from disposition of investments	5,225,068	-	-
Collections on loans to officers and employees	1,361,769	1,520,011	667,689
Net cash used in investing activities	(34,165,160)	(2,719,384)	(3,227,065)
Cash flows from financing activities:			
Payments on long-term debt	(433,465)	(465,322)	(6,600,083)
Proceeds from initial public offering, net	-	-	2,044,092
Proceeds from the sale of treasury stock	367,524	-	641,075
Purchases of treasury stock	(9,247,272)	-	(7,468,038)
Dividends	(2,580,103)	(2,212,063)	(892,793)
Net cash used in financing activities	(11,893,316)	(2,677,385)	(12,275,747)
Effect of exchange rate changes on cash	88,512	146,308	152,522
Net increase (decrease) in cash and cash equivalents	(26,785,292)	14,939,043	5,025,246
Cash and cash equivalents at beginning of year	39,204,010	24,264,967	19,239,721
Cash and cash equivalents at end of year	$12,418,718	$39,204,010	$24,264,967
Cash paid during the year for:			
Interest	$ 131,364	$ 104,820	$ 309,939
Income taxes	13,523,856	11,023,880	10,073,283

The accompanying notes are an integral part of these consolidated financial statements.
/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS:

Matthews International Corporation, founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphic Systems and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorial products, crematories and cremation related products. The Graphic Systems segment manufactures and provides custom identification-related products and services used by the corrugated packaging industry and the flexible packaging industry. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables used by customers to mark or identify various consumer and industrial products, components and packaging containers.

Matthews International Corporation has sales and manufacturing facilities in the United States, Canada, Australia and Sweden as well as sales and distribution operations in France, Germany and the United Kingdom.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all foreign and domestic subsidiaries. All intercompany accounts and transactions have been eliminated.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

For purposes of the consolidated statement of cash flows, the Company considers all investments purchased with a remaining maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. At September 30, 1996, a significant portion of the Company's cash and cash equivalents were invested with one financial institution.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Foreign Currency:

Balance sheet accounts for foreign subsidiaries are translated into U.S. dollars at current exchange rates in effect at the consolidated balance sheet date. The gains or losses that result from this process are recorded in other shareholders' equity. The cumulative translation adjustment at September 30, 1996 and 1995 was a reduction in shareholders' equity of $1,741,116 and $1,820,792, respectively. The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period.

Inventories:

Inventories are stated at the lower of cost or market with cost generally determined under the average cost method.

Property, Plant and Equipment:

Property, plant and equipment are carried at cost. Depreciation of machinery and equipment is computed primarily on the straight-line method. Depreciation of buildings is computed using both straight-line and declining balance methods. Gains or losses from the disposition of assets are included in other income or other deductions from income. The cost of maintenance and repairs is charged against income as incurred. Renewals and betterments of a nature considered to extend the useful lives of the assets are capitalized.

Other Assets:

Other assets principally include prepaid pension assets (See Note 9) and the cash surrender value of life insurance, net of policy loans. No policy loans were outstanding at September 30, 1996 and 1995.

Goodwill:

Goodwill, which represents the excess of cost over the estimated fair value of net assets of acquired businesses, is amortized using the straight-line method over periods ranging from 10 to 20 years. Management periodically evaluates the net realizable value of goodwill and, based on such analysis, goodwill will be reduced if considered necessary. During the second quarter of fiscal 1996, the Company wrote off the remaining goodwill ($2,288,000) of its subsidiary, Matthews Swedot AB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Estimated Cemetery Costs and Estimated Finishing Costs:

Estimated cemetery costs represent current costs of providing various cemetery-related products and services sold to customers on a pre-need basis. The Company's cemetery, Sunland Memorial Park, Inc., was sold in January 1996 (See Note 15). Estimated costs for finishing have been provided for bronze memorials, vases and granite bases which have been manufactured, sold to customers and placed in storage for future delivery.

Treasury Stock:

Treasury stock is carried at cost. The cost of treasury shares sold is determined under the average cost method. At September 30, 1996, treasury stock consisted of 241,634 shares of Class A Common Stock and 77,284 shares of Class B Common Stock. No treasury shares were held at September 30, 1995 and 1994. During fiscal 1994, all treasury stock was retired (see Note 7).

Income Taxes:

Deferred tax liabilities and assets are provided for the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred income taxes for U.S. tax purposes have not been provided on the undistributed earnings of foreign subsidiaries, as such earnings are considered to be reinvested indefinitely. At September 30, 1996, undistributed earnings for which deferred U.S. income taxes have not been provided approximated $1,120,000. Determination of the amount of unrecognized U.S. deferred tax liability on these unremitted earnings is not practical as any taxes paid upon distribution to the Company would be offset, at least in part, by foreign tax credits under U.S. tax regulations.

Research and Development Expenses:

Research and development costs are expensed as incurred and approximated $1,997,000, $2,138,000 and $1,720,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

Earnings Per Share:

Earnings per share is computed based on the weighted average number of shares of common stock outstanding during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Revenue Recognition:

Pre-need sales of cemetery lots, mausoleum spaces and cemetery products (e.g., memorials and vaults) and services are primarily made through installment contracts with terms generally not exceeding 60 months. Revenues and costs are recognized on the installment basis over the contract period. The costs to provide cemetery products sold but uncompleted are reflected as estimated cemetery costs. The Company's cemetery, Sunland Memorial Park, Inc., was sold in January 1996 (See Note 15). All other revenues of the Company are recognized at the time of product shipment.

Reclassifications:

Certain amounts in the 1995 and 1994 consolidated financial statements have been reclassified to conform to the current year presentation.

3. INVENTORIES:

Inventories at September 30 consisted of the following:

	1996	1995
Materials and finished goods	$10,424,521	$ 8,910,738
Labor and overhead in process	879,593	812,178
Supplies	669,080	618,907
	$11,973,194	$10,341,823

4. INVESTMENTS:

On February 19, 1996, the Company acquired for $1,596,688 cash 40% of the common stock of Applied Technology Developments, Ltd. (ATD), a British manufacturer of impulse ink-jet printing equipment. On May 6, 1996, the Company acquired an additional 9% interest in ATD in exchange for 19,286 shares of Class A Common Stock (valued at $527,975). The investment has been recorded under the equity method of accounting. The Company's investment in ATD at September 30, 1996 was $2,219,602.

All other investment securities are classified as available-for-sale and are recorded at estimated market value at the consolidated balance sheet date. Short-term investments consist of securities with purchased maturities of over three months but less than one year. Accrued interest on all investment securities, including purchased interest, is also classified with short-term investments. Investments classified as non-current consist of securities with purchased maturities intended to range from one to five years.

4. INVESTMENTS, continued:

The amortized cost and market values of investment securities at September 30, 1996 were as follows:

	Book Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Short-term investments:				

U.S. government and its agencies	$ 1,499,957	$ 343	$ -	$ 1,500,300
Corporate obligations	1,100,000	-	-	1,100,000
Other	478,784	-	-	478,784
Total	$ 3,078,741	$ 343	$ -	$ 3,079,084

Investments:

U.S. government and its agencies	$14,502,942	$ -	$375,532	$14,127,410
Corporate obligations	19,121,106	-	324,246	18,796,860
Other	189,454	-	-	189,454
Total	$33,813,502	$ -	$699,778	$33,113,724

Unrealized gains and losses on investment securities, including related deferred taxes, are reflected in other shareholders' equity. Realized gains and losses are based on the specific identification method and are recorded in other income. Realized losses for fiscal 1996 were $38,802. Bond premiums and discounts are amortized on the straight-line method which does not significantly differ from the interest method.

5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and the related accumulated depreciation at September 30 were as follows:

	1996	1995
Buildings	$20,373,634	$21,273,617
Machinery and equipment	37,817,758	35,850,622
	58,191,392	57,124,239
Less accumulated depreciation	26,169,878	24,407,809
	32,021,514	32,716,430
Land	3,117,945	3,281,726
Construction in progress	2,183,314	2,023,621
	$37,322,773	$38,021,777

6. LONG-TERM DEBT:

The Company has a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company may borrow principal amounts up to $6,000,000 in the aggregate at various interest rate options approximating current market rates. The Revolving Credit and Term Loan Agreement requires the Company to maintain minimum levels of consolidated working capital and tangible net worth. At September 30, 1996 and 1995, no amounts were outstanding under this agreement.

During fiscal 1991, the Company converted all outstanding borrowings under the Revolving Credit and Term Loan Agreement into a separate seven-year term loan. All outstanding borrowings under the term loan were repaid in fiscal 1994.

Long-term debt at September 30, 1996 and 1995 of $270,092 and $703,557, respectively, (which included $270,092 and $433,465, respectively, classified as long-term debt, current maturities) consisted of obligations under capital lease agreements. The Company maintains certain manufacturing and computer equipment under capital lease agreements which expire in fiscal 1997 and provide for renewal or purchase options. Minimum lease payments in fiscal 1997 amount to $299,084, which includes an amount representing interest of $28,992.

Assets under capital leases are depreciated by the straight-line method over the estimated useful lives of the assets. Cost and accumulated amortization of assets under capital leases were $2,073,290 and $1,629,057, respectively, at September 30, 1996 and $2,073,290 and $1,249,082, respectively, at September 30, 1995.

At September 30, 1996 and 1995, the Company had additional lines of credit of $3,000,000 in U.S. dollars and $500,000 in Canadian dollars. These lines of credit provide for borrowings at the banks' prime interest rates. The Company has a foreign exchange line of credit of $200,000 for standby letters of credit to support performance guarantees. The Company also maintains a multi-currency line of credit with a bank for 6,000,000 French francs. The multi-currency line of credit bears interest at various rates based on market as determined by the bank. Compensating balances of approximately $44,000 and $45,000 were maintained by the Company at September 30, 1996 and 1995, respectively, in connection with the various lines of credit. There were no borrowings outstanding on the various lines of credit at September 30, 1996 and 1995.

7. SHAREHOLDERS' EQUITY:

On July 20, 1994, the Company and some of its shareholders completed an initial public offering of 1,380,000 shares of its Class A Common Stock at an offering price of $14 per share. Of the 1,380,000 shares, the Company sold 200,000 shares and the remaining 1,180,000 shares were sold by certain shareholders. The proceeds to the Company, after deducting commissions and offering expenses, were $2,044,092. The Company did not receive any of the proceeds from the sale of 1,180,000 shares by the shareholders. Prior to the offering, no shares of Class A Common Stock had been outstanding and there had been no established public trading market for the Company's common stock.

7. SHAREHOLDERS' EQUITY, continued:

Immediately prior to the offering, the Articles of Incorporation were amended and restated to change the authorized common stock of the Company to 100,000,000 shares, divided into two classes consisting of 70,000,000 shares of Class A Common Stock, $1 par value, and 30,000,000 shares of Class B Common Stock, $1 par value. The Company previously had one class of common stock, par value of $.10 per share, with 4,000,000 authorized shares. In connection with such amendment, each share of the Company's common stock outstanding immediately prior to the filing of the restated Articles of Incorporation became, effective upon the filing of the restated Articles of Incorporation with the Pennsylvania Secretary of State, fifteen shares of Class B Common Stock. All treasury stock was retired. The consolidated financial statements reflect the effects of this 15-for-1 common stock split for all periods presented.

Shares of Class A Common Stock have one vote per share and are freely transferable subject to applicable securities laws. Shares of Class B Common Stock have ten votes per share and are only transferable by a shareholder to the Company or to an active employee of the Company. The Company may, at its discretion, purchase such shares at the fair market value per share of the Company's Class A Common Stock or permit shareholders to tender such shares to the Company in exchange for an equal number of shares of Class A Common Stock. During fiscal 1996 and 1995, 1,796,641 and 2,629,753 shares, respectively, of Class B Common Stock were exchanged for an equal number of shares of Class A Common Stock.

In May 1996, the Company announced that the Board of Directors approved a limited stock repurchase program authorizing the Company to purchase up to 500,000 shares of Class A and Class B Common Stock. In conjunction with the buy-back program, the Company also changed its practice regarding sales of Class B Common Stock by the Company's employees. Effective July 21, 1996, the Company invoked the provisions of the Fifth Article of its Restated Articles of Incorporation. Such Article provides (among other things) that any shareholder wishing to sell any Class B common shares must first offer such shares to the Company for redemption. The Company had previously waived its rights to such redemptions. The Company will then have an option to purchase such shares for a 24-hour period. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Restated Articles of Incorporation.

Other shareholders' equity also includes notes receivable from officers and employees which arise from purchases of common stock by designated officers and employees under the Employees' Stock Purchase Plan. At September 30, 1996 and 1995, notes receivable of $1,403,683 and $2,765,452, respectively, were outstanding which included $812,708 and $1,575,269, respectively, due from officers. Each note bears interest ranging from 6.35% to 9% per annum (depending on the date of inception or renewal) and is due five years from the date of its execution, which period may be, and in some instances has been, extended by the Executive Committee. There are 290,850 shares of the Company's Class B Common Stock owned by borrowers pledged as collateral on the notes as of September 30, 1996.

8. STOCK PLANS:

The Company has a stock incentive plan which provides for the grant of incentive stock options, nonstatutory stock options and restricted share awards. The plan is administered by the Compensation Committee of the Board of Directors. The aggregate number of shares of the Company's common stock which may be issued upon exercise of the stock options and pursuant to the restricted share awards under the stock incentive plan is 600,000 shares. The option price for each stock option which may be granted under the plan may not be less than the fair market value of the Company's common stock on the date of grant.

In addition, under the Company's Director Fee Plan, directors who are not also officers of the Company receive 800 shares of the Company's Class A Common Stock as an annual retainer fee. Each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock, with such shares to be paid to the director subsequent to leaving the Board. The value of deferred shares, including dividends earned on such shares, is recorded in other liabilities.

Activity in the Company's stock plans was as follows:

	Number of Shares	
	Nonstatutory Stock Options	Director Fee Plan
Outstanding at September 30, 1994	-	-
Granted at $14.25 - $19.625 per share	477,500	3,222
Canceled	(58,000)	-
Outstanding at September 30, 1995	419,500	3,222
Granted at $18.875 - $28.50 per share	191,500	4,058
Options exercised at $18.875 per share	(11,001)	-
Issued under Director Fee Plan	-	(813)
Canceled	(13,166)	-
Outstanding at September 30, 1996	586,833	6,467

Outstanding options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. The options are not exercisable within six months from the date of grant and expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death.

8. STOCK PLANS, continued:

In October 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The pronouncement establishes a fair value based method of accounting for stock-based compensation plans. The pronouncement allows an entity to continue to measure those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue its accounting under APB Opinion No. 25. Entities electing to remain with the accounting in APB Opinion No. 25 must make pro forma disclosures of net income and earnings per share as if the fair value based method of accounting defined in SFAS No. 123 had been applied. The disclosure requirements of SFAS No. 123 will be adopted by the Company in fiscal 1997.

9. PENSION PLANS:

The Company maintains noncontributory, defined benefit pension plans covering substantially all U.S. and Canadian employees. The plans provide benefits based on years of service and average monthly earnings for the highest five consecutive years during the ten years immediately preceding termination of employment. The Company's funding policy for the plans is to contribute annually the amount recommended by its consulting actuaries, subject to statutory provisions. The Company has reached the full-funding limitation and, accordingly, is not permitted to make deductible contributions for tax purposes to its pension plans during periods of such excess funding. Consequently, no contributions were made to the plans for the plan years ended July 31, 1996, 1995 and 1994.

In addition, the Company has a Supplemental Retirement Plan which provides for supplemental pension benefits to certain executive officers of the Company. Upon normal retirement under this plan, such individuals who meet stipulated age and service requirements are entitled to receive monthly supplemental retirement payments, in addition to their pension under the Company's retirement plan, based on final average monthly earnings. Benefits under this plan do not vest until age 55; the Supplemental Retirement Plan is unfunded.

Pension expense included the following components:

	1996	1995	1994
Service cost - benefits earned during the year	$ 1,704,691	$ 1,675,738	$ 1,749,941
Interest cost on projected benefit obligation	3,212,293	3,007,169	2,854,976
Actual return on plan assets	(2,939,242)	(6,701,003)	(487,554)
Net amortization and deferral	(1,677,961)	2,210,749	(4,035,874)
Net pension expense	$ 299,781	$ 192,653	$ 81,489

9. PENSION PLANS, continued:

Actuarial assumptions are evaluated and revised as necessary as of August 1 each year. The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation was 8.0% at

August 1, 1996, 1995 and 1994. The rate of increase in future compensation levels was 4.5% at August 1, 1996, 1995 and 1994. The expected long-term rate of return on assets was 9.0% at August 1, 1996, 1995 and 1994.

The following table sets forth the funded status of the regular U.S. plan and the Supplemental Retirement Plan and the amounts recognized in the Company's consolidated financial statements at September 30, 1996 and 1995, which were determined as of August 1, 1996 and 1995, respectively:

<TABLE>
<CAPTION>

	1996		1995	
	Regular	Supplemental	Regular	Supplemental
<S>	<C>	<C>	<C>	<C>
Actuarial value of benefit obligation:				
Vested benefit obligation	$34,062,739	$ 1,756,116	$32,118,747	$ 1,425,529
Accumulated benefit obligation	$34,793,265	$ 1,915,448	$32,804,232	$ 1,504,739
Plan assets at fair value, primarily equity and fixed income securities	$48,201,382	$ -	$47,592,791	$ -
Projected benefit obligation for participants' service rendered to date	(41,582,145)	(2,211,073)	(39,555,653)	(1,827,879)
Plan assets in excess of (less than) projected benefit obligation	6,619,237	(2,211,073)	8,037,138	(1,827,879)
Unrecognized transition asset being recognized over 15 years	(1,615,182)	-	(2,018,976)	-
Unrecognized prior service cost	886,016	323,413	984,418	373,697
Unrecognized net (gain) loss	(2,193,824)	476,803	(3,254,116)	157,496
Minimum liability adjustment	-	(504,591)	-	(208,053)
Prepaid (accrued) pension	$ 3,696,247	$(1,915,448)	$ 3,748,464	$(1,504,739)

</TABLE>

Prepaid and accrued pension costs are included in other assets and deferred revenue and other liabilities, respectively.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

The Company provides certain health care and life insurance benefits for substantially all retired employees. These health and life insurance benefits are unfunded and are provided through an insurance company. Employees are assumed to be eligible for these retiree benefits generally after attaining age 55 where age plus years of service equal at least 75.

The following table sets forth the plan's funded status reconciled with the amount shown in the Company's consolidated balance sheet at September 30:

	1996	1995
Accumulated postretirement benefit obligation:		
Retirees	$ 5,222,939	$12,035,710

Fully eligible active plan participants	1,032,226	1,039,817
Other active plan participants	4,952,054	8,761,497
	----------	----------
	11,207,219	21,837,024
Unrecognized prior service cost	13,794,853	504,562
Unrecognized net loss	(3,051,072)	(1,284,717)
	----------	----------
Accumulated postretirement benefit obligation	21,951,000	21,056,869
Current portion	945,933	1,329,237
	----------	----------
	$21,005,067	$19,727,632
	==========	==========

Net periodic postretirement benefit cost included the following components:

	1996	1995	1994
Service cost - benefits attributed to employee service during the year	$ 441,330	$ 472,206	$ 477,630
Interest cost on accumulated postretirement benefit obligation	1,719,158	1,632,554	1,541,621
Net amortization	(29,663)	-	-
	---------	---------	---------
Net periodic postretirement benefit cost	$2,130,825	$2,104,760	$2,019,251
	=========	=========	=========

The weighted average discount rate used in determining the accumulated postretirement benefit obligation at September 30, 1996 was 8.0% and at September 30, 1995 and 1994 was 8.25%. The rate for compensation increases at September 30, 1996, 1995 and 1994 was 4.5%.

10. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

For measurement purposes, a 7.3% annual rate of increase in the per capita cost of health care benefits was assumed for 1997; the rate was assumed to decrease gradually to 5.0% for 2003 and remain at that level thereafter. The health care cost trend rate has a significant effect on the amounts reported. An increase in the assumed health care cost trend rates by one percentage point in each year would have increased the accumulated postretirement benefit obligation as of September 30, 1996 by 4.9% and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by 13.6%.

In September 1996, the Board of Directors approved changes to the retiree medical plan which provides additional plan options while limiting future Company contributions to retiree benefits. These changes will significantly reduce future net periodic postretirement benefit cost.

11. INCOME TAXES:

The provision for income taxes consisted of the following:

	1996	1995	1994
Current:			
Federal	$10,244,785	$ 8,430,866	$ 8,325,741
State	1,675,200	1,886,148	1,961,429
Foreign	1,027,798	624,294	505,671

	12,947,783	10,941,308	10,792,841
Deferred	317,279	(1,313,280)	(1,115,750)
Total	$13,265,062	$ 9,628,028	$ 9,677,091

The components of the provision for deferred income taxes were as follows:

	1996	1995	1994
Accrued vacation pay	$ (136,489)	$ 2,143	$ (27,724)
Estimated finishing costs	52,712	(76,880)	(67,559)
Postretirement benefits other than pensions	(342,382)	(535,508)	(395,494)
Installment sales	1,092,937	(75,760)	(135,972)
Foreign subsidiary losses, net	236,821	(495,546)	(691,275)
Pension costs	(116,887)	(75,134)	(31,905)
Depreciation	(233,522)	(15,661)	256,366
Deferred gain on sale of facilities	(31,664)	(22,186)	(44,696)
Other	(204,247)	(18,748)	22,509
	$ 317,279	$(1,313,280)	$(1,115,750)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Continued

11. INCOME TAXES, continued:

The components of the net deferred tax asset at September 30 were as follows:

	1996	1995
Deferred tax assets:		
Accrued vacation pay	$ 757,115	$ 620,626
Estimated finishing costs	662,287	714,999
Postretirement benefits other than pensions	8,554,561	8,212,179
Installment sales	-	1,092,937
Foreign subsidiary losses, net	950,000	1,186,821
Unrealized investment loss	272,780	-
Other	461,113	300,148
	11,657,856	12,127,710
Deferred tax liabilities:		
Pension costs	(838,278)	(955,165)
Depreciation	(2,841,444)	(3,074,966)
Deferred gain on sale of facilities	(614,662)	(646,326)
Deferred commissions	-	(130,326)
	(4,294,384)	(4,806,783)
Net deferred tax asset	7,363,472	7,320,927
Less current portion	886,450	718,531
	$ 6,477,022	$ 6,602,396

The reconciliation of the federal statutory tax rate to the consolidated effective tax rate is as follows:

	1996	1995	1994
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
Effect of state income taxes, net of federal deduction	3.3	4.5	5.1
Foreign taxes in excess of federal statutory rates	.8	(.9)	.4

Other	.5	(.2)	.3
Effective tax rate	39.6 %	38.4 %	40.8 %

The Company's foreign subsidiaries had income (losses) before income taxes for the years ended September 30, 1996, 1995 and 1994 of approximately $(3,377,000), $462,000 and $(788,000), respectively.

11. INCOME TAXES, continued:

At September 30, 1996, the Company had foreign net operating loss carryforwards of approximately $6,500,000, principally related to its European subsidiaries. Approximately $800,000 of these carryforwards expire between 2000 and 2003, while the remainder have an indefinite carryforward period. The Company has recorded a valuation allowance of approximately $950,000 and $1,200,000 at September 30, 1996 and 1995, respectively, related to the carryforwards.

12. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company operates various production and office facilities and equipment under operating lease agreements. Annual rentals under these and other operating leases were $2,130,000, $2,089,000 and $2,131,000 in 1996, 1995 and 1994, respectively. Future minimum rental commitments are not material.

The Company is party to various legal proceedings generally incidental to its business. The eventual outcome of these matters is not predictable, and it is possible that their resolution could be unfavorable to the Company. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion, based on the facts now known, that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

13. SUPPLEMENTAL CASH FLOW INFORMATION:

Changes in working capital items (excluding cash and cash equivalents, deferred income taxes, long-term debt, current maturities and postretirement benefits, current portion) consisted of the following:

	1996	1995	1994
Current assets:			
Accounts and notes receivable	$(2,463,712)	$ 1,392,991	$ 2,917,664
Inventories	571,217	581,459	(964,612)
Other current assets	770,017	(313,179)	250,391
	(1,122,478)	1,661,271	2,203,443
Current liabilities:			
Trade accounts payable	737,433	482,320	458,589
Accrued compensation	326,942	(12,309)	(46,463)
Accrued vacation pay	197,241	(21,194)	245,241
Profit distribution to employees	(239,942)	(333,407)	857,151
Accrued income taxes	(252,243)	(82,572)	719,558
Customer prepayments	(177,754)	21,984	803,758
Other current liabilities	587,333	1,008,552	1,386,189
	1,179,010	1,063,374	4,424,023
Net increase (decrease)	$(2,301,488)	$ 597,897	$(2,220,580)

13. SUPPLEMENTAL CASH FLOW INFORMATION, continued:

On March 25, 1996, the Company issued 213,862 shares of authorized Class A Common Stock, valued at $5,400,000, in connection with the acquisition of IEECF (See Note 15). On May 6, 1996, the Company issued 19,286 shares of authorized Class A Common Stock, valued at $527,975, in connection with the purchase of an additional 9% interest in ATD (See Note 4).

14. SEGMENT INFORMATION:

Sales and operating profit of the Company's business segments follows:
<TABLE>
<CAPTION>

<S>	Graphic Systems <C>	Marking Products <C>	Bronze <C>	Eliminations <C>	Consolidated <C>
Sales to unaffil-iated customers:					
1996	$43,062,133	$44,386,703	$84,528,783	$ -	$171,977,619
1995	42,360,000	44,356,157	80,031,624	-	166,747,781
1994	43,024,980	40,610,034	75,065,144	-	158,700,158
Intersegment sales:					
1996	42,408	238,439	26,479	(307,326)	-
1995	33,610	211,040	18,975	(263,625)	-
1994	37,289	179,940	22,954	(240,183)	-
Operating profit:					
1996	4,217,472	2,481,859	20,072,049	-	26,771,380
1995	4,253,769	2,032,915	18,171,020	-	24,457,704
1994	5,083,101	1,318,281	17,507,558	-	23,908,940

</TABLE>

Intersegment sales are accounted for at negotiated prices. Operating profit is total revenue less operating expenses.

Fiscal 1994 operating profit for the Marking Products segment reflected unfavorable charges of $450,000 representing inventory, currency exchange and other adjustments of its Italian operation.

Identifiable assets include those assets which are used in the Company's operations in each segment. Corporate headquarters' assets are included in Other and principally consist of cash and cash equivalents, investments and the headquarters' administration building.

14. SEGMENT INFORMATION, continued:

Information related to assets identifiable to segments follows:
<TABLE>
<CAPTION>

<S>	Graphic Systems <C>	Marking Products <C>	Bronze <C>	Other <C>	Consolidated <C>
Identifiable assets:					
1996	$19,254,530	$18,228,713	$43,491,615	$72,436,851	$153,411,709
1995	19,545,364	23,787,942	36,096,768	58,776,302	138,206,376
1994	19,003,458	24,893,567	33,602,927	43,183,053	120,683,005
Depreciation expense:					
1996	1,189,791	964,954	1,619,925	602,575	4,377,245

1995	1,049,438	999,435	1,590,125	572,218	4,211,216
1994	877,452	878,146	1,349,866	533,731	3,639,195
Capital expenditures:					
1996	942,909	1,067,917	3,228,309	138,918	5,378,053
1995	1,868,994	931,116	2,909,655	266,499	5,976,264
1994	880,069	854,989	1,991,690	202,523	3,929,271

</TABLE>

Information about the Company's operations in different geographic areas follows:

<TABLE>
<CAPTION>

	United States	Canada	Australia	Europe	Eliminations	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales to unaffil-iated customers:						
1996	$139,945,843	$8,180,041	$10,534,846	$13,316,889	$ -	$171,977,619
1995	135,078,165	8,044,331	9,710,776	13,914,509	-	166,747,781
1994	133,037,135	7,637,341	8,324,132	9,701,550	-	158,700,158
Transfers between geographic areas:						
1996	7,361,044	244,185	-	2,342,427	(9,947,656)	-
1995	7,581,885	260,007	-	2,280,101	(10,121,993)	-
1994	6,540,921	304,046	-	1,869,722	(8,714,689)	-
Operating profit:						
1996	25,827,733	(349,587)	1,718,944	(425,710)	-	26,771,380
1995	23,505,940	(228,905)	1,491,977	(311,308)	-	24,457,704
1994	24,250,415	(155,309)	1,492,069	(1,678,235)	-	23,908,940
Identifiable assets:						
1996	145,346,058	4,913,342	9,554,718	8,409,239	(14,811,648)	153,411,709
1995	130,465,301	5,261,030	8,558,234	14,362,677	(20,440,866)	138,206,376
1994	115,426,107	5,266,413	7,943,970	12,780,753	(20,734,238)	120,683,005

</TABLE>

15. ACQUISITIONS AND DISPOSITIONS:

On March 25, 1996, Matthews International Corporation acquired Industrial Equipment and Engineering Company, Inc., a Florida corporation ("IEECF"), for 213,862 shares of Matthews Class A Common Stock (valued at $5,400,000) and $3,600,000 cash. The acquisition was consummated through a statutory merger among IEECF, a real estate holding corporation related to IEECF, and a wholly-owned subsidiary of Matthews International Corporation. The wholly-owned subsidiary of Matthews International Corporation, Industrial Equipment and Engineering Company, Inc., a Delaware corporation ("IEECD"), was the surviving corporation from the merger. In addition, IEECD executed employment agreements with the two former shareholders of IEECF pursuant to which performance-based incentive compensation would be payable to such shareholders if the cumulative pre-tax earnings of the merged business for the five-year period beginning April 1, 1996 exceeds $8,000,000, which amount is significantly greater than the profit levels earned by IEECF in recent years. Matthews International Corporation has accounted for this acquisition using the purchase method and, accordingly, has recorded the acquired assets and liabilities at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets was recorded as goodwill to be amortized on a straight-line basis over 20 years. Sales of IEECF for the years ended December 31, 1995 and 1994 were $7,500,000 and $7,900,000, respectively.

On August 1, 1996, IEECD acquired for cash substantially all of the assets and certain of the liabilities of All Crematory Corporation. The total purchase price, including the assumption of liabilities, was $2,000,000. Sales of All Crematory Corporation for the years ended September 30, 1995 and 1994 were $3,400,000 and $2,800,000, respectively.

On January 5, 1996, Matthews International Corporation sold for $13,100,000 cash its cemetery and mortuary facility (Sunland Memorial Park, Inc.) in Sun City, Arizona to Service Corporation International. Matthews recorded a pre-tax gain in the fiscal 1996 second quarter of $9,400,000 on the sale which was recorded in other income. Sunland Memorial Park, Inc., which was purchased in 1982, was the only such facility owned by the Company. The facility had sales in fiscal year 1995 of approximately $5,000,000, representing about 3 percent of the consolidated sales of the Company.

In September 1996, the Company authorized the liquidation of its German subsidiary and recorded a pre-tax charge to other expense of $1,200,000 in connection with the transaction. The transaction had no impact on the Company's fiscal 1996 net income due to the tax benefits related to the write-off of an intercompany loan and investment. The German subsidiary had sales of $4,200,000 with an operating loss of $970,000 in fiscal 1996.

16. FASB PRONOUNCEMENT:

In March 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The pronouncement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 will be adopted by the Company in fiscal 1997 and is not expected to have a material impact on the Company's consolidated financial position, results of operations or cash flows.

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Quarterly Financial Data (Unaudited):

The following table sets forth certain items included in the Company's unaudited consolidated financial statements for each quarter of fiscal 1996 and fiscal 1995.

<TABLE>
<CAPTION>

<S>	Quarter Ended <C> December 31	<C> March 31	<C> June 30	<C> September 30	Year Ended <C> September 30
FISCAL YEAR 1996:					
Sales	$41,185,350	$42,791,474	$44,304,394	$43,696,401	$171,977,619
Gross profit	18,583,348	18,971,759	19,724,336	19,361,457	76,640,900
Operating profit	6,452,253	6,846,286	6,979,626	6,493,215	26,771,380
Net income	4,245,989	7,376,045	4,480,071	4,155,449	20,257,554
Earnings per share	.48	.83	.50	.47	2.28
FISCAL YEAR 1995:					
Sales	$40,085,805	$42,085,583	$42,729,909	$41,846,484	$166,747,781
Gross profit	18,363,567	18,905,291	19,141,451	18,318,958	74,729,267
Operating profit	6,363,694	6,349,380	6,357,717	5,386,913	24,457,704
Net income	3,909,665	4,080,628	4,142,376	3,318,566	15,451,235
Earnings per share	.44	.46	.47	.38	1.75

/TABLE

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

There have been no changes in accountants or disagreements on accounting or financial disclosure between the Company and Coopers & Lybrand L.L.P., Certified Public Accountants, for the fiscal years ended September 30, 1996, 1995 and 1994.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following information as of November 30, 1996 is furnished with respect to each director and executive officer:

Name	Age	Positions with Registrant
David M. Kelly	54	Chairman of the Board, President and Chief Executive Officer
Geoffrey D. Barefoot	49	President, Graphic Systems Division and Director
Edward J. Boyle	50	Vice President, Accounting & Finance and Secretary
William A. Coates	67	Director
David J. DeCarlo	51	President, Bronze Division and Director
Richard C. Johnson	50	Vice President, Corporate Development and Human Resources
Thomas N. Kennedy	61	Director
Steven F. Nicola	36	Controller
John P. O'Leary, Jr.	49	Director
James L. Parker	58	Director
William J. Stallkamp	57	Director

David M. Kelly was elected Chairman of the Board on March 15, 1996. He was appointed President and Chief Operating Officer of the Company in April 1995 and President and Chief Executive Officer effective October 1, 1995. He was appointed as a Director of the Company in May 1995. Prior to joining the Company, he worked for Carrier Corporation as Senior Vice President from 1993 to 1995; Vice President, Strategic Planning and Global Purchasing from 1992 to 1993; and President, North American Operations prior thereto.

Geoffrey D. Barefoot, a Director of the Company since 1990, was elected President, Graphic Systems Division in November 1993. Prior thereto, he was Vice President and Division Manager, Graphic Systems.

Edward J. Boyle was elected Vice President, Accounting & Finance effective December 1, 1995. Prior thereto, he was Controller of the Company. He was appointed Secretary in September 1996.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT, continued.

William A. Coates, a Director of the Company since 1992, retired in 1989 as Executive Vice President, Technology, Quality and Operations Services, Westinghouse Electric Corporation.

David J. DeCarlo, a Director of the Company since 1987, was elected President, Bronze Division in November 1993. Prior thereto, he was Senior Vice President and Division Manager, Bronze.

Richard C. Johnson was elected Vice President, Corporate Development and Human Resources in December 1991. Prior thereto, he was Manager of Corporate Development and Human Resources.

Thomas N. Kennedy, a Director of the Company since 1987, retired as an officer of the Company effective December 1, 1995. He was Senior Vice President, Chief Financial Officer and Treasurer since January 1991.

Steven F. Nicola was elected Controller of the Company effective December 1, 1995. He was Manager, Tax Planning and International Accounting since November 1992 and was a manager with Coopers & Lybrand L.L.P. prior thereto.

John P. O'Leary, Jr., a Director of the Company since 1992, has been President and Chief Executive Officer of Tuscarora, Incorporated, a plastics manufacturer, since 1990. Mr. O'Leary is also a director of First Western Bancorp, Inc.

James L. Parker, a Director of the Company since 1981, retired as an officer of the Company effective November 1, 1996. He was elected Senior Vice President, General Counsel and Secretary in January 1991. Mr. Parker is expected to continue as a Director.

William J. Stallkamp, a Director of the Company since 1981, has been Chairman and Chief Executive Officer of Mellon PSFS in Philadelphia since January 1996. Prior thereto, he was an Executive Vice President of Mellon Bank, N.A.

Board Committees:

The Executive Committee is appointed by the Board of Directors to have and exercise during the periods between Board meetings all of the powers of the Board of Directors, except that the Executive Committee may not elect directors, change the membership of or fill vacancies in the Executive Committee, change the By-Laws of the Company or exercise any authority specifically reserved by the Board. The membership of the Executive Committee since October 1, 1995 consisted of the following:

October 1, 1995 to November 30, 1995	Messrs. Kelly, Parker, Kennedy, DeCarlo and Barefoot
December 1, 1995 to October 31, 1996	Messrs. Kelly, Parker, DeCarlo and Barefoot
November 1, 1996 to the date of this report	Messrs. Kelly, DeCarlo and Barefoot

The principal function of the Audit Committee, the members of which are Messrs. Stallkamp (Chairman), Coates and O'Leary, is to endeavor to assure the integrity and adequacy of financial statements issued by the Company. It is intended that the Audit Committee will review internal auditing systems and procedures as well as the activities of the public accounting firm performing the external audit.

The principal function of the Compensation Committee, the members of which are Messrs. Coates (Chairman), Kennedy and Stallkamp is to review periodically the suitability of the remuneration arrangements (including benefits) for the principal officers of the Company other than stock remuneration. A subcommittee of the Compensation Committee, the Stock Compensation Committee, the members of which are Messrs. Coates (Chairman) and Stallkamp, consider and grant stock remuneration and administer the Company's 1992 Stock Incentive Plan.

Section 16(a) Beneficial Ownership Reporting Compliance:

On February 2, 1996, Steven F. Nicola filed an amended Form 3 with the Securities and Exchange Commission, reporting ownership of the Company's stock as of his election as an officer, December 1, 1995. Apart from such filing, the Company is aware of no delinquent filings of Securities and Exchange Commission Forms 3, 4 or 5 during the period October 1, 1995 through September 30, 1996 by any holder of the registrant's equity securities.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the individual compensation information for the fiscal years ended September 30, 1996, 1995 and 1994 for the Company's Chief Executive Officer and the four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

Name of Individual and Principal Position	Year	Annual Compensation		Long-Term Compensation		
				Awards	Payouts	
		Salary	Bonus (1)	Securities Underlying Options (Shares)	LTIP Payouts	All Other Compensation (2)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David M. Kelly (3)	1996	$268,764	$261,193	35,000	None	None
Chairman of the Board and	1995	125,004	94,233	100,000	None	None
Chief Executive Officer						
David J. DeCarlo	1996	188,100	159,409	20,000	None	4,904
Director and President,	1995	177,636	162,132	43,000	None	3,851
Bronze Division	1994	169,224	161,168	None	None	3,408
James L. Parker (4)	1996	148,806	101,069	None	None	463,518
Director, Senior Vice	1995	143,580	111,633	33,000	None	424,311
President, General	1994	139,296	121,430	None	None	375,478
Counsel and Secretary						
Geoffrey D. Barefoot	1996	142,497	59,827	15,000	None	2,028
Director and President,	1995	135,696	68,213	32,000	None	1,391
Graphic Systems Division	1994	126,228	98,202	None	None	1,325
Edward J. Boyle	1996	104,709	68,308	14,000	None	2,205
Vice President,	1995	92,745	47,484	17,500	None	1,092
Accounting & Finance	1994	88,632	46,933	None	None	2,063

<FN>

(1) Includes management incentive plan and supplemental management incentive payments and, for Mr. Kelly, an amount equal to his life insurance premium cost. At his request, the Company does not provide life insurance for Mr. Kelly, but in lieu thereof pays to him annually the amount which the Company would have paid in premiums to provide coverage, considering his position and age. Such amounts are not included in calculating other Company benefits for Mr. Kelly. The amount paid to Mr. Kelly in lieu of life insurance for 1996 and 1995 was $4,100 each year. The Company has adopted a management incentive plan for officers and key management personnel. Participants in such plan are not eligible for the Company's profit distribution plan. The incentive plan is based on attainment of established personal goals and on divisional and Company performance for the fiscal year. In addition, payments include a supplement in amounts which are sufficient to pay annual interest expense on the outstanding notes of management under the Company's Designated Employee Stock Purchase Plan and to pay medical costs which are not otherwise covered by a Company plan. As of the date of the Company's Initial Public Offering (July 20, 1994), no further notes have been issued under the Designated

ITEM 11. EXECUTIVE COMPENSATION, continued.

(2) Includes stock appreciation right benefits, educational assistance for dependent children and premiums for term life insurance. Mr. Parker previously had exchanged a portion of his common stock shareholdings for an equivalent number of stock appreciation rights, pursuant to which the Company credited and paid annually an amount equal to the participation value of all units so acquired. Participation value of each unit was the amount of earnings per share of common stock adjusted to account for retiree benefits on a cash basis, calculated on the basis of the weighted average number of unrestricted shares outstanding during the fiscal year. Stock appreciation right benefits expire upon retirement or death. Each officer of the Company is provided term life insurance coverage in an amount approximately equivalent to three times his respective salary. Amounts reported in this column for the named officers in fiscal 1996, 1995 and 1994 include the following respective life insurance benefit costs: Mr. DeCarlo, $2,904, $1,851 and $2,408; Mr. Parker, $3,429, $3,135 and $2,371; Mr. Barefoot, $2,028, $1,391 and $1,325; and Mr. Boyle, $1,205, $1,092 and $1,063. Educational assistance for dependent children is provided to any officer or employee of the Company whose child meets the scholastic eligibility criteria and is attending an

eligible college or university. Educational assistance amounts reported in this column for the named officers in fiscal 1996, 1995 and 1994, respectively, were: Mr. DeCarlo, $2,000, $2,000 and $1,000; and Mr. Boyle, $1,000, none and $1,000. See also note (1).

(3) Mr. Kelly joined the Company on April 3, 1995 and was elected Chief Executive Officer effective October 1, 1995. Mr. Kelly has an employment arrangement with the Company which provides that, in the event of his discharge without cause prior to April 3, 1998, he will receive additional compensation of double his annual base salary rate as of the discharge date. Such arrangement further provides for the life insurance payments described in note (1) above and the waiver of minimum service for vesting purposes described below under "Retirement Plan."

(4) Mr. Parker retired as an officer November 1, 1996, but is expected to continue as a director.

</TABLE>

The Summary Compensation Table does not include expenses to the Company of incidental benefits of a limited nature to executive officers including use of Company vehicles, club memberships, dues, or tax planning services. The Company believes such incidental benefits are in the conduct of the Company's business, but, to the extent such benefits and use would be considered personal benefits, the value thereof is not reasonably ascertainable and does not exceed, with respect to any individual named in the compensation table, the lesser of $50,000 or 10% of the annual compensation reported in such table.

ITEM 11. EXECUTIVE COMPENSATION, continued.

Option/SAR Grants in Last Fiscal Year

<TABLE>
<CAPTION>

	Individual Grants (1)				Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price per Share	Expiration Date	5%	10%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
D.M. Kelly	35,000	18.3%	$26.00	4/8/06	$572,285	$1,450,295
D.J. DeCarlo	20,000	10.4%	$26.00	4/8/06	327,020	828,740
J.L. Parker	None	-	-	-	-	-
G.D. Barefoot	15,000	7.8%	$26.00	4/8/06	245,265	621,555
E.J. Boyle	14,000	7.3%	$26.00	4/8/06	228,914	580,118

<FN>

(1) All options were granted at market value as of the date of grant. Options are exercisable in various share amounts based on the attainment of certain market value levels of Class A Common Stock, but, in the absence of such events, are exercisable in full for a one-week period beginning five years from the date of grant. The options are not exercisable within six months from the date of grant and expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with consent of the Company), retirement or death.

</TABLE>

Retirement Plan:

The Company's domestic retirement plan is noncontributory and provides benefits based upon length of service and final average earnings. Generally, employees age 21 with one year of continuous service are eligible to participate in the retirement plan. The benefit formula is 3/4 of 1% of the first $550 of final average monthly earnings plus 1-1/4% of the excess times years of credited service (maximum 35). The plan is an insured, defined benefit plan and covered compensation is limited generally to base salary or wages. Benefits are not subject to any deduction or offset for Social Security.

ITEM 11. EXECUTIVE COMPENSATION, continued.

In addition to benefits provided by the Company's retirement plan, the Company has a Supplemental Retirement Plan, which provides for supplemental pension benefits to executive officers of the Company designated by the Board of Directors, including those named in the Summary Compensation Table. Upon normal retirement under this plan, such individuals who meet stipulated age and service requirements are entitled to receive monthly supplemental retirement payments which, when added to their pension under the Company's retirement plan and their maximum anticipated Social Security primary insurance amount, equal, in total, 1.85% of final average monthly earnings (including incentive compensation) times the individual's years of continuous service (subject to a maximum of 35 years). Upon early retirement under this plan, reduced benefits will be provided, depending upon age and years of service. Benefits under this plan do not vest until age 55 and the attainment of 15 years of continuous service. However, in order to recruit Mr. Kelly, the Company waived such minimum service requirement with respect to Mr. Kelly. No benefits will be payable under such supplemental plan following the voluntary employment termination or death of any such individual. The Supplemental Retirement Plan is unfunded; however, a provision has been made on the Company's books for the actuarially computed obligation.

The following table shows the total estimated annual retirement benefits payable at normal retirement under the above plans for the individuals named in the Summary Compensation Table at the specified executive remuneration and years of continuous service:

Covered Remuneration	Years of Continuous Service				
	15	20	25	30	35
$125,000	$ 34,688	$ 46,250	$ 57,813	$ 69,375	$ 80,938
150,000	41,625	55,500	69,375	83,250	97,125
175,000	48,563	64,750	80,938	97,125	113,313
200,000	55,500	74,000	92,500	111,000	129,500
225,000	62,438	83,250	104,063	124,875	145,688
250,000	69,375	92,500	115,625	138,750	161,875
300,000	83,250	111,000	138,750	166,500	194,250
400,000	111,000	148,000	185,000	222,000	259,000
450,000	124,875	166,500	208,125	249,750	291,375
500,000	138,750	185,000	231,250	277,500	323,750

The table shows benefits at the normal retirement age of 65, before applicable reductions for social security benefits. The Employee Retirement Income Security Act of 1974 places limitations, which may vary from time to time, on pensions which may be paid under federal income tax qualified plans, and some of the amounts shown on the foregoing table may exceed the applicable limitation. Such limitations are not currently applicable to the Company's supplemental retirement plan.

Estimated years of continuous service for each of the individuals named in the Summary Compensation Table, as of October 1, 1996 and rounded to the next higher year, are: Mr. Kelly, 2 years; Mr. DeCarlo, 12 years; Mr. Parker, 30 years; Mr. Barefoot, 21 years and Mr. Boyle, 10 years.

ITEM 11. EXECUTIVE COMPENSATION, continued.

Compensation Committee Interlocks and Insider Participation:

Thomas N. Kennedy, a former officer of the Company, is a member of the Company's Compensation Committee.

Compensation of Directors:

Pursuant to the Director Fee Plan, directors who are not also officers of the Company receive 800 shares of the Company's Class A Common Stock as an annual retainer fee. Each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock. In addition, each such director is paid $800 for every meeting of the Board of Directors attended and (other than a Chairman) $500 for every committee meeting attended. The Chairman of a committee of the Board of Directors is paid $700 for every committee meeting attended. No other remuneration is otherwise paid by the Company to any director for services as a director.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(a)(b) Security Ownership of Certain Beneficial Owners and Management:

The Company's Articles of Incorporation divide its voting stock into three classes: Preferred Stock and Class A and Class B Common Stock. At the present time, none of the Preferred Stock is issued or outstanding. The following information is furnished with respect to persons who the Company believes, based on its records, beneficially own more than five percent of the outstanding shares of Class A and Class B Common Stock of the Company, and with respect to directors and officers. Those individuals with more than five percent of such shares could be deemed to be "control persons" of the Company.

This information is as of November 30, 1996.

Name of Beneficial Owner (1)	Number of Class A Shares Beneficially Owned (2)	Percent of Class	Number of Class B Shares Beneficially Owned (2)	Percent of Class
Directors and Officers:				
D.M. Kelly	17,000	0.3%	28,000	1.1%
G.D. Barefoot	None	-	104,500	4.0
W.A. Coates	14,200	0.2	None	-
D.J. DeCarlo	None	-	144,995	5.6
T.N. Kennedy	53,050	0.9	None	-
J.P. O'Leary, Jr.	5,000	0.1	None	-
J.L. Parker	317,760	5.2	None	-
W.J. Stallkamp	2,000	*	None	-
All directors and executive officers as a group (11 persons)	409,010	6.7	404,845	15.5
Others:				
W. Hauber	472,930	7.7	None	-
W. Witte	None	-	215,840	8.4
E. Szaronos	None	-	180,000	6.9
D. Majestic	None	-	156,000	6.0

* Less than 0.1%

(1) The mailing address of each beneficial owner is the same as that of the Registrant.

(2) The nature of the beneficial ownership for all shares is sole voting and investment power.

(c) Changes in Control:

The Company knows of no arrangement which may, at a subsequent date, result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The Securities and Exchange Commission requires disclosure of certain business transactions or relationships between the Company, or its subsidiaries, and other organizations with which any of the Company's directors are affiliated as an owner, partner, director, officer or employee. Briefly, disclosure is required where such a business transaction or relationship meets the standards of significance established by the Securities and Exchange Commission with respect to the types and amounts of business transacted. The Company is aware of no transaction requiring disclosure pursuant to this item during the past fiscal year except as stated herein.

The following officers and directors were indebted to the Company on notes carrying annual interest rates of not less than 6.5% or more than 8% (depending on the date of inception or renewal) which were issued under the Company's Designated Employee Stock Purchase Plan, as referred to in Note 7 of the Notes to Consolidated Financial Statements:

	Highest Amount Outstanding During the Year Ended September 30, 1996	Amount Outstanding at November 30, 1996
Geoffrey D. Barefoot	$ 199,086	$ 131,126
Edward J. Boyle	112,678	82,840
David J. DeCarlo	552,831	424,685
Richard C. Johnson	147,466	85,463
Thomas N. Kennedy	222,231	None
Steven F. Nicola	46,734	36,241
James L. Parker	340,977	None

The Company has annually made supplemental management incentive payments to officers and other employees indebted on such notes in amounts equal to the interest paid by such persons on their respective notes. Since the date of the Company's Initial Public Offering (July 20, 1994), no further notes have been issued under the Designated Employee Stock Purchase Plan.

PART IV

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

(a) 1. Financial Statements:

The following items are included in Part II, Item 8:

2. Financial Statement Schedules:

Financial statement schedules have been omitted for the reason that the information is not required or is otherwise given in the consolidated financial statements and notes thereto.

3. Exhibits Filed:

The index to exhibits is on pages 62-64.

(b) Reports on Form 8-K:

None

SIGNATURES

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, on December 13, 1996.

MATTHEWS INTERNATIONAL CORPORATION

(Registrant)

By David M. Kelly

David M. Kelly, Chairman of the Board,
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 on behalf of the Registrant and in the capacities indicated on December 13, 1996:

Signature	Title
David M. Kelly - ---------------------------------- David M. Kelly	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
Edward J. Boyle - ---------------------------------- Edward J. Boyle	Vice President, Accounting & Finance and Secretary (Principal Accounting Officer)
Geoffrey D. Barefoot - ---------------------------------- Geoffrey D. Barefoot	Director
William A. Coates - ---------------------------------- William A. Coates	Director
David J. DeCarlo - ---------------------------------- David J. DeCarlo	Director

Thomas N. Kennedy Director
- ----------------------------------
Thomas N. Kennedy

John P. O'Leary, Jr. Director
- ----------------------------------
John P. O'Leary, Jr.

James L. Parker Director
- ----------------------------------
James L. Parker

William J. Stallkamp Director
- ----------------------------------
William J. Stallkamp

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBITS
INDEX

The following Exhibits to this report are filed herewith or, if marked with an asterisk (*), are incorporated by reference. Exhibits marked with an "a" represent a management contract or compensatory plan, contract or arrangement required to be filed by Item 601(b)(10)(iii) of Regulation S-K.

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
3.1	Restated Articles of Incorporation *	Exhibit Number 3.1 to Form 10-K for the year ended September 30, 1994
3.2	By-laws *	Exhibit Number 3.2 to Form 10-K for the year ended September 30, 1994
4.1 a	Form of Employee Stock Purchase Agreement Entered into by Designated Key Employees *	Exhibit Number 4.1 to Form 10-K for the year ended September 30, 1983
4.2 a	Form of Employee Stock Purchase Agreement Entered into by Designated Key Employees (effective October 1, 1993) *	Exhibit Number 4.2 to Form 10-K for the year ended September 30, 1993
4.3 a	Representative Form of Option Agreement of Repurchase *	Exhibit Number 10.2 to Form S-2 Registration Statement (No. 33-79538) filed on June 1, 1994
4.4 a	Form of Revised Option Agreement of Repurchase *	Exhibit Number 4.2 to Form 10-K for the year ended September 30, 1983
4.5 a	Form of Revised Option Agreement of Repurchase (effective October 1, 1993) *	Exhibit Number 4.5 to Form 10-K for the year ended September 30, 1993

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
4.6 a	Employees' Stock Purchase Plan *	Exhibit Number 4.6 to Form 10-K for the year ended September 30, 1993
4.7 a	Restricted Stock Plan *	Exhibit Number 4.5 to Form 10-K for the year ended September 30, 1987
4.8 a	Form of Option Agreement of Repurchase - Restricted Stock Plan *	Exhibit Number 4.6 to Form 10-K for the year ended September 30, 1987

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
4.9	Form of Share Certificate for Class A Common Stock *	Exhibit Number 4.9 to Form 10-K for the year ended September 30, 1994
4.10	Form of Share Certificate for Class B Common Stock *	Exhibit Number 4.10 to Form 10-K for the year ended September 30, 1994
10.1 a	Supplemental Retirement Agreement between the Registrant and Thomas F. Purner, Jr., dated July 6, 1983 *	Exhibit Number 10.1 to Form 10-K for the year ended September 30, 1983
10.2 a	Form of Stock Appreciation Right Agreement *	Exhibit Number 10.2 to Form 10-K for the year ended September 30, 1983
10.3 a	Form of Agreement which amends the Option Agreement of Repurchase with Respect to Major Shareholders *	Exhibit Number 19.1 to Form 10-Q for the quarter ended March 31, 1988
10.4	Revolving Credit and Term Loan Agreement *	Exhibit Number 10.7 to Form 10-K for the year ended September 30, 1986
10.5 a	Supplemental Retirement Plan *	Exhibit Number 10.8 to Form 10-K for the year ended September 30, 1988
10.6	Term Loan Agreement and Promissory Note *	Exhibit Number 10.9 to Form 10-K for the year ended September 30, 1991
10.7 a	Form of Termination Agreement - Restricted Stock Plan *	Exhibit Number 10.8 to Form 10-K for the year ended September 30, 1992
10.8 a	Written Description of Matthews International Corporation Management Incentive Compensation Plan *	Exhibit Number 10.9 to Form 10-K for the year ended September 30, 1992
10.9 a	1992 Stock Incentive Plan *	Exhibit Number 10.9 to Form S-2 Registration Statement (No. 33-79538) filed on June 1, 1994
10.10a	Form of Stock Option Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1994

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein

- -------   -----------   --------------------------

10.11a	1994 Director Fee Plan *	Exhibit Number 10.1 to Form 10-Q for the quarter ended March 31, 1995
10.12a	1994 Employee Stock Purchase Plan *	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1995
10.13	Capital Stock Purchase Agreement, Sunland Memorial Park, Inc. *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1995
10.14	Agreement of Plan and Merger, Industrial Equipment and Engineering Company, Inc. *	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1996
11	Computation of Earnings Per Share	Filed Herewith
21	Subsidiaries of the Registrant	Filed Herewith
23	Consent of Independent Accountants	Filed Herewith
27	Financial Data Schedule	Filed Herewith (via EDGAR)

Copies of any Exhibits will be furnished to shareholders upon written request. Requests should be directed to Mr. Edward J. Boyle, Vice President, Accounting & Finance and Secretary of the Registrant.

EXHIBIT 11

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBIT 11 - COMPUTATION OF EARNINGS PER SHARE
1996

	1996	1995	1994
1. Net income	$20,257,554	$15,451,235	$14,028,166
2. Weighted average number of common shares outstanding during the year	8,890,912	8,850,350	8,982,353
3. Shares issuable upon exercise of dilutive stock options outstanding during the year, based on higher of average or year-end values	216,021	69,656	-
4. Weighted average number of common shares outstanding during the year, assuming full dilution (2 + 3)	9,106,933	8,920,006	8,982,353
5. Primary earnings per share (1 divided by 2)	$ 2.28	$ 1.75	$ 1.56
6. Fully diluted earnings per share (1 divided by 6)	$ 2.22	$ 1.73	$ 1.56

EXHIBIT 21

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBIT 21 - SUBSIDIARIES OF THE REGISTRANT

Name	Percentage Ownership
Matthews Canada Ltd.	100%
Matthews Industries	100
Matthews Bronze Pty. Ltd.	100
Matthews Properties Pty. Ltd.	100
Matthews International (Arkansas) Corporation	100
Matthews International (Australia) Pty. Ltd.	100
Matthews International Trading Company, Ltd.	100
Matthews International GmbH	100
Matthews Swedot AB	100
Matthews Swedot France S.A.R.L.	100
Industrial Equipment and Engineering Company, Inc.	100
Venetian Investment Corporation	100

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (Registration Nos. 2-48760, 33-57793, 33-57795 and 33-57797) of Matthews International Corporation, of our report dated November 18, 1996, on our audits of the consolidated financial statements of Matthews International Corporation and subsidiaries as of September 30, 1996 and 1995, and for the years ended September 30, 1996, 1995 and 1994, which report is included in this Annual Report on Form 10-K.

COOPERS & LYBRAND L.L.P.

Pittsburgh, Pennsylvania
December 20, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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