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, 1998
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. [X]

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of November 30, 1998 was $454,000,000.

As of November 30, 1998, shares of common stock outstanding were:

Class A Common Stock	13,141,600 shares
Class B Common Stock	2,854,547 shares

Documents incorporated by reference: None

The index to exhibits is on pages 67-69.

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Any forward-looking statements contained in this Annual Report on Form 10-K (specifically those contained in Item 1, "Business" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations") are included in this report pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from management's expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements principally include economic, competitive and technological factors beyond the Company's control.

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, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorial products, crematories and cremation-related products and a leading builder of mausoleums. The Graphics Imaging segment manufactures and provides printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables for identifying 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.

	Fiscal Year Ended September 30,					
	1998		1997		1996	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in Thousands)					
Sales to unaffiliated customers:						
Bronze	$106,273	50.2%	$ 96,384	50.9%	$ 84,529	49.2%
Graphics Imaging	75,294	35.6	57,804	30.6	43,062	25.0
Marking Products	30,055	14.2	34,981	18.5	44,387	25.8
Total	$211,622	100.0%	$189,169	100.0%	$171,978	100.0%
Operating profit:						
Bronze	26,016	72.4	22,579	73.1	20,072	75.0
Graphics Imaging	6,910	19.2	5,507	17.8	4,217	15.7
Marking Products	3,003	8.4	2,801	9.1	2,482	9.3
Total	$ 35,929	100.0%	$ 30,887	100.0%	$ 26,771	100.0%

ITEM 1. BUSINESS, continued.

Detailed financial information relating to business segments and to foreign and domestic operations is presented in Note 15 (Segment Information) to the Consolidated Financial Statements included in Part II of this Annual Report on Form 10-K.

In fiscal 1998, approximately 91% of the Company's sales were made from the United States, and 4%, 3% and 2% were made from Canada, Europe and Australia, respectively. Bronze segment products are sold throughout the world with the segment's principal operations located in the United States, Canada and Australia. Products and services of the Graphics Imaging segment are sold primarily in the United States and, beginning in September 1998, Germany through a 50%-owned affiliate. The Marking Products segment sells equipment and consumables directly to industrial consumers in the United States and internationally through the Company's wholly-owned subsidiaries in Canada and Sweden and through other foreign distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany and the United Kingdom.

The Company and its wholly-owned subsidiaries employ approximately 1,600 people. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212 and 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 segment also manufactures and markets cast bronze and aluminum architectural products used to identify or commemorate people, places and events. In addition, the segment manufactures and markets crematories and cremation-related products through a wholly-owned subsidiary, Industrial Equipment and Engineering Company (IEEC).

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 monuments. The memorials are even or "flush" with the ground and therefore are preferred by many cemeteries for easier mowing and other maintenance. In order to provide products for the granite memorial market, the Company's other memorial products include granite monuments as well as bronze plaques, letters, emblems, vases, lights and photoceramics that can be affixed to granite monuments, mausoleums and crypts. Principal customers for memorial products are cemeteries and memorial parks, which in turn sell the Company's products to the consumer.

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.

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 sold to and distributed through a network of independent dealers including sign suppliers, recognition companies and trophy dealers.

IEEC, which is headquartered in Orlando, Florida, is the leading North American designer and manufacturer of cremation equipment and cremation-related products. IEEC equipment and products are sold primarily to mortuary and cemetery facilities within North America, Europe and Asia.

In September 1998, Matthews purchased the assets of Gibraltar Mausoleum Construction Company, Inc. ("Gibraltar"), a subsidiary of Service Corporation International. Gibraltar, with annual sales of approximately $16 million, is headquartered in Indianapolis, Indiana and is a leading builder of mausoleums in the United States. The acquisition of Gibraltar is intended to expand Matthews' presence in the mausoleum entombment marketplace.

Raw materials used by the Bronze segment consist principally of bronze and aluminum ingot, sheet metal, coating materials, electrical components and construction materials and are generally available in adequate supply. Ingot is obtained from various North American and Australian smelters.

Graphics Imaging:

The Graphics Imaging segment provides printing plates, pre-press services and imaging systems to the corrugated and flexible packaging industries. The corrugated packaging industry consists of manufacturers of printed corrugated boxes and the flexible packaging industry consists of 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.

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Graphics Imaging, continued:

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 principally from 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.

The segment also provides creative art design services to manufacturers of corrugated and flexible packaging and to 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; and rotary and flat cutting dies used to cut out intricately designed containers and point-of-purchase displays.

The Graphics Imaging segment customer base consists primarily 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.

Matthews International Corporation owns a fifty percent interest in Tukaiz Communications L.L.C., a leading pre-press and pre-media firm based in Franklin Park, Illinois. A pre-press firm prepares art or digital files for printing or reproduction. The Company's services, which include creative design, audio, video, animation, multimedia, digital photography, web-site service and on-demand digital printing, are provided to ad agencies, manufacturers, printers and publishers.

On May 22, 1998, Matthews acquired fifty percent of O.N.E. Color Communications, Inc., a digital graphics service company. O.N.E., with annual sales of approximately $10 million, is headquartered in Oakland, California and was formed 83 years ago. O.N.E. provides digital graphic services to advertising agencies and packaging markets.

On September 19, 1998, Matthews acquired fifty percent of S+T Gesellschaft fur Reprotechnik mbH ("S+T"). The operations of S+T, located in Julich, Germany, consist principally of flexographic printing preparation and the manufacture of photopolymer printing forms for the packaging industry.

The combination of the Company's Graphics Imaging business, Tukaiz, O.N.E. and S+T is an important part of the Matthews strategy to become a worldwide leader in the graphics industry and service existing multinational customers on a global basis.

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

ITEM 1. BUSINESS, continued.

PRODUCTS AND MARKETS, continued:

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of marking equipment and consumables used by customers to 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 laser marking 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. Many 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, rubber and building products. A large percentage of the segment's sales are outside the United States and are distributed through the Company's wholly-owned subsidiaries in Canada and Sweden in addition to other international distributors. Matthews owns a minority interest in distributors in Asia, Australia, France, Germany and the United Kingdom.

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 product markets and 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, rubber and chemicals, all of which are presently available in adequate supply from various sources.

COMPETITION:

Bronze:

Competition from other bronze memorial manufacturers, which is intense, is on the basis of reputation, product quality, delivery, price and design availability. The Company also competes with upright granite monument and flush granite memorial providers. The Company and its two major bronze 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. The Company competes with several manufacturers in the crematory market principally on the basis of product quality and price. Competition in the mausoleum construction industry includes various construction companies throughout North America and is on the basis of design, quality and price.

Graphics Imaging:

Graphics Imaging is one of several manufacturers of printing plates and providers of pre-press services with a national presence. The segment 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 consistently meeting customer demands and its ability to service customers nationwide.

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 for IEEC and Marking Products. Backlogs in IEEC generally vary in the range of four to eight months of sales. Backlogs in the Marking Products segment can vary in a range up to six weeks of sales.

ITEM 1. BUSINESS, continued.

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, Graphics Imaging 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 (properties are owned by the Company except as noted):

Location	Description of Property	Square Feet
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	94,000
Apopka, FL	Manufacturing	40,000
Melbourne, Australia	Manufacturing	26,000(1)
Milton, Ontario, Canada	Manufacturing	30,000
Nashotah, WI	Sales	8,000(1)
Searcy, AR	Manufacturing	84,000
Seneca Falls, NY	Manufacturing	21,000
Sun City, CA	Manufacturing	24,000
Graphics Imaging:		
Pittsburgh, PA	Manufacturing / Division Offices	56,000
Atlanta, GA	Manufacturing	16,000
Cranberry Twp., PA	Manufacturing	15,000(1)
Dallas, TX	Manufacturing	15,000(1)
Denver, CO	Manufacturing	12,000(1)
Escondido, CA	Manufacturing	15,600(1)
High Point, NC	Manufacturing	34,700(1)
LaPalma, CA	Manufacturing	22,000
St. Louis, MO	Manufacturing	24,000

Marking Products:		
Pittsburgh, PA	Manufacturing / Division Offices	67,000
Pittsburgh, PA	Ink Manufacturing	18,000
Gothenburg, Sweden	Manufacturing / Distribution	28,000(1)
Corporate Office:		
Pittsburgh, PA	General Offices	48,000(2)

(1) These properties are leased by the Company under operating lease arrangements. Rent expense incurred by the Company for leased facilities was $691,000 in fiscal 1998.

(2) 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 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 1998.

PART II

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

(a) Market Information:

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. 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.

On May 5, 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B common stock in the form of a 100% stock distribution. The stock distribution was issued June 2, 1998 to shareholders of record on May 15, 1998. Shareholders' equity has been adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares have been adjusted in this report to reflect the stock split.

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 (adjusted for the stock split) for the periods indicated:

		High	Low	Close
		----	---	-----
Fiscal 1998:				
Quarter ended:	September 30, 1998	$29.00	$21.25	$25.00
	June 30, 1998	27.25	20.00	24.56
	March 31, 1998	22.50	19.50	20.00
	December 31, 1997	23.00	18.75	22.00
Fiscal 1997:				
Quarter ended:	September 30, 1997	$20.63	$17.75	$19.88
	June 30, 1997	18.25	14.44	18.25
	March 31, 1997	15.50	14.13	15.22
	December 31, 1996	15.38	13.88	14.13

In April 1998, the Company announced the continuation of its stock repurchase program. Previously, the Company's Board of Directors had approved repurchasing a total of 2,000,000 shares (adjusted for the stock split) of Matthews Class A and Class B Common Stock, which has been completed. The current authorization allows the Company to purchase up to an additional 1,000,000 shares. The buy-back program, which originated in fiscal 1996, is designed to increase shareholder value, enlarge the Company's holdings of its Class A and Class B Common Stock, and add to earnings per share. 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.

(a) Market Information, continued:

In conjunction with the buy-back program, 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 or convert any Class B common shares must first offer such shares to the Company for redemption. The Company will then have an option to purchase such shares for a 24-hour period.

(b) Holders:

The number of registered holders of the Company's common stock at November 30, 1998 was as follows:

Class A Common Stock	476
Class B Common Stock	287

(c) Dividends:

A quarterly dividend of $.045 per share was paid for the fourth quarter of fiscal 1998 to shareholders of record on October 30, 1998. The Company paid quarterly dividends of $.0425 per share for the first three quarters of fiscal 1998 and the fourth quarter of fiscal 1997. The Company paid quarterly dividends of $.04 per share for the first three quarters of fiscal 1997.

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,				
	1998	1997	1996(1)	1995	1994
	-----------	-----------	-----------	-----------	-----------

(Not Covered by Report of Independent Accountants)

<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$211,622,057	$189,168,640	$171,977,619	$166,747,781	$158,700,158
Gross profit	93,050,222	83,500,886	76,640,900	74,729,267	71,613,709
Operating profit	35,928,944	30,887,395	26,771,380	24,457,704	23,908,940
Interest expense	466,304	337,375	131,364	104,820	309,939
Income before income taxes	37,132,283	32,297,897	33,522,616	25,079,263	23,705,257
Income taxes	14,630,591	12,671,833	13,265,062	9,628,028	9,677,091
	----------	----------	----------	----------	----------
Net income	$ 22,501,692	$ 19,626,064	$ 20,257,554	$15,451,235	$ 14,028,166
	==========	==========	==========	==========	==========
Earnings per common share:					
Basic	$ 1.38	$ 1.14	$ 1.14	$ .87	$ .78
Diluted	1.34	1.11	1.11	.87	.78
Weighted average common shares outstanding:					
Basic	16,336,359	17,194,073	17,781,824	17,700,700	17,964,706
Diluted	16,770,214	17,696,793	18,213,866	17,840,012	17,964,706
Cash dividends per share	.173	.163	.145	.125	.05
Total assets	$187,205,764	$169,204,390	$153,411,709	$138,206,376	$120,683,005
Long-term debt, noncurrent	1,434,679	2,151,413	-	270,092	745,616

<FN>

(1) Fiscal 1996 included after-tax income of $2.9 million ($.16 per share - diluted) 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 Financial Condition and Results of Operations."

/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. Also, see "Cautionary Statement Regarding Forward-Looking Information" included in Part I of this Annual Report on Form 10-K.

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	
	1998	1997	1996	1998-1997	1997-1996
Sales	100.0%	100.0%	100.0%	11.9%	10.0%
Gross profit	44.0	44.1	44.6	11.4	9.0
Operating profit	17.0	16.3	15.6	16.3	15.4
Income before taxes	17.5	17.1	19.5	15.0	(3.7)
Net income	10.6	10.4	11.8	14.7	(3.1)

Comparison of Fiscal 1998 and Fiscal 1997:

Sales for the year ended September 30, 1998 were $211.6 million and were $22.4 million, or 11.9%, higher than sales of $189.2 million for the year ended September 30, 1997. The sales increase for fiscal 1998 resulted from higher sales in the Company's Graphics Imaging and Bronze segments. Sales for the

Graphics Imaging segment were $75.3 million, an increase of $17.5 million, or 30%, above fiscal 1997 primarily reflecting acquisitions completed during the past two fiscal years. In fiscal 1997, the Company's acquisitions included the purchase of Carolina Repro-Graphic ("Carolina") in May 1997 and a fifty percent interest in Tukaiz Communications L.L.C. ("Tukaiz") in January 1997. In fiscal 1998, the Company's acquisitions included Western Plasti-Type, Inc. (October 1997), Allied Reprographics, Inc. (November 1997), Palomar Packaging, Inc. (November 1997), S&N Graphics, Inc. (February 1998) and a fifty percent interest in O.N.E. Color Communications, Inc. (May 1998). See "Acquisitions and Dispositions" for further discussion. Bronze segment sales for the year ended September 30, 1998 were $106.3 million, representing an increase of $9.9 million, or 10%, over fiscal 1997. The higher level of sales for fiscal 1998 mainly reflected an increase in the unit volumes of bronze and granite memorial products. In addition, sales of cremation equipment and cremation-related products by the Company's wholly-owned subsidiary, Industrial Equipment and Engineering Company ("IEEC"), increased for the year. Sales for the Marking Products segment in fiscal 1998 were $30.1 million, representing a decrease of $4.9 million, or 14%, below fiscal 1997. The decline, which was expected, resulted from the sale of the segment's distribution operations in Australia (August 1997) and France (February 1998), both of which had historically produced marginal results for the Company. Sales for the segment's North American operations increased 4% compared to fiscal 1997. Excluding the effect of the divestitures in France and Australia, consolidated sales for the Company increased 15% over fiscal 1997.

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

Comparison of Fiscal 1998 and Fiscal 1997, continued:

Gross profit for the year ended September 30, 1998 was $93.1 million, or 44.0% of sales, compared to $83.5 million, or 44.1% of sales, for the year ended September 30, 1997. The increase in gross profit of $9.6 million, or 11.4%, resulted from higher sales for the Graphics Imaging segment and increased sales and an improvement in the gross margin percentage for the Bronze segment. Marking Products gross profit for the year ended September 30, 1998 declined from the prior year reflecting the divestitures of the segment's distribution operations in Australia and France. Consolidated gross profit as a percent of sales for fiscal 1998 was relatively consistent with the prior year. Gross profit as a percent of sales for the Bronze segment increased for the year reflecting improvements in sales volume and operating efficiencies. For the Graphics Imaging and Marking Products segments, the gross profit percentage was slightly lower for the year due to changes in product mix.

Selling and administrative expenses for the year ended September 30, 1998 were $57.1 million, representing an increase of $4.5 million, or 8.6%, over $52.6 million for the year ended September 30, 1997. The increase in selling and administrative expenses from the prior year principally resulted from acquisitions by the Graphics Imaging segment during the last two fiscal years. In addition, selling costs for the Bronze segment were higher for the year reflecting increased marketing and promotional expenses. Partially offsetting these increases was a reduction in Marking Products selling and administrative costs resulting from the sale of the segment's distribution operations in Australia and France. Consolidated selling and administrative expenses were 27.0% of sales for fiscal 1998 compared to 27.8% for fiscal 1997.

Operating profit for the year ended September 30, 1998 was $35.9 million and was $5.0 million, or 16.3%, higher than operating profit of $30.9 million for fiscal 1997. The growth in the Company's operating profit for fiscal 1998 reflected increases in all three of the Company's business segments. Operating profit for the Graphics Imaging segment was $6.9 million, representing an increase of $1.4 million, or 25.5%, over the prior year. The increase was primarily the result of the segment's acquisitions. Bronze segment operating profit for the year ended September 30, 1998 was $26.0 million, representing an increase of $3.4 million, or 15.2%, over fiscal 1997. The increase in Bronze operating profit primarily reflected the segment's higher sales volume for the year combined with improved cost-price relationships for some products. Operating profit for the Marking Products segment also improved over last year despite the sale of the segment's distribution operations in Australia and France. The segment's operating profit was $3.0 million for the year ended September 30, 1998, representing an increase of 7.2% over fiscal 1997 operating profit of $2.8 million. The improvement, which represented the fifth consecutive year of profit improvement for the segment, resulted from higher sales combined with lower selling costs in the segment's North American operations.

Investment income for the year ended September 30, 1998 was $2.5 million, compared to $2.5 million for the year ended September 30, 1997. The Company's average cash and investment balances were lower during fiscal 1998 as a result of acquisitions and stock repurchases (See "Liquidity and Capital Resources"). The effect on investment income of the lower average cash and investment balances was offset by a higher rate of return on investments.

Comparison of Fiscal 1998 and Fiscal 1997, continued:

Interest expense for the year ended September 30, 1998 was $466,000, compared to $337,000 for fiscal 1997. Interest expense was principally related to the Company's capital lease obligations. Other income (deductions), net for the year ended September 30, 1998 represented a net reduction in pre-tax income of $382,000 compared to a net reduction of $318,000 for fiscal 1997.

Minority interest for the year ended September 30, 1998 related to the Company's 50%-owned affiliate, Tukaiz Communications L.L.C., which was acquired in January 1997.

The Company's effective tax rate for the year ended September 30, 1998 was 39.4%, compared to an effective rate of 39.2% for the year ended September 30, 1997. The difference between the Company's fiscal 1998 effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state income taxes.

Comparison of Fiscal 1997 and Fiscal 1996:

Sales for the year ended September 30, 1997 were $189.2 million and were $17.2 million, or 10.0%, higher than sales of $172.0 million for the year ended September 30, 1996. The increase for fiscal 1997 reflected higher sales in the Company's Bronze and Graphics Imaging segments. Bronze segment sales were $96.4 million for fiscal 1997 representing an increase of $11.9 million, or 14%, over fiscal 1996. The increase primarily reflected higher volume of memorial products as well as sales by IEEC of crematories and cremation-related products. Fiscal 1997 revenues of IEEC, which was acquired in March 1996, also included sales of All Crematory Corporation, which was acquired in August 1996. Sales for the Bronze segment increased over fiscal 1996 despite the absence of Sunland Memorial Park, Inc. which was sold in January 1996. Graphics Imaging segment sales for the year ended September 30, 1997 were $57.8 million, representing an increase of $14.7 million, or 34%, over fiscal 1996. The sales growth over fiscal 1996 resulted primarily from the acquisitions of Carolina (May 1997) and a 50% interest in Tukaiz (January 1997). For the year ended January 31, 1997, Tukaiz reported sales of $16.4 million and, for the year ended December 31, 1996, Carolina reported sales of $3.7 million. Marking Products sales for the year ended September 30, 1997 were $35.0 million representing a decrease of $9.4 million, or 21%, below fiscal 1996. The decrease in sales resulted from the sale of the segment's label printer application business in September 1996 and the Company's decision in September 1996 to liquidate its German subsidiary. The label printer application business had historically produced marginal results for the Company and the German subsidiary had accumulated significant losses in previous years.

Comparison of Fiscal 1997 and Fiscal 1996, continued:

Gross profit for the year ended September 30, 1997 was $83.5 million, or 44.1% of sales, compared to $76.6 million, or 44.6% of sales, for fiscal 1996. The increase in gross profit of $6.9 million, or 9.0%, was attributable to higher gross profits in the Bronze and Graphics Imaging segments. Bronze gross profit improved 15% as a result of higher sales of bronze memorials and the additional sales related to the IEEC and All Crematory Corporation acquisitions. Bronze gross profit as a percent of sales improved slightly for the year as a result of the increased sales of memorial products. Gross profit for the Graphics

Imaging segment increased approximately 30% over fiscal 1996 as a result of the acquisitions of Tukaiz and Carolina. Graphics Imaging gross profit as a percent of sales declined for the year principally due to changes in product mix. Marking Products gross profit declined 22% from fiscal 1996 as a result of lower sales, but the segment's gross profit as a percent of sales remained relatively unchanged.

Selling and administrative expenses for the year ended September 30, 1997 were $52.6 million, representing an increase of $2.7 million, or 5.5%, over selling and administrative expenses of $49.9 million for fiscal 1996. Selling and administrative expenses for the Bronze segment increased over fiscal 1996 primarily reflecting the additions of IEEC and All Crematory Corporation. Graphics Imaging expenses also increased for the year reflecting the acquisitions of Tukaiz and Carolina. These increases were partially offset by reductions in Marking Products selling and administrative costs due to the disposition of the label printer application business and the liquidation of the German subsidiary.

Operating profit for the year ended September 30, 1997 was $30.9 million and was $4.1 million, or 15.4%, higher than fiscal 1996 operating profit of $26.8 million. The increase in consolidated operating profit resulted from improvements in all three of the Company's business segments. Operating profit for the Bronze segment was $22.6 million for fiscal 1997 representing an increase of $2.5 million, or 12%, over fiscal 1996 operating profit of $20.1 million. The higher level of operating profit was due primarily to an increase in the segment's sales of memorial and cremation products. Graphics Imaging operating profit was $5.5 million for the year ended September 30, 1997 representing an increase of $1.3 million, or 31%, over fiscal 1996. The increase over fiscal 1996 reflected the acquisitions of Tukaiz and Carolina. Operating profit for the Marking Products segment was $2.8 million for fiscal 1997 representing an increase of approximately $300,000, or 13%, over fiscal 1996. The segment's operating profit improvement was due principally to the absence of losses of the German subsidiary. Consolidated operating profit for the year ended September 30, 1997 also reflected the favorable impact of changes to the retiree medical plan. These changes, which provided additional plan options while limiting future Company contributions to retiree benefits, reduced net periodic postretirement benefit cost from fiscal 1996. This reduction was partially offset by costs associated with the Company's implementation of a 401(k) employee savings plan and related Company contributions.

Investment income for the year ended September 30, 1997 was $2.5 million, representing a reduction of 5.4% from fiscal 1996 investment income of $2.6 million. The slight decrease principally reflected fluctuations in the average cash and investment position during fiscal 1997 as a result of the Company's stock repurchase program and acquisitions.

Interest expense for the year ended September 30, 1997 was $337,000, compared to $131,000 for fiscal 1996. The increase in interest expense for fiscal 1997 reflected the capital lease obligations assumed in connection with the acquisition of Tukaiz.

Other income (deductions), net for the year ended September 30, 1997 represented a net reduction to pre-tax income of $318,000 compared to a net increase of $4.3 million for fiscal 1996. Other income for fiscal 1996 included a $9.4 million pre-tax gain on the sale of Sunland Memorial Park, Inc. This gain was partially offset by the write-off of the remaining goodwill with respect to the Company's investment in its Swedish subsidiary and a charge for certain other non-operating expenses during the year.

The Company's effective tax rate for the year ended September 30, 1997 was 39.2% compared to 39.6% for fiscal 1996. The decline from fiscal 1996 primarily reflected changes in the effect of foreign taxes. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state and foreign income taxes.

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 and slight increases in the Graphics Imaging 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. 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 IEEC which was acquired in March 1996, and All Crematory Corporation, which was acquired in August 1996. Sales for the Graphics Imaging segment increased $700,000, or 1.7%, over fiscal 1995. Marking Products sales in fiscal 1996 were up less than 1.0% over the prior year. The segment's international sales increased 5% over fiscal 1995 reflecting higher demand in Europe and Australia which more than offset a decline in North American sales.

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 profit percentage improved slightly over the prior year. Graphics Imaging gross profit 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 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. Higher sales and marketing costs in the Bronze and Graphics Imaging 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 operating profit for fiscal 1996 principally reflected 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. Graphics Imaging operating profit was relatively unchanged from fiscal 1995.

Investment income for the year ended September 30, 1996 was $2.6 million compared to $1.6 million for fiscal 1995. The increase reflected the Company's higher cash and investment position during fiscal 1996 and a higher rate of return (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 primarily related to the Company's capital lease obligations.

Other income (deductions), net for the year ended September 30, 1996 represented a net increase to pre-tax 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 which was partially offset by the write-off of the remaining goodwill with respect to the Company's investment in its Swedish subsidiary and a charge for certain other non-operating expenses during the year.

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

Comparison of Fiscal 1996 and Fiscal 1995, continued:

The Company's effective tax rate for the year ended September 30, 1996 was 39.6%, compared to 38.4% for fiscal 1995. The higher effective tax rate for fiscal 1996 primarily reflected the impact of foreign tax expense on the Company's consolidated tax position. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflected the impact of state and foreign income taxes.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flow from operations was $34.8 million for the year ended September 30, 1998, compared to $37.5 million for fiscal 1997 and $19.2 million for fiscal 1996. Operating cash flow for the year ended September 30, 1998 primarily reflected the Company's net income of $22.5 million adjusted for non-cash charges such as depreciation and amortization and increases in the Company's compensation-related accruals. Fiscal 1997 operating cash flow reflected net income for the year in addition to the effect of changes in the various components of working capital, principally a significant increase in customer prepayments. Operating cash flow for the year ended September 30, 1996 resulted from net income for the year adjusted to exclude the effects of the pre-tax gain on the sale of Sunland and the write-off of the remaining goodwill with respect to the Company's investment in its Swedish subsidiary and a charge for certain other non-operating expenses during the year.

Cash used in investing activities was $5.7 million for the year ended September 30, 1998, compared to $7.7 million for fiscal 1997 and $34.2 million for fiscal 1996. Investing activities for fiscal 1998 included $16.2 million cash used for acquisitions, including Gibraltar Mausoleum Construction Company, Inc. ($10.0 million) and O.N.E. Color Communications, Inc. ($2.0 million). See "Acquisitions and Dispositions" for further discussion. In addition, investing activities for the year ended September 30, 1998 included proceeds from the net disposition of investments of $16.8 million.

Investing activities for fiscal 1997 included the acquisitions of Carolina in May 1997 and a 50% interest in Tukaiz in January 1997 (See "Acquisitions and Dispositions"). Fiscal 1997 investing activities also reflected net proceeds from investments of $5.1 million. Investing activities for the year ended September 30, 1996 included net investments of $36.8 million in securities of the U.S. government and its agencies and corporate obligations. The investments were designed to improve the rate of return on the Company's excess cash position while maintaining a sufficient degree of liquidity for future cash needs. Investing activities in fiscal 1996 also included the acquisitions of IEEC and All Crematory Corporation and the disposition of Sunland (See "Acquisitions and Dispositions"). In addition, fiscal 1996 investments included the acquisition (for $1.6 million cash and 38,572 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.

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

LIQUIDITY AND CAPITAL RESOURCES, continued:

Capital expenditures were $7.3 million for the year ended September 30, 1998, compared to $6.2 million and $5.4 million for fiscal 1997 and 1996, 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 $6.3 million for the last three fiscal years. The capital budget for fiscal 1999 is $10.9 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

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 $459,000, $492,000 and $1.4 million in fiscal 1998, 1997 and 1996, respectively.

Cash used in financing activities for the year ended September 30, 1998 was $23.1 million, compared to $21.7 million in fiscal 1997 and $11.9 million in fiscal 1996. Financing activities for fiscal 1998 consisted of net treasury stock purchases of $19.1 million, the Company's cash dividends on common stock of $2.8 million ($.1725 per share) and repayments under the Company's capital lease agreements of $1.2 million. Financing activities in fiscal 1997 included net treasury stock purchases totaling $14.4 million, payments of $4.5 million on long-term debt and capital lease obligations assumed in the acquisition of Tukaiz, and dividends on common stock of $2.8 million ($.1625 per share). Cash used in financing activities for the year ended September 30, 1996 was $11.9 million, principally reflecting net treasury stock purchases of $8.9 million and dividends on common stock of $2.6 million ($.145 per share).

In April 1998, the Company announced the continuation of its stock repurchase program. Previously, the Company's Board of Directors had approved repurchasing a total of 2,000,000 shares (adjusted for the stock split) of Matthews Class A and Class B Common Stock, which has been completed. The current authorization allows the Company to purchase up to an additional 1,000,000 shares. The buy-back program, which originated in fiscal 1996, is designed to increase shareholder value, enlarge the Company's holdings of its Class A and Class B Common Stock, and add to earnings per share. 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.

The Company has a Revolving Credit and Term Loan Agreement. Under terms of the agreement, the Company may borrow principal amounts up to $10.0 million 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, 1998, 1997 and 1996, no amounts were outstanding under this agreement.

The Company has a line of credit of $500,000 in Canadian dollars which provides for borrowings at the bank's prime interest rate. 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 6.0 million French francs. The multi-currency line of credit bears interest at various rates based on market as determined by the bank. Tukaiz has a line of credit of $1.5 million which bears interest at the bank's prime rate. Compensating balances of approximately $39,000 and $43,000 were maintained by the Company at September 30, 1998 and 1997, respectively, in connection with the various lines of credit. There were no borrowings outstanding on the various lines of credit at September 30, 1998 and 1997.

Consolidated working capital of the Company was $33.3 million at September 30, 1998 compared to $31.0 million and $30.8 million at September 30, 1997 and 1996, respectively. Cash and cash equivalents were $25.4 million at September 30, 1998 compared to $20.0 million and $12.4 million at September 30, 1997 and 1996, respectively. The Company's current ratio at September 30, 1998 was 1.8, compared to 1.9 and 2.2 at September 30, 1997 and 1996, respectively.

YEAR 2000 ISSUE

The Company has assessed the potential impact of the Year 2000 issue on its operations and information systems. Costs incurred to date for this assessment and for systems modifications required to address any Year 2000 issues have not been material. Based on management's assessment, the Year 2000 issue is not expected to have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

ACQUISITIONS AND DISPOSITIONS:

On October 1, 1997, the Company acquired for $480,000 cash the assets of Western Plasti-Type Co. ("Western"). On November 4, 1997, the Company acquired the common stock of Allied Reprographics, Inc. ("Allied") for $700,000 cash. Both Western and Allied are printing plate manufacturers located in Denver, Colorado. On November 3, 1997, the Company acquired for $1.4 million cash the assets of Palomar Packaging, Inc. ("Palomar"), a manufacturer of printing plates and steel-rule cutting dies, located near San Diego, California. An additional amount up to $880,000 may be payable for Palomar during the five-year period from the acquisition date contingent on the attainment of certain operating performance levels. On February 20, 1998, the Company acquired for $1,600,000 cash certain assets of S&N Graphics, Inc., a St. Louis, Missouri manufacturer of printing plates and other marking devices.

The acquisitions of Western and Allied are designed to provide Matthews with a presence in the Colorado and surrounding markets which were not previously served by the Company. The acquisition of Palomar is designed to increase Matthews' presence in the growing marketplace for packaged products in southern California and northern Mexico. The acquisition of S&N Graphics, Inc. is designed to increase Matthews' share of the St. Louis marketplace for prepress and printing plates in the flexible and corrugated packaging industries.

ACQUISITIONS AND DISPOSITIONS, continued:

On May 22, 1998, Matthews acquired fifty percent of O.N.E. Color Communications, Inc., a digital graphics service company. The transaction was structured as an asset purchase with the purchase price consisting of $2,000,000 cash and the assumption of a fifty percent interest in certain liabilities of O.N.E. Color Communications, Inc. An additional amount is payable by Matthews three years from the acquisition date contingent on the attainment of certain operating performance levels of the new company, with such payout to be not less than $400,000. Matthews and the shareholders of O.N.E. Color Communications, Inc. have each contributed their respective fifty percent interests into a newly-formed California limited liability company, O.N.E. Color Communications, L.L.C. ("O.N.E.").

In addition, the purchase agreement requires Matthews to purchase the remaining fifty percent interest in O.N.E. no later than May 2004. The purchase price for the remaining interest is contingent on the attainment of certain operating performance levels of the new company with such payment to be not less than $4.5 million. The accounts of O.N.E. have been included in the consolidated financial statements of Matthews and a liability has been recorded for the present value of the minimum future payouts. O.N.E., with annual sales of approximately $10 million, is headquartered in Oakland, California and was formed 83 years ago. O.N.E. provides digital graphic services to advertising agencies and packaging markets. The combination of Matthews and O.N.E. is an integral part of Matthews' strategy to become a worldwide leader in advanced applications of digital graphics.

On September 19, 1998, Matthews acquired for 11.6 million German Marks (U.S.$6.9 million) fifty percent of the capital stock of S+T Gesellschaft fur Reprotechnik mbH ("S+T"). The operations of S+T, located in Julich, Germany, consist principally of flexographic printing preparation and the manufacture of photopolymer printing forms for the packaging industry. The remaining fifty percent will continue to be owned by the existing president of S+T. The cash payment is due January 2000 and is subject to reduction if S+T's calendar year 1999 operating results are below the calendar year 1997 level. In addition, Matthews has a call option to acquire an additional thirty percent interest in S+T at a purchase price contingent on the future operating performance of S+T. The results of S+T will be reflected in the financial statements of Matthews under the equity method of accounting. The combination of Matthews and S+T is an important part of Matthews strategy to become a worldwide leader in the graphics industry and serve existing multinational customers on a global basis.

In October 1998, the Company entered into a foreign currency forward contract with a financial institution for the purchase of German Marks to hedge its

January 2000 payment commitment for the investment in S+T. In November 1998, the Company also entered into a letter of credit agreement with a financial institution to guarantee performance under this payment commitment.

Effective September 30, 1998, Matthews purchased for $10.0 million cash the assets of Gibraltar Mausoleum Construction Company, Inc. ("Gibraltar"), a subsidiary of Service Corporation International. Gibraltar, with annual sales of approximately $16 million, is headquartered in Indianapolis, Indiana and is a leading builder of mausoleums in the United States. The acquisition of Gibraltar is intended to expand Matthews products and services in the growing segments in the memorial industry of cremation and mausoleum entombment.

ACQUISITIONS AND DISPOSITIONS, continued:

On January 31, 1997, Matthews acquired fifty percent of Tukaiz Litho, Inc. ("Tukaiz"), a pre-press and pre-media firm headquartered in Franklin Park, Illinois. A pre-press firm prepares art or digital files for printing or reproduction. The remaining fifty percent continues to be owned by the president of Tukaiz. The transaction was structured as an asset purchase with the purchase price consisting of $4.0 million cash and the assumption of a fifty percent interest, approximately $4.0 million, in certain of the liabilities of Tukaiz. The parties each contributed their respective fifty percent interests into a newly-formed Illinois limited liability company, Tukaiz Communications, L.L.C. Matthews also provided the new company with subordinated convertible debt of $5.5 million. Tukaiz reported sales of $16.4 million for the year ended January 31, 1997. The accounts of Tukaiz Communications L.L.C. have been included in the consolidated financial statements of Matthews. The combination of the Company's Graphics Imaging business and Tukaiz is designed to create a leader in the graphics industry, providing a unique array of pre-press and pre-media services to ad agencies, manufacturers, printers and publishers. These services include creative design, audio, video, animation, multimedia, digital photography, web-site service and on-demand digital printing.

On May 23, 1997, Matthews acquired for $2.4 million cash the common stock of both Carolina Repro-Graphic and Dieworks, Inc., manufacturers of pre-press services, flexible printing plates and steel rule cutting dies, located in North Carolina. The acquisitions are expected to increase Matthews' market share for these products in the southeast region of the United States. Combined sales for Carolina Repro-Graphic and Dieworks, Inc. were approximately $3.7 million for the year ended December 31, 1996.

On March 25, 1996, Matthews acquired Industrial Equipment and Engineering Company, Inc. ("IEEC"), a Florida corporation, for 427,724 shares of Matthews Class A Common Stock (valued at $5.4 million) and $3.6 million cash. Sales of IEEC for the year ended December 31, 1995 were $7.5 million. On August 1, 1996, IEEC 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 $2.0 million. Sales of All Crematory Corporation for the year ended September 30, 1995 were $3.4 million. These acquisitions 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.

The Company has accounted for the aforementioned acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. The excess of the purchase price over the fair value of the net assets has been recorded as goodwill to be amortized on a straight-line basis over periods ranging from 15 to 25 years. For the acquisition of S+T, the excess of the purchase price over the fair value of the net assets will be amortized on a straight-line basis over 25 years as a charge to equity income.

ACQUISITIONS AND DISPOSITIONS, continued:

On January 5, 1996, Matthews sold for $13.1 million 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 $9.4 million 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 1995 of approximately $5.0 million, representing about three 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 $1.2 million 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 $4.2 million with an operating loss of approximately $1.0 million in fiscal 1996.

STOCK SPLIT

On May 5, 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B common stock in the form of a 100% stock distribution. The stock distribution was issued June 2, 1998 to shareholders of record on May 15, 1998. Shareholders' equity has been adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares have been adjusted in this report to reflect the stock split.

FASB PRONOUNCEMENTS:

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income." The pronouncement establishes standards for reporting and display of comprehensive income and its components. The Statement requires that items of other comprehensive income be classified by their nature in a financial statement and the accumulated balance of other comprehensive income be displayed separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The required presentation will be adopted by the Company in fiscal 1999.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The pronouncement establishes standards for reporting information about operating segments of an enterprise. The pronouncement requires the disclosure of selected segment information in interim financial reports. SFAS No. 131 will not impact the current presentation of the Company's segment information. The interim presentation requirement of the pronouncement will be adopted by the Company in the first quarter of fiscal 2000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Matthews International Corporation and subsidiaries at September 30, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 1998 in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
November 19, 1998

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
September 30, 1998 and 1997

<TABLE>
<CAPTION>

ASSETS	1998	1997
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 25,369,834	$ 19,958,712
Short-term investments	229,903	3,090,507
Accounts receivable	32,892,094	30,054,396
Inventories (Note 3)	16,751,793	11,766,205
Deferred income taxes	931,020	865,082
Other current assets	1,053,033	1,354,549
Total current assets	77,227,677	67,089,451
Investments (Note 4)	24,250,799	30,771,594
Property, plant and equipment, net (Note 5)	44,730,376	42,483,743
Deferred income taxes (Note 12)	8,207,623	6,160,927

Other assets	5,797,811	6,155,554
Goodwill, net of accumulated amortization of $3,169,803 and $2,429,697, respectively	26,991,478	16,543,121
	-----------	-----------
	$187,205,764	$169,204,390
	===========	===========

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET, continued
September 30, 1998 and 1997

<TABLE>
<CAPTION>

LIABILITIES AND SHAREHOLDERS' EQUITY	1998	1997
	----	----
<S>	<C>	<C>
Current liabilities:		
Long-term debt, current maturities	$ 800,252	$ 850,533
Trade accounts payable	6,901,044	5,854,582
Accrued compensation	8,299,442	4,505,358
Accrued vacation pay	3,855,552	3,198,676
Profit distribution to employees	4,069,514	3,540,965
Accrued income taxes	3,942,617	2,999,511
Customer prepayments	7,441,088	8,892,467
Postretirement benefits, current portion	749,136	626,925
Other current liabilities	7,847,924	5,578,066
	----------	----------
Total current liabilities	43,906,569	36,047,083
Long-term debt (Note 6)	1,434,679	2,151,413
Estimated finishing costs	3,831,674	3,309,098
Postretirement benefits other than pensions (Note 11)	20,082,548	20,676,282
Other liabilities (Note 16)	13,639,998	2,854,439
Commitments and contingent liabilities (Note 13)		
Shareholders' equity (Notes 2, 7 and 8):		
Common stock:		
Class A, $1.00 par value, authorized 70,000,000 shares, 14,414,944 and 13,769,718 shares issued at September 30, 1998 and 1997, respectively	14,414,944	6,884,859
Class B, $1.00 par value, authorized 30,000,000 shares, 3,752,052 and 4,397,278 shares issued at September 30, 1998 and 1997, respectively	3,752,052	2,198,639
Preferred stock, $100 par value, authorized 10,000 shares, none issued	-	-
Additional paid-in capital	-	6,688,414
Retained earnings	131,061,637	115,179,462
Other shareholders' equity	(4,843,157)	(4,346,430)
Treasury stock, 2,156,584 and 1,426,566 shares at September 30, 1998 and 1997, respectively, at cost	(40,075,180)	(22,438,869)
	-----------	-----------
Total shareholders' equity	104,310,296	104,166,075
	-----------	-----------
	$187,205,764	$169,204,390
	===========	===========

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, 1998, 1997 and 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Sales	$211,622,057	$189,168,640	$171,977,619
Cost of goods sold	118,571,835	105,667,754	95,336,719
Gross profit	93,050,222	83,500,886	76,640,900
Selling expense	33,646,395	31,651,446	31,495,111
Administrative expense	23,474,883	20,962,045	18,374,409
Operating profit	35,928,944	30,887,395	26,771,380
Investment income	2,511,552	2,486,357	2,628,747
Interest expense	(466,304)	(337,375)	(131,364)
Other income (deductions), net	(380,860)	(317,961)	4,253,853
Minority interest	(461,049)	(420,519)	-
Income before income taxes	37,132,283	32,297,897	33,522,616
Income taxes (Note 12)	14,630,591	12,671,833	13,265,062
Net income	$ 22,501,692	$ 19,626,064	$ 20,257,554
Earnings per share (Notes 2 and 9):			
Basic	$ 1.38	$ 1.14	$ 1.14
Diluted	$ 1.34	$ 1.11	$ 1.11

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
for the years ended September 30, 1998, 1997 and 1996

<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, 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 671,464 shares	-	-	-	-	(9,247,272)	(9,247,272)
Sale of 10,000 shares	-	1,769	-	-	106,200	107,969
Issuance of 23,628 shares under stock plans (Note 8)	-	(74,695)	-	-	334,250	259,555
Issuance of 466,296 shares for acquisitions (Notes 4 and 16)	233,148	5,694,843	-	-	-	5,927,991
Dividends, $.145 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
Net income	-	-	19,626,064	-	-	19,626,064
Treasury stock transactions:						
Purchase of 1,030,018 shares	-	-	-	-	(17,189,821)	(17,189,821)
Issuance of 241,288 shares						

under stock plans (Note 8)	-	(777,595)	-	-	3,557,774	2,780,179
Dividends, $.1625 per share	-	-	(2,814,259)	-	-	(2,814,259)
Other changes, net	-	-	-	(695,131)	-	(695,131)
Balance, September 30, 1997	9,083,498	6,688,414	115,179,462	(4,346,430)	(22,438,869)	104,166,075
Net income	-	-	22,501,692	-	-	22,501,692
Treasury stock transactions:						
Purchase of 1,034,384 shares	-	-	-	-	(23,069,770)	(23,069,770)
Issuance of 304,366 shares						
under stock plans (Note 8)	-	(1,144,117)	(287,282)	-	5,433,459	4,002,060
Stock split, two-for-one (Note 2)	9,083,498	(5,544,297)	(3,539,201)	-	-	-
Dividends, $.1725 per share	-	-	(2,793,034)	-	-	(2,793,034)
Other changes, net	-	-	-	(496,727)	-	(496,727)
Balance, September 30, 1998	$18,166,996	$ -	$131,061,637	$(4,843,157)	$(40,075,180)	$104,310,296

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, 1998, 1997 and 1996

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Cash flows from operating activities:			
Net income	$22,501,692	$19,626,064	$20,257,554
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,033,101	6,047,085	7,334,669
Change in deferred taxes	(2,201,507)	80,349	(558,999)
Changes in working capital items (Note 14)	5,742,946	10,050,004	2,301,488
(Increase) decrease in other non-current assets	381,243	1,125,185	(1,378,517)
Increase in estimated finishing costs	522,576	354,799	156,284
Increase (decrease) in other liabilities	72,462	877,767	(287,921)
Increase (decrease) in postretirement benefits	(471,523)	(647,793)	894,131
(Gain) loss on sale of property, plant and equipment	(55,818)	192,529	(80,686)
Gain on sale of subsidiary	-	-	(9,409,058)
Net (gain) loss on investments	60,657	50,164	(33,756)
Effect of exchange rate changes on operations	197,107	(219,407)	(10,517)
Net cash provided by operating activities	34,782,936	37,536,746	19,184,672
Cash flows from investing activities:			
Capital expenditures	(7,332,691)	(6,164,630)	(5,378,053)
Proceeds from sales of property, plant and equipment	549,731	574,029	472,697
Acquisitions, net of cash acquired	(16,221,247)	(7,766,275)	(5,182,055)
Proceeds from sale of subsidiary	-	-	13,070,853
Investments	(1,773,193)	(4,018,535)	(43,735,439)
Proceeds from disposition of investments	18,576,625	9,146,833	5,225,068
Collections on loans to officers and employees	458,971	491,623	1,361,769
Net cash used in investing activities	(5,741,804)	(7,736,955)	(34,165,160)
Cash flows from financing activities:			
Payments on long-term debt	(1,190,620)	(4,474,258)	(433,465)
Proceeds from the sale of treasury stock	4,002,060	2,780,179	367,524
Purchases of treasury stock	(23,069,770)	(17,189,821)	(9,247,272)
Dividends	(2,793,034)	(2,814,259)	(2,580,103)
Net cash used in financing activities	(23,051,364)	(21,698,159)	(11,893,316)
Effect of exchange rate changes on cash	(578,646)	(561,638)	88,512
Net increase (decrease) in cash and cash equivalents	5,411,122	7,539,994	(26,785,292)
Cash and cash equivalents at beginning of year	19,958,712	12,418,718	39,204,010
Cash and cash equivalents at end of year	$25,369,834	$19,958,712	$12,418,718

	==========	==========	==========
Cash paid during the year for:			
Interest	$ 466,304	$ 337,375	$ 131,364
Income taxes	14,436,012	10,458,745	13,523,856

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 identification products. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorial products, crematories and cremation-related products and a leading builder of mausoleums. The Graphics Imaging segment manufactures and provides printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes marking equipment and consumables used by customers for identifying various consumer and industrial products and containers.

The Company has sales and manufacturing facilities in the United States, Canada, Australia, Sweden and Germany.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all majority-owned foreign and domestic subsidiaries. The consolidated financial statements also include the accounts of two of the Company's 50%-owned affiliates, Tukaiz Communications, L.L.C. and O.N.E. Color Communications, L.L.C. (See Note 16). 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.

Stock Split:

On May 5, 1998, the Board of Directors declared a two-for-one stock split on the Company's Class A and Class B Common Stock in the form of a 100% stock distribution. The stock distribution was issued June 2, 1998 to shareholders of record on May 15, 1998. Shareholders' equity has been adjusted for the stock split by reclassifying from additional paid-in capital and retained earnings to common stock the par value of the additional shares arising from the split. All per share amounts and numbers of shares have been adjusted in this report to reflect the stock split.

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. Gains or losses that result from this process are recorded in other shareholders' equity. The cumulative translation adjustment at September 30, 1998 and 1997 was a reduction in shareholders' equity of $4,243,290 and $3,148,584, 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.

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, 1998, a significant portion of the Company's cash and cash equivalents were invested with one financial institution.

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 is computed primarily on the straight-line method over the estimated useful lives of the assets. Gains or losses from the disposition of assets are generally 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.

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 25 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 Finishing Costs:

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, 1998, treasury stock consisted of 1,297,479 shares of Class A Common Stock and 859,105 shares of Class B Common Stock. At September 30, 1997, treasury stock consisted of 797,370 shares of Class A Common Stock and 629,196 shares of Class B Common Stock.

Income Taxes:

Deferred tax assets and liabilities 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, 1998, undistributed earnings for which deferred U.S. income taxes have not been provided approximated $2,300,000. 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 $1,659,000, $1,814,000 and $1,997,000 for the years ended September 30, 1998, 1997 and 1996, respectively.

Earnings Per Share:

Basic earnings per share is computed by dividing net income by the average number of common shares outstanding. Diluted earnings per share assumes the issuance of common stock for all dilutive securities.

Revenue Recognition:

Revenues of the Company are generally recognized at the time of product shipment.

3. INVENTORIES:

Inventories at September 30 consisted of the following:

	1998	1997
Materials and finished goods	$15,114,759	$10,482,503
Labor and overhead in process	1,248,815	803,815
Supplies	388,219	479,887
	$16,751,793	$11,766,205

Materials and finished goods at September 30, 1998 included approximately $4,100,000 of mausoleum work-in-process in connection with the Company's acquisition of Gibraltar Mausoleum Construction Company, Inc. (Note 16).

4. INVESTMENTS:

Investment securities are recorded at estimated market value at the consolidated balance sheet date and are classified as available-for-sale. Short-term investments consisted principally of corporate obligations with purchased maturities of over three months but less than one year. The cost of short-term investments approximated market value at September 30, 1998 and 1997. Accrued interest on all investment securities was also classified with short-term investments. The following investments were classified as non-current and consisted of securities with purchased maturities intended to range from one to five years.

	Book Value (Amortized Cost)	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
September 30, 1998:				
U.S. government and its agencies	$ 6,001,959	$172,598	$ -	$ 6,174,557

Corporate obligations	8,012,563	152,330	11,233	8,153,660
Other	211,564	-	-	211,564
Total	$14,226,086	$324,928	$ 11,233	$14,539,781

September 30, 1997:				
U.S. government and its agencies	$14,002,207	$ 26,417	$ 77,577	$13,951,047
Corporate obligations	14,293,361	4,354	87,195	14,210,520
Other	23,105	-	-	23,105
Total	$28,318,673	$ 30,771	$164,772	$28,184,672

4. INVESTMENTS, continued:

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 investment income. Realized gains for fiscal 1998 were $39,716. Realized losses for fiscal 1997 and 1996 were $94,683 and $38,802, respectively. Bond premiums and discounts are amortized on the straight-line method which does not significantly differ from the interest method.

Investments also included the Company's interest in the following affiliates (ownership interest is noted in parentheses):

	1998	1997
S+T Gesellschaft fur Reprotechnik mbH (50%)	$ 7,090,261	$ -
Applied Technology Developments, Ltd. (49%)	2,340,872	2,326,840
Other (less than 20%)	279,885	260,082
	$ 9,711,018	$ 2,586,922

Investments in S+T Gesellschaft fur Reprotechnik mbH and Applied Technology Developments, Ltd. are recorded under the equity method of accounting. Income under the equity method of accounting is recorded in investment income. Investments with ownership interests less than 20% are recorded under the cost method of accounting.

5. PROPERTY, PLANT AND EQUIPMENT:

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

	1998	1997
Buildings	$21,472,410	$21,496,235
Machinery and equipment	52,324,284	46,977,825
	73,796,694	68,474,060
Less accumulated depreciation	34,146,591	29,747,385
	39,650,103	38,726,675
Land	2,965,859	3,041,981
Construction in progress	2,114,414	715,087
	$44,730,376	$42,483,743

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 $10,000,000 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, 1998 and 1997, no amounts were outstanding under this agreement.

Long-term debt at September 30, 1998 and 1997 of $2,234,931 and $3,001,946, respectively, (which included $800,252 and $850,533, respectively, classified as long-term debt, current maturities) consisted of obligations under capital lease agreements. In connection with the investment in Tukaiz Communications, L.L.C. in January 1997 (Note 16), the Company assumed bank debt and capital lease obligations on certain equipment of $1,949,994 and $4,486,750, respectively. The bank debt was immediately repaid in full.

The Company's capital lease agreements expire within five years and generally provide for renewal or purchase options. Remaining future minimum lease payments under capital leases are as follows:

1999	$1,009,411
2000	806,892
2001	601,013
2002	256,744

	2,674,060
Less amount representing interest	439,129

	$2,234,931
	=========

Assets under capital leases are amortized by the straight-line method over the estimated useful lives of the assets. Cost and accumulated amortization of assets under capital leases were $2,908,499 and $949,581, respectively, at September 30, 1998 and $2,799,328 and $312,708, respectively, at September 30, 1997.

The Company has a line of credit of $500,000 in Canadian dollars which provides for borrowings at the bank's prime interest rate. 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. Tukaiz Communications, L.L.C. has a line of credit of $1,500,000 which bears interest at the bank's prime rate. Compensating balances of approximately $39,000 and $43,000 were maintained by the Company at September 30, 1998 and 1997, respectively, in connection with the various lines of credit. There were no borrowings outstanding on the various lines of credit at September 30, 1998 and 1997.

7. SHAREHOLDERS' EQUITY:

The authorized common stock of the Company consists of 100,000,000 shares, divided into two classes: Class A Common Stock, 70,000,000 shares, $1 par value, and Class B Common Stock, 30,000,000 shares, $1 par value. 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. For the fiscal years ended September 30, 1998, 1997 and 1996, 645,226, 1,690,634 and 3,593,282 shares, respectively, of Class B Common Stock were exchanged for an equal number of shares of Class A Common Stock.

In April 1998, the Company announced the continuation of its stock repurchase program, which had been initiated in fiscal 1996. Previously, the Company's Board of Directors had approved repurchasing a total of 2,000,000 shares of Matthews Class A and Class B Common Stock, which has been completed. The current authorization allows the Company to purchase up to an additional 1,000,000 shares. 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, 1998 and 1997, notes receivable of $453,089 and $912,060, respectively, were outstanding which included $309,249 and $559,800, respectively, due from officers. Each note bears interest at 6.5% per annum 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 197,100 shares of the Company's Class B Common Stock owned by borrowers pledged as collateral on the notes as of September 30, 1998.

8. STOCK PLANS:

The Company has a stock incentive plan which provides for the granting 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 is 2,200,000 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.

8. STOCK PLANS, continued:

Outstanding stock 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. In addition, options granted after September 30, 1996 vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the certain market value levels described above). 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.

The Company has elected to continue accounting for its stock incentive plan under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." If compensation cost had been determined under Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," the Company's net income and basic earnings per share would have been as follows:

	1998	1997
Net income, as reported	$22,501,692	$19,626,064
Net income, pro forma	21,967,279	19,140,081
Earnings per share - basic, as reported	$1.38	$1.14
Earnings per share - basic, pro forma	1.34	1.11

The weighted average fair value of options granted was $7.69 per share in 1998 and $4.53 per share in 1997.

The fair value of each option grant is estimated on the date of grant using a Black-Scholes based pricing model with the following assumptions:

	1998	1997
Dividend yield	0.7%	1.0%
Expected volatility	23.1%	21.3%
Average risk-free interest rate	4.8%	6.1%
Average expected term (years)	7.7	6.0

The following tables summarize certain stock option information at September 30, 1998:

Options Outstanding:

Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price
$7.13	224,000	6.2	$ 7.13
$8.19	185,000	6.6	8.19
$9.44	50,300	7.2	9.44
$13.00 and $14.25	163,000	7.5	13.06
$14.06 - $17.38	633,850	8.2	14.17
$21.41 and $22.88	226,500	9.4	21.54
	1,482,650	7.8	$13.20

8. STOCK PLANS, continued:

Options exercisable:

Range of exercise price	Number	Weighted average exercise price
$7.13	224,000	$ 7.13
$8.19	185,000	8.19
$9.44	50,300	9.44
$13.00 and $14.25	163,000	13.06
$14.06 - $17.38	-	-
$21.41 and $22.88	-	-
	622,300	$ 9.18

The transactions for shares under options were as follows:

	1998	1997	1996
Outstanding, beginning of year			
Number	1,593,766	1,173,666	839,000
Weighted average exercise price	$11.12	$ 8.78	$ 7.38
Granted:			
Number	226,500	672,100	383,000
Weighted average exercise price	$21.54	$14.17	$11.79
Exercised:			
Number	304,366	239,668	22,002
Weighted average exercise price	$ 8.38	$ 8.08	$ 9.44
Expired or forfeited:			
Number	33,250	12,332	26,332
Weighted average exercise price	$14.06	$13.92	$ 7.51
Outstanding, end of year:			
Number	1,482,650	1,593,766	1,173,666
Weighted average exercise price	$13.20	$11.12	$ 8.78
Exercisable, end of year:			
Number	622,300	853,672	965,110
Weighted average exercise price	$ 9.18	$ 8.57	$ 7.97
Shares reserved for future options, end of year	151,314	344,564	4,332

In addition, under the Company's Director Fee Plan, directors who are not also officers of the Company each receive as an annual retainer fee shares of the Company's Class A Common Stock equivalent to approximately $16,000. 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 is recorded in other liabilities. Shares deferred under the Director Fee Plan at September 30, 1998, 1997 and 1996 were 20,658, 16,908 and 12,934, respectively.

9. EARNINGS PER SHARE

	1998	1997	1996
Net income	$22,501,692	$19,626,064	$20,257,554
Weighted average common shares outstanding	16,336,359	17,194,073	17,781,824
Dilutive securities, primarily stock options	433,855	502,720	432,042
Diluted weighted average common shares outstanding	16,770,214	17,696,793	18,213,866
Basic earnings per share	$1.38	$1.14	$1.14
Diluted earnings per share	$1.34	$1.11	$1.11

10. PENSION PLANS:

The Company maintains noncontributory, defined benefit pension plans covering most employees of the Company and its wholly-owned U.S. and Canadian subsidiaries. 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, 1998, 1997 and 1996.

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.

Actuarial assumptions for the regular U.S. and supplemental plans 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 7.0%, 7.5%, and 8.0% at August 1, 1998, 1997 and 1996, respectively. The rate of increase in future compensation levels was 4.5% at August 1, 1998, 1997 and 1996. The expected long-term rate of return on assets was 9.5% at August 1, 1998 and 9.0% at August 1, 1997 and 1996.

10. PENSION PLANS, continued:

Pension expense for the U.S. plans included the following components:

	1998	1997	1996
Service cost - benefits earned during the year	$ 1,923,321	$ 1,715,536	$ 1,704,691

Interest cost on projected benefit obligation	3,559,391	3,396,778	3,212,293
Actual return on plan assets	(3,070,941)	(13,160,172)	(2,939,242)
Net amortization and deferral	(1,874,051)	8,448,112	(1,677,961)
Net pension expense	$ 537,720	$ 400,254	$ 299,781

The following table sets forth the funded status of the regular U.S. and supplemental plans and the amounts recognized in the Company's consolidated financial statements at September 30, 1998 and 1997. Prepaid and accrued pension costs are included in other assets and other liabilities, respectively.

<TABLE>
<CAPTION>

	1998		1997	
	Regular	Supplemental	Regular	Supplemental
<S>	<C>	<C>	<C>	<C>
Actuarial value of benefit obligation:				
Vested benefit obligation	$42,326,598	$ 2,017,875	$37,910,728	$ 2,003,108
Accumulated benefit obligation	$43,115,941	$ 2,588,807	$38,651,375	$ 2,260,901
Plan assets at fair value, primarily equity and fixed income securities	$59,314,028	$ -	$58,870,495	$ -
Projected benefit obligation for participants' service rendered to date	(51,804,368)	(2,943,177)	(46,164,647)	(2,752,269)
Plan assets in excess of (less than) projected benefit obligation	7,509,660	(2,943,177)	12,705,848	(2,752,269)
Unrecognized transition asset being recognized over 15 years	(807,594)	-	(1,211,388)	-
Unrecognized prior service cost	689,212	370,878	787,614	434,403
Unrecognized net (gain) loss	(3,932,181)	908,685	(8,685,099)	825,868
Minimum liability adjustment	-	(925,193)	-	(768,903)
Prepaid (accrued) pension	$ 3,459,097	$(2,588,807)	$ 3,596,975	$(2,260,901)

</TABLE>

11. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

The Company provides certain health care and life insurance benefits for most retired employees. These health and life insurance benefits are unfunded and are provided through insurance companies. 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:

	1998	1997
Accumulated postretirement benefit obligation:		
Retirees	$ 5,736,340	$ 4,528,254
Fully eligible active plan participants	2,387,423	2,439,756
Other active plan participants	3,945,966	3,353,216
	12,069,729	10,321,226
Unrecognized reduction in prior service cost	11,776,711	12,785,782
Unrecognized net loss	(3,014,756)	(1,803,801)

Accumulated postretirement benefit obligation	20,831,684	21,303,207
Current portion	749,136	626,925
	$20,082,548	$20,676,282

Net periodic postretirement benefit cost included the following components:

	1998	1997	1996
Service cost - benefits attributed to employee service during the year	$ 277,803	$ 268,835	$ 441,330
Interest cost on accumulated postretirement benefit obligation	748,625	855,587	1,719,158
Net amortization	(953,595)	(888,517)	(29,663)
Net periodic postretirement benefit cost	$ 72,833	$ 235,905	$2,130,825

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.0%, 7.5% and 8.0% at September 30, 1998, 1997 and 1996, respectively. The rate for compensation increases at September 30, 1998, 1997 and 1996 was 4.5%.

11. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS, continued:

For measurement purposes, annual rates of increase of 20.0% and 6.9% in the per capita cost of health care benefits for Medicare-Risk HMO Plans and all other plans, respectively, were assumed for 1998; the rates were 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, 1998 by 4.1% and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by 6.6%. In September 1996, the Board of Directors approved changes to the retiree medical plan which provided additional plan options while limiting future Company contributions to retiree benefits.

12. INCOME TAXES:

The provision for income taxes consisted of the following:

	1998	1997	1996
Current:			
Federal	$13,190,560	$ 9,245,044	$10,244,785
State	2,326,985	1,815,067	1,675,200
Foreign	685,204	1,533,969	1,027,798
	16,202,749	12,594,080	12,947,783
Deferred	(1,572,158)	77,753	317,279
Total	$14,630,591	$12,671,833	$13,265,062

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

	1998	1997	1996
Federal statutory tax rate	35.0 %	35.0 %	35.0 %
Effect of state income taxes, net of federal deduction	3.7	3.2	3.3
Foreign taxes in excess of federal statutory rate	-	1.7	.8
Other	.7	(.7)	.5

Effective tax rate	39.4 %	39.2 %	39.6 %

The Company's foreign subsidiaries had income (losses) before income taxes for the years ended September 30, 1998, 1997 and 1996 of approximately $1,513,000, $2,825,000 and $(3,377,000), respectively.

12. INCOME TAXES, continued:

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

	1998	1997	1996
Accrued vacation pay	$ (62,410)	$ (8,836)	$ (136,489)
Estimated finishing costs	(276,930)	(145,346)	52,712
Postretirement benefits other than pensions	183,894	246,309	(342,382)
Installment sales	-	-	1,092,937
Foreign subsidiary losses, net	125,000	450,000	236,821
Pension costs	(208,149)	(156,090)	(116,887)
Deferred compensation	(858,000)	-	-
Depreciation	(126,393)	(51,919)	(233,522)
Deferred gain on sale of facilities	(77,214)	(30,274)	(31,664)
Other	(271,956)	(226,091)	(204,247)
	$(1,572,158)	$ 77,753	$ 317,279

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

	1998	1997
Deferred tax assets:		
Accrued vacation pay	$ 833,780	$ 771,370
Estimated finishing costs	1,084,563	807,633
Postretirement benefits other than pensions	8,124,358	8,308,252
Deferred compensation	1,455,090	-
Foreign subsidiary losses, net	375,000	500,000
Other	905,706	634,426
	12,778,497	11,021,681
Deferred tax liabilities:		
Pension costs	(257,854)	(551,731)
Depreciation	(2,752,485)	(2,911,813)
Deferred gain on sale of facilities	(507,174)	(584,388)
Unrealized investment (gain) loss	(122,341)	52,260
	(3,639,854)	(3,995,672)
Net deferred tax asset	9,138,643	7,026,009
Less current portion	931,020	865,082
	$ 8,207,623	$ 6,160,927

12. INCOME TAXES, continued:

At September 30, 1998 and 1997, the Company had foreign net operating loss carryforwards of approximately $2,500,000 and $3,200,000, respectively, related to its subsidiaries in Canada and Sweden. Approximately $300,000 of the carryforwards at September 30, 1998 expire between 2002 and 2003, while the remainder have an indefinite carryforward period. The Company has recorded a valuation allowance of approximately $375,000 and $500,000 at September 30, 1998 and 1997, respectively, related to the carryforwards.

13. 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 $2,837,000, $2,262,000 and $2,130,000 in 1998, 1997 and 1996, 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 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.

The Company has employment agreements with certain employees, the terms of which expire at various dates between 1999 and 2002. The agreements generally provide for base salary and bonus levels and include a non-compete clause. The aggregate commitment for salaries under these agreements at September 30, 1998 was approximately $4,600,000.

14. SUPPLEMENTAL CASH FLOW INFORMATION:

Significant non-cash transactions included the following:

In September 1998, Matthews acquired for 11,555,500 German Marks (U.S.$6,900,000) fifty percent of the capital stock of S+T Gesellschaft fur Reprotechnik mbH (Note 16). A liability has been recorded for the payment, which is due January 2000.

In May 1998, Matthews acquired fifty percent of O.N.E. Color Communications, Inc., a digital graphics service company (Note 16). In addition, the purchase agreement requires Matthews to acquire the remaining fifty percent interest no later than May 2004. A liability of $3,700,000 was recorded for the present value of the minimum future payouts under the purchase agreement.

In fiscal 1996, Matthews issued 466,296 shares of Class A Common Stock (valued at $5,900,000) in connection with the acquisitions of Industrial Equipment and Engineering Company, Inc. (Note 16) and Applied Technology Developments, Ltd. (Note 4).

14. SUPPLEMENTAL CASH FLOW INFORMATION, continued:

Changes in working capital items as presented in the Consolidated Statement of Cash Flows consisted of the following:

	1998	1997	1996
Current assets:			
Accounts receivable	$(1,051,982)	$ (985,433)	$ 2,463,712
Inventories	(355,121)	2,087,337	(571,217)
Other current assets	392,197	(61,624)	(770,017)
	(1,014,906)	1,040,280	1,122,478
Current liabilities:			
Trade accounts payable	732,701	(1,012,648)	737,433
Accrued compensation	3,539,657	2,010,941	326,942
Accrued vacation pay	275,473	56,238	197,241
Profit distribution to employees	528,549	(112,274)	(239,942)
Accrued income taxes	943,106	1,991,625	(252,243)
Customer prepayments	(1,451,379)	5,822,563	(177,754)
Other current liabilities	2,189,745	253,279	587,333

	6,757,852	9,009,724	1,179,010
Net increase	$ 5,742,946	$10,050,004	$ 2,301,488

15. SEGMENT INFORMATION:

Sales and operating profit of the Company's business segments follows:

	Graphics Imaging	Marking Products	Bronze	Eliminations	Consolidated
Sales to unaffiliated customers:					
1998	$75,294,549	$30,054,688	$106,272,820	$ -	$211,622,057
1997	57,804,162	34,980,976	96,383,502	-	189,168,640
1996	43,062,133	44,386,703	84,528,783	-	171,977,619
Intersegment sales:					
1998	6,973	63,424	35,364	(105,761)	-
1997	4,681	53,473	39,849	(98,003)	-
1996	42,408	238,439	26,479	(307,326)	-
Operating profit:					
1998	6,909,985	3,003,056	26,015,903	-	35,928,944
1997	5,507,148	2,800,757	22,579,490	-	30,887,395
1996	4,217,472	2,481,859	20,072,049	-	26,771,380

15. SEGMENT INFORMATION, continued:

Information related to assets identifiable to segments follows:

	Graphics Imaging	Marking Products	Bronze	Other	Consolidated
Identifiable assets:					
1998	$60,274,431	$20,060,272	$59,304,584	$47,566,477	$187,205,764
1997	38,495,477	22,118,584	49,753,812	58,836,517	169,204,390
1996	19,271,417	24,752,912	46,836,367	62,551,013	153,411,709
Depreciation expense:					
1998	3,827,692	603,546	2,187,063	361,560	6,979,861
1997	2,033,727	739,978	1,944,148	520,930	5,238,783
1996	1,189,791	964,954	1,619,925	602,575	4,377,245
Capital expenditures:					
1998	5,110,111	334,122	1,628,217	260,241	7,332,691
1997	3,189,371	400,543	2,144,218	430,498	6,164,630
1996	942,909	1,067,917	3,228,309	138,918	5,378,053

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

	United States	Canada	Australia	Europe	Eliminations	Consolidated
Sales to unaffiliated customers:						
1998	$192,443,566	$8,808,520	$ 4,817,523	$ 5,552,448	$ -	$211,622,057
1997	162,281,107	8,634,068	10,553,058	7,700,407	-	189,168,640
1996	139,945,843	8,180,041	10,534,846	13,316,889	-	171,977,619

Transfers between geographic areas:						
1998	6,210,190	131,453	-	1,884,293	(8,225,936)	-
1997	6,728,953	187,161	-	2,820,395	(9,736,509)	-
1996	7,361,044	244,185	-	2,342,427	(9,947,656)	-
Operating profit:						
1998	34,458,109	(115,435)	1,313,329	272,941	-	35,928,944
1997	28,223,301	405,658	1,933,004	325,432	-	30,887,395
1996	25,827,733	(349,587)	1,718,944	(425,710)	-	26,771,380
Identifiable assets:						
1998	176,382,613	4,041,883	5,580,593	13,846,396	(12,645,721)	187,205,764
1997	164,499,917	4,444,878	8,840,270	7,973,623	(16,554,298)	169,204,390
1996	145,346,058	4,913,342	9,554,718	8,409,239	(14,811,648)	153,411,709

</TABLE>

15. SEGMENT INFORMATION, continued:

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

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, deferred tax assets and the headquarters' administration building.

16. ACQUISITIONS AND DISPOSITIONS:

On October 1, 1997, Matthews acquired for $480,000 cash the assets of Western Plasti-Type Co. ("Western"). On November 4, 1997, Matthews acquired the common stock of Allied Reprographics, Inc. ("Allied") for $700,000 cash. Both Western and Allied are printing plate manufacturers located in Denver, Colorado. On November 3, 1997, Matthews acquired for $1,400,000 cash the assets of Palomar Packaging, Inc. ("Palomar"), a manufacturer of printing plates and steel-rule cutting dies, located near San Diego, California. An additional amount up to $880,000 may be payable for Palomar during the five-year period from the acquisition date contingent on the attainment of certain operating performance levels. On February 20, 1998, Matthews acquired for $1,600,000 cash certain assets of S&N Graphics, Inc., a St. Louis, Missouri manufacturer of printing plates and other marking devices.

On May 22, 1998, Matthews acquired fifty percent of O.N.E. Color Communications, Inc., a digital graphics service company. The transaction was structured as an asset purchase with the purchase price consisting of $2,000,000 cash and the assumption of a fifty percent interest in certain liabilities of O.N.E. Color Communications, Inc. An additional amount is payable by Matthews three years from the acquisition date contingent on the attainment of certain operating performance levels of the new company, with such payout to be not less than $400,000. Matthews and the shareholders of O.N.E. Color Communications, Inc. have each contributed their respective fifty percent interests into a newly-formed California limited liability company, O.N.E. Color Communications, L.L.C. ("O.N.E.").

In addition, the purchase agreement requires Matthews to purchase the remaining fifty percent interest in O.N.E. no later than May 2004. The purchase price for the remaining interest is contingent on the attainment of certain operating performance levels of the new company with such payment to be not less than $4,500,000. The accounts of O.N.E. have been included in the consolidated financial statements of Matthews and a liability has been recorded for the present value of the minimum future payouts. O.N.E., with annual sales of approximately $10,000,000, is headquartered in Oakland, California.

16. ACQUISITIONS AND DISPOSITIONS, continued:

On September 19, 1998, Matthews acquired for 11,555,500 German Marks (U.S.$6,900,000) fifty percent of the capital stock of S+T Gesellschaft fur Reprotechnik mbH ("S+T"). The operations of S+T, located in Julich, Germany, consist principally of flexographic printing preparation and the manufacture of photopolymer printing forms for the packaging industry. The remaining fifty percent will continue to be owned by the existing president of S+T. The cash payment is due January 2000 and is subject to reduction if S+T's calendar year 1999 operating results are below the calendar year 1997 level. In addition, Matthews has a call option to acquire an additional thirty percent interest in S+T at a purchase price contingent on the operating performance of S+T. The results of S+T will be reflected in the financial statements of Matthews under the equity method of accounting.

In October 1998, Matthews entered into a foreign currency forward contract with a financial institution for the purchase of German Marks to hedge its January 2000 payment commitment for the investment in S+T. In November 1998, Matthews also entered into a letter of credit agreement with a financial institution to guarantee performance under this payment commitment.

Effective September 30, 1998, Matthews purchased for $10,000,000 cash the assets of Gibraltar Mausoleum Construction Company, Inc. ("Gibraltar"), a subsidiary of Service Corporation International. Gibraltar, with annual sales of approximately $16,000,000, is headquartered in Indianapolis, Indiana and is a leading builder of mausoleums in the United States.

On January 31, 1997, Matthews acquired fifty percent of Tukaiz Litho, Inc. ("Tukaiz"), a pre-press and pre-media firm headquartered in Franklin Park, Illinois. A pre-press firm prepares art or digital files for printing or reproduction. The remaining fifty percent continues to be owned by the president of Tukaiz. The transaction was structured as an asset purchase with the purchase price consisting of $4,000,000 cash and the assumption of a fifty percent interest, approximately $4,000,000, in certain of the liabilities of Tukaiz. The parties each contributed their respective fifty percent interests into a newly-formed Illinois limited liability company, Tukaiz Communications, L.L.C. Matthews also provided the new company with subordinated convertible debt of $5,500,000. Tukaiz reported sales of $16,400,000 for the year ended January 31, 1997. The accounts of Tukaiz Communications, L.L.C. have been included in the consolidated financial statements of Matthews.

On May 23, 1997, Matthews acquired for $2,400,000 cash the common stock of both Carolina Repro-Graphic and Dieworks, Inc., manufacturers of pre-press services, flexible printing plates and steel rule cutting dies, located in North Carolina. Combined sales for Carolina Repro-Graphic and Dieworks, Inc. were approximately $3,700,000 for the year ended December 31, 1996.

On March 25, 1996, Matthews acquired Industrial Equipment and Engineering Company, Inc. ("IEEC"), a Florida corporation, for 427,724 shares of Matthews Class A Common Stock (valued at $5,400,000) and $3,600,000 cash. Sales of IEEC for the year ended December 31, 1995 were $7,500,000. On August 1, 1996, IEEC 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 year ended September 30, 1995 were $3,400,000.

16. ACQUISITIONS AND DISPOSITIONS, continued:

Matthews has accounted for the aforementioned acquisitions using the purchase method and, accordingly, recorded the acquired assets and liabilities at their estimated fair values at the acquisition dates. The excess of the purchase price over the fair value of the net assets has been recorded as goodwill to be amortized on a straight-line basis over periods ranging from 15 to 25 years. For the acquisition of S+T, the excess of the purchase price over the fair value of the net assets will be amortized on a straight-line basis over 25 years as a charge to equity income.

On January 5, 1996, Matthews 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 Matthews. The facility had sales in fiscal 1995 of approximately $5,000,000, representing about three percent of the consolidated sales of Matthews.

In September 1996, Matthews 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 fiscal 1996 net income of Matthews 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.

17. FASB PRONOUNCEMENTS:

In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income." The pronouncement establishes standards for reporting and display of comprehensive income and its components. The Statement requires that items of other comprehensive income be classified by their nature in a financial statement and the accumulated balance of other comprehensive income be displayed separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. The required presentation will be adopted by the Company in fiscal 1999.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The pronouncement establishes standards for reporting information about operating segments of an enterprise. The pronouncement requires the disclosure of selected segment information in interim financial reports. SFAS No. 131 will not impact the current presentation of the Company's segment information. The interim presentation requirement of the pronouncement will be adopted by the Company in the first quarter of fiscal 2000.

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 1998 and fiscal 1997.
<TABLE>
<CAPTION>

	Quarter Ended				Year Ended
	December 31	March 31	June 30	September 30	September 30
<S>	<C>	<C>	<C>	<C>	<C>
FISCAL YEAR 1998:					
Sales	$49,440,454	$51,563,344	$55,217,977	$55,400,282	$211,622,057
Gross profit	21,231,436	23,034,882	25,060,396	23,723,508	93,050,222
Operating profit	7,616,319	8,886,597	10,333,027	9,093,001	35,928,944
Net income	4,898,264	5,603,821	6,381,882	5,617,725	22,501,692
Earnings per share - diluted	.29	.33	.38	.34	1.34
FISCAL YEAR 1997:					
Sales	$42,582,795	$45,427,408	$51,736,477	$49,421,960	$189,168,640
Gross profit	18,863,418	20,237,199	22,843,057	21,557,212	83,500,886
Operating profit	6,613,758	7,885,207	8,797,942	7,590,488	30,887,395
Net income	4,304,408	5,012,993	5,484,608	4,824,055	19,626,064
Earnings per share - diluted	.24	.28	.31	.28	1.11

/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 PricewaterhouseCoopers LLP, Certified Public Accountants, for the fiscal years ended September 30, 1998, 1997 and 1996.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following information as of November 30, 1998 is furnished with respect to each director and executive officer:

Name	Age	Positions with Registrant
David M. Kelly	56	Chairman of the Board, President and Chief Executive Officer
Geoffrey D. Barefoot	51	President, Graphic Systems Division and Director
Edward J. Boyle	52	Vice President, Accounting & Finance, Treasurer and Secretary
David J. DeCarlo	53	President, Bronze Division and Director
Robert B. Heffernan	50	President, Graphics Imaging Group
Robert J. Kavanaugh	61	Director
Thomas N. Kennedy	63	Director
Steven F. Nicola	38	Controller
John P. O'Leary, Jr.	51	Director
James L. Parker	60	Director
Robert J. Schwartz	51	President, Marking Products Division
William J. Stallkamp	59	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 was a Senior Vice President for Carrier Corporation.

Geoffrey D. Barefoot, a Director of the Company since 1990, was elected President, Graphic Systems Division in November 1993.

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

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

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.

Robert B. Heffernan joined the Company in May 1998 and was appointed President, Graphics Imaging Group. Prior thereto, he was President of the Brooks Instrument Division of Emerson Electric since 1986.

Robert J. Kavanaugh was elected to the Board of Directors in February 1998. Mr. Kavanaugh retired in 1996 as a partner of the Pittsburgh office of Arthur Andersen LLP.

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. Prior thereto, he was Manager, Tax Planning and International Accounting.

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.

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

Robert J. Schwartz was appointed President, Marking Products Division in September 1997. Mr. Schwartz joined the Company in January 1997 as Director of Sales and Marketing for the Marking Products Division. Prior thereto, he was Vice President - Sales for Northeast Distributors, Inc.

William J. Stallkamp, a Director of the Company since 1981, is a Vice Chairman of Mellon Bank Corporation in Pittsburgh, Pennsylvania and 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, 1997 consisted of Messrs. Kelly, DeCarlo and Barefoot.

The principal function of the Audit Committee, the members of which are Messrs. O'Leary (Chairman), Kavanaugh and Stallkamp, 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. Stallkamp (Chairman), Kavanaugh and Kennedy, 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. Stallkamp (Chairman) and Kavanaugh, consider and grant stock remuneration and administer the Company's 1992 Stock Incentive Plan.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the individual compensation information for the fiscal years ended September 30, 1998, 1997 and 1996 for the Company's Chief Executive Officer and the four most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

```
                      Annual           Long-Term
                   Compensation       Compensation
                 ----------------  ----------------------
                                  Awards     Payouts
                                  ------     -------    All
```

Name of Individual and Principal Position	Year	Salary (1)	Bonus	Securities Underlying Options (Shares)	LTIP Payouts (2)	Other Compensation (3)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
David M. Kelly	1998	$312,409	$324,082	40,000	$239,850	None
Chairman of the Board and	1997	290,174	290,687	190,000	None	None
Chief Executive Officer	1996	268,764	261,193	70,000	None	None
David J. DeCarlo	1998	207,921	169,552	None	269,660	$2,520
Director and President,	1997	199,473	174,477	250,000	None	3,046
Bronze Division	1996	188,100	159,409	40,000	None	4,904
Geoffrey D. Barefoot	1998	148,788	None	None	None	2,644
Director and President,	1997	146,080	13,487	None	None	2,622
Graphic Systems Division	1996	142,497	59,827	30,000	None	2,028
Edward J. Boyle	1998	129,689	87,394	36,000	60,211	4,250
Vice President,	1997	113,379	75,043	41,000	None	3,804
Accounting & Finance	1996	104,709	68,308	28,000	None	2,205
Robert J. Schwartz	1998	118,323	75,177	32,000	None	1,038
President, Marking Products Division						

<FN>

(1) Includes the current portion of 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 1998, 1997 and 1996 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 improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period. See Long-Term Incentive Plans - Awards in Last Fiscal Year table. 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.

(3) Includes educational assistance for dependent children and premiums for term life insurance. 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 1998, 1997 and 1996, respectively, were: Mr. DeCarlo, $2,000 (1996 only); and Mr. Boyle, $2,200, $2,000 and $1,000. 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 1998, 1997 and 1996 include the following respective life insurance benefit costs: Mr. DeCarlo, $2,520, $3,046 and $2,904; Mr. Barefoot, $2,644, $2,622 and $2,028; Mr. Boyle, $2,050, $1,804 and $1,205; and Mr. Schwartz, $1,038 (1998 only). See also note (1).

</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.

Long-Term Incentive Plans - Awards in Last Fiscal Year

<TABLE>

<CAPTION>

Name	Number of Shares or Other Rights	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans Target
D.M. Kelly	-	2 Years	$ 906,596
D.J. DeCarlo	-	2 Years	803,335
G.D. Barefoot	-	2 Years	None
E.J. Boyle	-	2 Years	232,753
R.J. Schwartz	-	2 Years	93,090

<FN>
The Company has a management incentive plan based on improvement in divisional and Company economic value added and the attainment of established personal goals. A portion of amounts earned are deferred by the Company and are payable with interest at a market rate over a two-year period contingent upon economic value added performance and continued employment during such period.
/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%
D.M. Kelly	40,000	17.7%	$21.406	12/02/07	$538,489	$1,364,643
D.J. DeCarlo	None	-	-	-	-	-
G.D. Barefoot	None	-	-	-	-	-
E.J. Boyle	36,000	15.9%	$21.406	12/02/07	484,640	1,228,178
R.J. Schwartz	32,000	14.1%	$21.406	12/02/07	430,791	1,091,714

<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. In addition, options vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the certain market value levels described above). 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>

Aggregated Option Exercises in Last Fiscal Year
and Fiscal Year End Option Values
<TABLE>
<CAPTION>

			Number of Securities Underlying Unexercised Options		Value of Unexercised In-the-Money Options at Fiscal Year End	
Name	Shares Acquired On Exercise	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
D.M. Kelly	15,000	$ 262,500	255,000	230,000	$4,077,812	$2,336,873

D.J. DeCarlo	None	None	126,000	250,000	2,080,250	2,859,375
G.D. Barefoot	94,000	1,133,875	None	None	None	None
E.J. Boyle	None	None	63,000	77,000	993,125	616,310
R.J. Schwartz	None	None	None	80,000	None	620,373

/TABLE

ITEM 11. EXECUTIVE COMPENSATION, continued.

Retirement Plans:

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.

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
500,000	138,750	185,000	231,250	277,500	323,750
600,000	166,500	222,000	277,500	333,000	388,500
700,000	194,250	259,000	323,750	388,500	453,250

ITEM 11. EXECUTIVE COMPENSATION, continued.

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, 1998 and rounded to the next higher year, are: Mr. Kelly, 4 years; Mr. DeCarlo, 14 years; Mr. Barefoot, 23 years; Mr. Boyle, 12 years and Mr. Schwartz, 2 years.

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 each receive as an annual retainer fee shares of the Company's Class A Common Stock equivalent to approximately $16,000. 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, 1998.

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	43,925	0.3%	56,000	2.0%
G.D. Barefoot	None	-	209,000	7.3
D.J. DeCarlo	None	-	289,990	10.2
R.J. Kavanaugh	1,000	*	None	-
T.N. Kennedy	75,000	0.6	None	-
J.P. O'Leary, Jr.	13,300	0.1	None	-
J.L. Parker	100,000	0.8	None	-
W.J. Stallkamp	6,200	*	None	-
All directors and executive officers as a group (12 persons)	252,177	1.9	609,690	21.4
Others:				
D. Majestic	None	-	312,000	10.9
T. Rowe Price Associates, Inc. 100 East Pratt Street Baltimore, MD 21202	882,700	6.7	None	-

* Less than 0.1%

(1) Unless otherwise noted, 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, except as follows:
Mr. Stallkamp has sole voting power except for 200 Class A shares held by Mr. Stallkamp as custodian under UTMA for son.
T. Rowe Price Associates, Inc. has sole voting power for only 323,200 Class A shares.

(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 an annual interest rate of 6.5% 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, 1998	Amount Outstanding at November 30, 1998
Geoffrey D. Barefoot	$ 83,206	$ 7,531
Edward J. Boyle	62,442	30,913
David J. DeCarlo	340,669	208,334
Steven F. Nicola	29,242	18,259

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.

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 67-69.

(b) Reports on Form 8-K:

A Form 8-K Current Report was filed by the Company on September 28, 1998 reporting under "Item 5 - Other Events" the Company's purchase of Gibraltar Mausoleum Construction Company, Inc. and the Company's purchase of a fifty percent interest in S&T Gesellschaft fur Reprotechnik mbH (See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations").

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 18, 1998.

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 18, 1998:

David M. Kelly	Edward J. Boyle
- ------------------------------------	------------------------------------
David M. Kelly Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	Edward J. Boyle Vice President, Accounting & Finance, Treasurer and Secretary (Principal Financial and Accounting Officer)
Geoffrey D. Barefoot	John P. O'Leary, Jr.
- ------------------------------------	------------------------------------
Geoffrey D. Barefoot, Director	John P. O'Leary, Jr., Director
David J. DeCarlo	James L. Parker
- ------------------------------------	------------------------------------
David J. DeCarlo, Director	James L. Parker, Director

Robert J. Kavanaugh William J. Stallkamp

Robert J. Kavanaugh, Director William J. Stallkamp, Director

Thomas N. Kennedy

Thomas N. Kennedy, Director

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
4.6 a	Employees' Stock Purchase Plan *	Exhibit Number 4.6 to Form 10-K for the year ended September 30, 1993
4.7	Form of Share Certificate for Class A Common Stock *	Exhibit Number 4.9 to Form 10-K for the year ended September 30, 1994
4.8	Form of Share Certificate for Class B Common Stock *	Exhibit Number 4.10 to Form 10-K for the year ended September 30, 1994

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein

10.1 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
10.2	Revolving Credit and Term Loan Agreement *	Exhibit Number 10.7 to Form 10-K for the year ended September 30, 1986
10.3 a	Supplemental Retirement Plan *	Exhibit Number 10.8 to Form 10-K for the year ended September 30, 1988
10.4 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
10.5 a	1992 Stock Incentive Plan (as amended through December 13, 1996) *	Exhibit A to Definitive Proxy Statement filed on January 22, 1997
10.6 a	Form of Stock Option Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1994
10.7 a	1994 Director Fee Plan (as amended through March 14, 1997) *	Exhibit Number 10.11 to Form 10-K for the year ended September 30, 1998
10.8 a	1994 Employee Stock Purchase Plan *	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1995
10.9	Capital Stock Purchase Agreement, Sunland Memorial Park, Inc. *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1995
10.10	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
10.11	Asset Purchase Agreement among TKZ Holding Corp., Tukaiz Litho, Inc. and Michael Vitallo *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1996
10.12	Membership Interest Agreement, Tukaiz Communications L.L.C. *	Exhibit Number 10.2 to Form 10-Q for the quarter ended December 31, 1996

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
10.13	Subordinated Convertible Note from Tukaiz Communications, L.L.C. in favor of Venetian Investment Corporation *	Exhibit Number 10.3 to Form 10-Q for the quarter ended December 31, 1996
10.14	Operating Agreement, Tukaiz Communications, L.L.C. *	Exhibit Number 10.4 to Form 10-Q for the quarter ended December 31, 1996
10.15	Asset Purchase and Membership Interest Agreement, O.N.E. Color Communications, L.L.C. *	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 1998
10.16	O.N.E. Color Communications, L.L.C., Operating Agreement *	Exhibit Number 10.2 to Form 10-Q for the quarter ended June 30, 1998

10.17	Stock Purchase Agreement, S+T Gesellschaft fur Reprotechnik mbH	Filed Herewith
10.18	Asset Purchase Agreement, Gibraltar Mausoleum Construction Company, Inc.	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, Treasurer and Secretary of the Registrant.

EXHIBIT 10.18

ASSET PURCHASE AGREEMENT
Gibraltar Mausoleum Construction Company, Inc.

THIS ASSET PURCHASE AGREEMENT is dated this 16th day of September, 1998, and is entered into between GIBRALTAR MAUSOLEUM CONSTRUCTION COMPANY, INC., a Delaware corporation, (the "Seller") and MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation, (the "Purchaser").

W I T N E S S E T H:

Whereas, on the date of this Agreement, the Seller is the owner and operator of a mausoleum construction business operated under the name of "Gibraltar Mausoleum Construction Co.", which business shall be referred to herein as the "Business"; and

Whereas, certain of the assets of the Business are to be sold by the Seller to the Purchaser pursuant to this Agreement and are identified in Section 1.1 below and the schedules attached hereto; and

Whereas, the parties to this Agreement also contemplate the execution and delivery of certain collateral agreements and documents described in this Agreement;

Now, Therefore, the Seller and the Purchaser agree as follows:

Article One
Sale and Purchase of Assets

The sale and purchase of those assets hereinafter described shall be accomplished as follows:

Section 1.1. Assets To Be Sold to Purchaser. For and in consideration of the payment of the consideration set forth in Section 1.2 below and the mutual covenants and agreements herein contained, and subject to the other terms and conditions hereof, the Seller agrees to SELL, CONVEY, AND DELIVER to the Purchaser, and the Purchaser agrees to PURCHASE AND ACCEPT from the Seller, the following described assets:

(a.) That inventory, fixtures, equipment, machinery, and other personal tangible property used in the operation of the Business and listed on Exhibit "A" attached hereto;

(b.) All of the contracts for work in process of the Business as set forth on the listing attached hereto as Exhibits "B" and "C", plus or minus any changes in that work in process which result from the ordinary course of the operation of the Business subsequent to the date of the listing and until the Effective Date, as hereinafter defined; and

(c.) The goodwill of the Seller related to the Business, together with all lists of present, future, or former customers; all mailing lists; all business books, files, and records beneficial and useful to Purchaser in continuing the Business; all transferrable licenses and permits of the Business, if any; all customer and sales brochures, pamphlets, advertising literature, catalogs, and related buying or sales material; and all other intangibles, rights, and privileges desirable or useful to Purchaser in continuing the Business in its present form and maintaining and retaining the existing customers and goodwill of the Business, including, without limitation, the right to use the trade name Gibraltar Mausoleum Construction Co. and any related trademark, but only in connection with its construction related activities; the right, but not the obligation, to assume any other contract rights of use not specified as to any equipment or service leased, rented, or utilized in the operation of the Business; all other contract rights useful or related to the Business and rights to make claims thereunder; and all purchasing and buying rights necessary or useful for the continued operation of the Business.

(d.) Accounts Receivable as of the Effective Date, except those relating to

Green Hills, Rancho Palos Verdes, California (Job No. 191-23), which amounts are set forth on Exhibit "D" attached hereto.

(e.) Rights pursuant to leases and agreements which are set forth on Exhibit "E" attached hereto.

It is specifically intended that there shall not be conveyed or sold as a part of the Business (i) any cash or cash equivalents on hand and/or held in accounts maintained by or in connection with the operation of the Business; and (ii) all of the Seller's minutes and other corporate records.

All of the assets to be sold to the Purchaser as described in this Section 1.1 shall be hereinafter collectively referred to as the "Assets."

Section 1.2. Payment of Consideration. The total purchase price for the Assets is $10,000,000.00, payable in the form of a cashier's check or wire transfer, plus the assumption of certain listed liabilities as described in Section 2.1 below and Purchaser's agreement to perform construction services for Seller under that Construction Services Agreement to be executed in conjunction herewith.

Section 1.3. Allocation of Purchase Price. The parties have agreed on the fair-market values of the various categories of Assets being sold pursuant to this Agreement, and those values are set out in Exhibit "F" attached hereto.

Article Two
Assumption of Certain Liabilities

Section 2.1. Liabilities Assumed. It is agreed that, as additional consideration for the conveyance of the Assets, the Purchaser shall assume all obligations to provide services and/or merchandise pursuant to the terms of the contracts listed on Exhibits "B" and "C" attached hereto for which work is in the process of completion, and Seller's obligations pursuant to leases and other contracts set forth on Exhibit "E". Purchaser's obligations shall specifically include the warranty of work it performs with respect to the contracts listed on Exhibits "B" and "C", consistent with Seller's customary construction warranty.

As to all debts, obligations, liabilities, and duties (whether fixed or contingent) of the Business which are not to be assumed by Purchaser as expressly set forth in this Section, Seller agrees that it will fully indemnify and hold Purchaser harmless from and against any loss, cost, or expense (including attorneys' fees) that Purchaser might suffer or incur in any way connected with or related to (a) any of such non-assumed obligations, liabilities, or duties, or (b) any obligations, liabilities, or duties arising solely from the operation of the Business by Seller before the Effective Date. Likewise, Purchaser agrees that it will fully indemnify and hold Seller harmless from and against any loss, cost, or expense (including attorney's fees) that it might suffer or incur in any way connected with or related to (a) any of such specifically assumed obligations, liabilities, or duties, or (b) any obligations, liabilities, or duties arising solely from operation of the Business by Purchaser after the Effective Date. It is not intended that the provisions of this Section benefit anyone that is not a party to this Agreement.

Section 2.2. Project Overruns. Upon completion of each of the projects set forth on Exhibit "B", in the event that a project is completed over estimated cost, Seller will remit to Purchaser the amount that said project exceeds the estimated cost, identified as the "1998 Revised Job Cost Estimate" on Exhibit "B". However, Seller's obligation shall be limited to an aggregate of $250,000.00 with respect to all of the projects set forth on Exhibit "B". Upon completion of a project listed on Exhibit "C", in the event that such a project is completed over estimated cost, Seller will remit to Purchaser the amount that said project exceeds the estimated cost identified as the "Job Cost Estimate B-4 Overhead 7/98" on Exhibit "C". Seller shall have the right to audit Purchaser's records and accounts prior to remitting any amount to Purchaser pursuant to this section.

Article Three
The Closing and Effective Date

Section 3.1. Closing and Effective Date. The sale and purchase of the Assets as provided in Article I hereof (the "Closing") shall occur at the offices of Seller, or at such other location as may be mutually agreed upon, on September 16, 1998. The date of the Closing is herein called the "Closing Date." At the Closing, the Seller shall execute and deliver to the Purchaser (a) a general warranty Bill of Sale conveying all of the Assets and (b) an Assignment and Assumption instrument by which certain continuing rights and obligations will be assigned to and assumed by Purchaser, against payment and delivery by the Purchaser of the total purchase price therefor as set forth in Section 1.2 hereof. In addition, the Seller shall execute and deliver to and in favor of the Purchaser such other instruments of transfer, conveyance, and assignment, in forms satisfactory to counsel for Purchaser, as shall be effective to vest good title to the Assets in Purchaser. The Seller agrees that whatever right, title, or interest it may have in or to the Assets shall be deemed fully and effectively conveyed to the Purchaser by and pursuant to the terms of the Bill of Sale and other such instruments to be executed and delivered. The Seller further agrees to take all steps as may be required to put Purchaser in actual possession and control of the Assets and to take such actions as may be necessary to allow Purchaser full and unfettered use of the trade name Gibraltar Mausoleum Construction Co., in connection with its construction related activities. All action to be taken at the Closing and all documents and instruments to be delivered in connection therewith, and all actions contemplated in Section 4.1 hereof and all documents and instruments to be delivered in connection therewith, shall be considered to have been taken or delivered simultaneously, and no such action, delivery, or payment shall be considered complete until all actions incident to the Closing, and all actions incident to the related transactions described in Section 4.1 hereof, have been completed.

It is recognized that the Seller is presently operating a mausoleum construction business as an ongoing operation, which Purchaser intends to continue operating subsequent to the Closing, and in connection therewith, the following additional agreements are made:

(a.) The "Effective Date" of the transfer of the Assets and business operations of the Business shall be as of 11:59 p.m. on September 30, 1998. Possession of all property and assets to be conveyed pursuant hereto shall be deemed delivered as of the Effective Date.

(b.) All personal property taxes and similar assessments relating to the Assets shall be prorated to the Effective Date. To the extent any party pays any expense relating to or benefitting a period of operation of the Business other than the applicable period of its ownership, it shall immediately, upon such payment and notice to the party properly owing the expense, be reimbursed therefor.

(c.) The parties agree to cooperate with each other so that during the twelve (12) month period after the closing there is an orderly transfer of the business operations of the Business, collection of all applicable income of each party, and payment of applicable expenses attributable to each party in accordance with the terms and conditions of this Agreement.

Article Four
Related Transactions

Section 4.1. Related Transactions. Also at the Closing, the Purchaser and Seller shall enter into a Construction Services Agreement wherein Purchaser will agree to perform certain construction services for Seller for a period of five (5) years after the Effective Date. Such Agreement shall be dated as of the Closing Date and shall contain such provisions and agreements as the parties thereto shall approve prior to the Closing.

Article Five
Representations and Warranties of the Seller

The Seller represents and warrants to and agrees with the Purchaser that:

Section 5.1. Organization and Existence of Seller. The Seller is a corporation duly organized, validly existing, and in good standing under the laws of Delaware, with all requisite corporate power to enter into and perform this Agreement.

Section 5.2. Title to Assets, Etc. The Seller is in the possession of and has good and indefeasible title to all of the Assets, free and clear of all liens, mortgages, security interests, encumbrances, and restrictions, including any conditional sale or other title retention agreements, except:

(a.) liens for any taxes not yet due and payable;

(b.) minor defects and irregularities that do not impair the use thereof for the purposes for which they are held.

Section 5.3. Furniture, Machinery and Equipment. All items of those fixtures, machinery, and equipment listed on Exhibit "A" attached hereto are in good operating condition, in a state of reasonable maintenance and repair, and free from any known defects.

Section 5.4. Contracts. Each contract or agreement, the liability for which is to be assumed by Purchaser pursuant to Section 2.1 above, if any, and/or which will otherwise accrue to the benefit of Purchaser as a result of the consummation of the transaction contemplated herein, is in full force and effect and neither Seller (nor to the best knowledge of Seller, any other party thereto) is in default to any degree with respect to its obligations thereunder. Except for those to be so assumed by the Purchaser or as otherwise expressly disclosed to the Purchaser in writing, there are no other contracts or agreements of any kind to which the Seller is a party in any way related to or arising from the operation of the Business or that affects the continued operation of the Business in its present form in any way.

Section 5.5. Brokers. The Seller is not a party to or in any way obligated under any broker's contract or other such agreement, and there are no outstanding claims against Seller for the payment of any broker's or finder's fee in connection with the origins, negotiation, execution, or performance of this Agreement.

Section 5.6. Authority of the Seller. The execution, delivery, and performance by the Seller of this Agreement and all other agreements ancillary hereto to which it will be a party have been duly and effectively authorized by the Board of Directors of the Seller and by the Executive Committee of the Board of Directors of Service Corporation International, and no further corporate action is necessary on the part of the Seller to make this Agreement and such other agreements valid and binding upon the Seller in accordance with their respective terms. The Closing of the transactions contemplated by this Agreement will not result in any breach of, violation of, or default under the Articles of Incorporation or Bylaws of Seller or any judgment, decree, mortgage, agreement, indenture, or other instrument applicable to Seller.

Section 5.7 Environmental Legal and Regulatory Compliance. To the best of Seller's knowledge, Seller has operated and is presently operating, in substantial compliance with all applicable federal, state and local statutes and regulations, including environmental statutes and regulations.

Article Six
Representations and Warranties of the Purchaser

The Purchaser represents and warrants to and agrees with the Seller that:

Section 6.1. Organization and Existence of Purchaser. The Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of Pennsylvania, with all requisite corporate power to enter into and perform this Agreement.

Section 6.2. Brokers. The Purchaser is not a party to or in any way obligated under any broker's contract or other agreement, and there are no outstanding claims against Purchaser for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution, or performance of this Agreement.

Section 6.3. Authority. The execution, delivery, and performance by the Purchaser of this Agreement and all other agreements ancillary hereto to which it will be a party have been duly and effectively authorized by the Board of Directors of the Purchaser, and no further corporate action is necessary on the part of the Purchaser to make this Agreement and such other agreements valid and binding upon the Purchaser in accordance with their respective terms. The closing of the transactions contemplated by this Agreement will not result in any breach of, violation of, or default under the articles of incorporation or bylaws of Purchaser or any judgment, decree, mortgage, agreement, indenture, or other instrument applicable to Purchaser.

Article Seven
Covenants of the Parties

The Seller covenants with the Purchaser that:
Section 7.1. Conduct of Business. Except as specifically contemplated in this Agreement, from the date of this Agreement to the Closing, the Business and all of its financial affairs will be conducted only in the ordinary course.

Section 7.2. Access to Information. The Seller will, prior to the Closing, give to the Purchaser, its counsel, accountants, engineers, and other representatives, full and free access to all properties, books, contracts, commitments, and records of the Business related to the Assets so that the Purchaser may have full opportunity to make such investigation and examination as it shall desire to make of the affairs and properties of the Business, provided that such investigation and examination shall not unreasonably interfere with the continued operations of the Business.

Section 7.3. Preservation of Goodwill. The Seller will use its best efforts to preserve the business organization of the Business, and, both prior and subsequent to the Closing, to preserve for the Purchaser the goodwill of all suppliers, customers, and others having or potentially having business relations with the Business.

Section 7.4. Further Assurances. From time to time at the request of the Purchaser and without further consideration, the Seller will execute and deliver those additional instruments of conveyance and transfer and take such other actions as the Purchaser may reasonably require to more effectively convey, assign, transfer, and deliver the Assets to the Purchaser and otherwise carry out the terms of this Agreement.

Section 7.5. Communications. Neither before nor after the Closing shall the Seller issue or present any statement or release to anyone, including any members of the press, regarding the transactions contemplated by this Agreement without the written approval of Purchaser.

Section 7.6. Collection of Receivables. Any post-Effective Date collections of the accounts receivable of the Business as of the Effective Date, which are herein expressly to be retained by Seller, shall be made by Purchaser in the ordinary course of the continued operation of the Business, and the amounts so collected for the benefit of the Seller shall be remitted by the Purchaser to the Seller on a periodic basis (at least monthly) after the Effective Date.

Article Eight
Conditions to Obligations of the Purchaser

The obligations of the Purchaser under this Agreement shall, at its option, be subject to the following conditions, any one or more of which may be waived, in whole or in part, in writing by the Purchaser:
Section 8.1. Seller's Representations and Warranties True at Closing. The Purchaser shall not have discovered any material error, misstatement, or omission in the representations and warranties made by the Seller in Article V hereof; the representations and warranties made by the Seller herein shall be deemed to have been made again at and as of the time of Closing and shall then be true in all material respects; and the Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with at or before the Closing.

Section 8.2. Approval by Counsel. All actions, proceedings, instruments, and documents required to carry out the transactions contemplated by this Agreement or incidental thereto, and all other related legal matters, shall have been approved by legal counsel for the Purchaser, and such counsel shall have been furnished with those copies of actions and proceedings and all other instruments and documents that it has reasonably requested. There shall have been delivered to Purchaser's counsel (a) a copy of the Seller's charter, including all amendments thereto, certified by the Secretary of State or other appropriate official of the State of Delaware, (b) a copy of the Bylaws of the Seller, certified by the Secretary of Seller as being true and correct and in effect on the Closing Date, (c) a certificate from the Secretary of State or other appropriate official of the State of Delaware to the effect that the Seller is in good standing and subsisting in such jurisdiction, and (d) a certificate as to the tax good standing or other status of the Seller from the appropriate Delaware official dated no later than fifteen (15) days prior to the Closing Date.

Section 8.3. No Damage or Destruction. Prior to the Closing, there shall not have occurred any casualty to any inventory, fixture, equipment, or machinery used in the Business, as a result of which the monetary amount of damage or destruction aggregates at least $5,000.00. Additionally, there shall have been no changes in the properties or operations of the Business that would have a materially adverse effect on the value of the Business, its properties, and/or the Assets.

Section 8.4. Related Transactions. All related transactions contemplated by Section 4.1 of this Agreement shall have been consummated to Purchaser's satisfaction.

Section 8.5. Ownership of Assets. The Purchaser shall be satisfied that, after the consummation of the transactions contemplated by this Agreement, the Purchaser will have sole ownership of all of the Assets and that there shall exist no potential for any claim by any third person of an ownership interest in the Assets.

Article Nine
Conditions to Obligations of the Seller

The obligations of the Seller under this Agreement shall, at its option, be subject to the following conditions, any one or more of which may be waived, in whole or in part, in writing by the Seller:
Section 9.1. Purchaser's Representations and Warranties True at Closing. The Seller shall not have discovered any material error, misstatement, or omission in the representations and warranties made by the Purchaser in Article Six hereof; the representations and warranties made by the Purchaser herein shall be deemed to have been made again at and as of the time of Closing, and shall then be true in all material respects; and the Purchaser shall have performed and complied with all agreements and conditions required in this Agreement to be performed or complied with by it at or before the Closing.

Section 9.2. Approval by Counsel. All actions, proceedings, instruments, and documents required to carry out the transactions contemplated by this Agreement or incidental thereto, and all other related legal matters, shall have been approved by legal counsel for the Seller, and such counsel shall have been furnished with those copies of actions and proceedings and all other instruments and documents that it has reasonably requested.

Section 9.3. Related Transactions. All related transactions contemplated by Section 4.1 of this Agreement shall have been consummated to Seller's satisfaction.

Article Ten
Indemnification by the Seller

Section 10.1. Indemnification by Seller. The Seller shall and hereby agrees to indemnify and hold harmless the Purchaser, its successors, assigns, officers, and directors, from and against any loss, cost, damage, deficiency, liability, or expense (including reasonable attorneys' fees) caused by or arising out of:

(a.) any breach or default in the performance by the Seller of any covenant or agreement of the Seller contained in this Agreement;

(b.) any breach of warranty or inaccurate or erroneous representation made by the Seller herein or in any schedule hereto or in any certificate or other instrument delivered by or on behalf of the Seller pursuant hereto;

(c.) the failure of the Seller to fully pay and discharge as and when the same are due the obligations, liabilities, and/or duties relating to or arising from the Business not to be assumed by the Purchaser as described above;

(d.) any violation or claimed violation of any statute, rule, regulation, ordinance, order, or other law, which violation or claimed violation occurred prior to the Effective Date;

(e.) to any applicable extent, the non-compliance by the parties with the bulk sales laws of the State of Texas; and

(f.) any liability arising out of any or all actions, suits, settlements, proceedings, claims, demands, assessments, judgments, costs, and expenses (including reasonable attorneys' and accounting fees) incident to any of the
The Seller shall reimburse the Purchaser an amount satisfactory to compensate the Purchaser for any liability, obligation, claim, or adverse result arising from an event or circumstance to which the foregoing indemnities relate. In addition to any remedies that Purchaser may otherwise be entitled to by law, if the Seller shall become obligated to indemnify the Purchaser pursuant to the terms hereof, the Purchaser shall, at its option and without prejudice to any right of the Purchaser to proceed directly against the Seller, be entitled to immediately setoff all or any part of the amount of such indemnity against any sums owing to the Seller under any agreement with the Purchaser or any of its affiliates, to be entered into between the Seller and Purchaser as referenced above. The proper, good faith, exercise of any such right of setoff, after adequate notice to Seller and reasonable efforts to resolve any claim, by the Purchaser hereunder shall not constitute a default under the terms of any such agreement.

Article Eleven
Indemnification by Purchaser

Section 11.1. Indemnification by Purchaser. The Purchaser shall and hereby agrees to indemnify and hold harmless the Seller, its affiliates, successors, assigns, officers, and directors, from and against any loss, cost, damage, deficiency, liability, or expense (including reasonable attorneys' fees) caused by or arising out of:

(a.) any breach or default in the performance by the Purchaser of any covenant or agreement of the Purchaser contained in this Agreement;

(b.) any breach of warranty or inaccurate or erroneous representation made by Purchaser herein or in any schedule hereto or in any certificate or other instrument delivered by or on behalf of the Purchaser pursuant hereto;

(c.) the failure of the Purchaser to fully pay and discharge as and when same are due the obligations, liabilities, and/or duties relating to or arising from the Business which are expressly to be assumed by the Purchaser as described above;

(d.) any violation or claimed violation of any statute, rule, regulation, ordinance, order, or other law, which violation or claimed violation occurs after the Effective Date; and

(e.) any liability arising out of any or all actions, suits, settlements, proceedings, claims, demands, assessments, judgments, costs, and expenses (including reasonable attorneys' and accounting fees) incident to any of the foregoing.

The Purchaser shall reimburse the Seller an amount satisfactory to compensate the Seller for any liability, obligation, claim, or adverse result arising from an event or circumstance to which the foregoing indemnities relate. In addition to any remedies that the Seller may otherwise be entitled to by law, if the Purchaser shall become obligated to indemnify the Seller pursuant to the terms hereof, the Seller shall, at its option and without prejudice to any right of be entitled to immediately setoff all or any part of the amount of such indemnity against any sums owing to the Purchaser under any agreement with Seller or any of its affiliates, to be entered into between Purchaser and Seller as referenced above. The proper, good faith, exercise of any such right of setoff, after adequate notice to the Purchaser and reasonable efforts to resolve any claim, by the Seller hereunder shall not constitute a default under the terms of any such agreement.

Article Twelve
Confidentiality

Purchaser acknowledges that, in the course of Purchaser's involvement with the Business and in the course of Purchaser's association with the Seller, Purchaser has received and learned and will receive and learn of trade secrets, lists of customers, and other confidential information which Seller desires and intends to protect. Purchaser acknowledges that, among other things, the management methods, operating techniques, procedures, and methods; customer lists; collection procedures; pricing structures; and financial reports, including results of operations of Seller, are confidential. Purchaser agrees not to reveal or divulge to anyone not affiliated with Purchaser any such confidential information or trade secrets so long as the confidential or secret nature of such information shall continue (which shall be continually presumed by Seller, unless given written directive otherwise by Purchaser), unless specifically required to do so by law or by court order. Purchaser further agrees not to use any such confidential information or trade secrets in competing with Seller at any time during or after the Effective Date. Notwithstanding the provisions in the foregoing, Purchaser and Seller shall each be permitted to comply with their respective reporting requirements to the Securities and Exchange Commission without any prior disclosure or consent from the other party.

Article Thirteen
Miscellaneous

Section 13.1. Good Faith Efforts. All parties hereto agree to make reasonable, good-faith efforts to carry out all of the terms of this Agreement, to satisfy the conditions to their respective obligations as set forth in Articles Eight and Nine hereof, and to effect the Closing as contemplated herein.

Section 13.2. Expenses. The Seller and the Purchaser shall each pay its own expenses (including, without limitation, attorneys' and accounting fees and expenses) incident to the preparation and carrying out of this Agreement and the consummation of the transactions contemplated herein.

Section 13.3. Notices. All notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been delivered (i) on the date personally delivered, (ii) three (3) days after the date same is mailed, first class, registered or certified mail, postage prepaid, or (iii) when delivered by an overnight delivery service (including United States Express Mail), with receipt acknowledged, and with all charges prepaid by the sender addressed as provided in this section.

Notices shall be directed as follows:

(1) If to the Seller, to:
Gibraltar Mausoleum Construction Company, Inc.
1929 Allen Parkway
Houston, Texas 77019
Attn: General Counsel

(2) If to the Purchaser, to:
Matthews International Corporation
1315 West Liberty Avenue
Pittsburgh, Pennsylvania 15226
Attn: David J. DeCarlo

or to such other address as shall be given by like method by any party to the other party hereto.

Section 13.4. Assignment. This Agreement may not be assigned by any party hereto without the consent of the other party hereto; provided, however, that the rights and/or obligations of the Seller as contained in this Agreement or any other agreement or instrument executed and delivered in connection with the consummation of the transaction contemplated hereby may be assigned by it in whole or in part to (i) any successor to Seller in any or all of the Assets or operations of the Business or (ii) any other corporation or entity which is wholly owned or controlled by SERVICE CORPORATION INTERNATIONAL, provided that in either case, Purchaser shall not thereby be relieved of its obligations hereunder.

Section 13.5. Successors Bound. Subject to the provisions of Section 13.4, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 13.6. Headings and Schedules. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All exhibits attached hereto, and all information set forth therein, are fully incorporated into the terms of this Agreement by this reference for all purposes as though fully set forth at length herein.

Section 13.7. Amendment. This Agreement may be amended only by an instrument in writing executed by the parties hereto.

Section 13.8. Entire Agreement. This Agreement and the schedules, certificates, and documents referred to herein constitute the entire agreement of the parties hereto and supersede all prior oral and written negotiations, understandings, and communications with respect to the subject matter hereof.
Section 13.9. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 13.10.Governing Law. This Agreement shall be construed and enforced under and in accordance with and governed by the law of Texas.

Section 13.11. Attorneys' Fees and Specific Performance. In the event of any controversy, claim, or dispute between or among any of the parties hereto arising out of or relating to this Agreement or any default or breach or alleged default or breach hereof, each party shall pay its own attorneys' fees and costs associated with any such action. If any party hereto shall be joined as a party in any judicial, administrative, or other legal proceeding arising from or incidental to any obligation, conduct, or action of another party hereto, the party so joined shall be entitled to be reimbursed by the other party for its reasonable attorneys' fees and costs associated therewith. The parties agree that damages for breach of the agreements and covenants contained herein will be inadequate and that each of the parties shall be entitled to specific performance, injunctive relief, or both.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the 16th day of September, 1998.

SELLER:	PURCHASER:
GIBRALTAR MAUSOLEUM CONSTRUCTION COMPANY, INC. A Delaware corporation	MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation
By: Curtis G. Briggs	By: D.J. DeCarlo
Name: Curtis G. Briggs	Name: D.J. DeCarlo
Title: Secretary	Title: President, Bronze Division

EXHIBIT 10.18

ASSET PURCHASE AGREEMENT
Gibraltar Mausoleum Construction Company, Inc.

THIS ASSET PURCHASE AGREEMENT is dated this 16th day of September, 1998, and is entered into between GIBRALTAR MAUSOLEUM CONSTRUCTION COMPANY, INC., a Delaware corporation, (the "Seller") and MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation, (the "Purchaser").

W I T N E S S E T H:

Whereas, on the date of this Agreement, the Seller is the owner and operator of a mausoleum construction business operated under the name of "Gibraltar Mausoleum Construction Co.", which business shall be referred to herein as the "Business"; and

Whereas, certain of the assets of the Business are to be sold by the Seller to the Purchaser pursuant to this Agreement and are identified in Section 1.1 below and the schedules attached hereto; and

Whereas, the parties to this Agreement also contemplate the execution and delivery of certain collateral agreements and documents described in this Agreement;

Now, Therefore, the Seller and the Purchaser agree as follows:

Article One
Sale and Purchase of Assets

The sale and purchase of those assets hereinafter described shall be accomplished as follows:

Section 1.1. Assets To Be Sold to Purchaser. For and in consideration of the payment of the consideration set forth in Section 1.2 below and the mutual covenants and agreements herein contained, and subject to the other terms and conditions hereof, the Seller agrees to SELL, CONVEY, AND DELIVER to the Purchaser, and the Purchaser agrees to PURCHASE AND ACCEPT from the Seller, the following described assets:

(a.) That inventory, fixtures, equipment, machinery, and other personal tangible property used in the operation of the Business and listed on Exhibit "A" attached hereto;

(b.) All of the contracts for work in process of the Business as set forth on the listing attached hereto as Exhibits "B" and "C", plus or minus any changes in that work in process which result from the ordinary course of the operation of the Business subsequent to the date of the listing and until the Effective Date, as hereinafter defined; and
(c.) The goodwill of the Seller related to the Business, together with all lists of present, future, or former customers; all mailing lists; all business books, files, and records beneficial and useful to Purchaser in continuing the Business; all transferrable licenses and permits of the Business, if any; all customer and sales brochures, pamphlets, advertising literature, catalogs, and related buying or sales material; and all other intangibles, rights, and privileges desirable or useful to Purchaser in continuing the Business in its present form and maintaining and retaining the existing customers and goodwill of the Business, including, without limitation, the right to use the trade name Gibraltar Mausoleum Construction Co. and any related trademark, but only in connection with its construction related activities; the right, but not the obligation, to assume any other contract rights of use not specified as to any equipment or service leased, rented, or utilized in the operation of the Business; all other contract rights useful or related to the Business and rights to make claims thereunder; and all purchasing and buying rights necessary or useful for the continued operation of the Business.

(d.) Accounts Receivable as of the Effective Date, except those relating to

Green Hills, Rancho Palos Verdes, California (Job No. 191-23), which amounts are set forth on Exhibit "D" attached hereto.

(e.) Rights pursuant to leases and agreements which are set forth on Exhibit "E" attached hereto.

It is specifically intended that there shall not be conveyed or sold as a part of the Business (i) any cash or cash equivalents on hand and/or held in accounts maintained by or in connection with the operation of the Business; and (ii) all of the Seller's minutes and other corporate records.

All of the assets to be sold to the Purchaser as described in this Section 1.1 shall be hereinafter collectively referred to as the "Assets."

Section 1.2. Payment of Consideration. The total purchase price for the Assets is $10,000,000.00, payable in the form of a cashier's check or wire transfer, plus the assumption of certain listed liabilities as described in Section 2.1 below and Purchaser's agreement to perform construction services for Seller under that Construction Services Agreement to be executed in conjunction herewith.

Section 1.3. Allocation of Purchase Price. The parties have agreed on the fair-market values of the various categories of Assets being sold pursuant to this Agreement, and those values are set out in Exhibit "F" attached hereto.

Article Two
Assumption of Certain Liabilities

Section 2.1. Liabilities Assumed. It is agreed that, as additional consideration for the conveyance of the Assets, the Purchaser shall assume all obligations to provide services and/or merchandise pursuant to the terms of the contracts listed on Exhibits "B" and "C" attached hereto for which work is in the process of completion, and Seller's obligations pursuant to leases and other contracts set forth on Exhibit "E". Purchaser's obligations shall specifically include the warranty of work it performs with respect to the contracts listed on Exhibits "B" and "C", consistent with Seller's customary construction warranty.

As to all debts, obligations, liabilities, and duties (whether fixed or contingent) of the Business which are not to be assumed by Purchaser as expressly set forth in this Section, Seller agrees that it will fully indemnify and hold Purchaser harmless from and against any loss, cost, or expense (including attorneys' fees) that Purchaser might suffer or incur in any way connected with or related to (a) any of such non-assumed obligations, liabilities, or duties, or (b) any obligations, liabilities, or duties arising solely from the operation of the Business by Seller before the Effective Date. Likewise, Purchaser agrees that it will fully indemnify and hold Seller harmless from and against any loss, cost, or expense (including attorney's fees) that it might suffer or incur in any way connected with or related to (a) any of such specifically assumed obligations, liabilities, or duties, or (b) any obligations, liabilities, or duties arising solely from operation of the Business by Purchaser after the Effective Date. It is not intended that the provisions of this Section benefit anyone that is not a party to this Agreement.

Section 2.2. Project Overruns. Upon completion of each of the projects set forth on Exhibit "B", in the event that a project is completed over estimated cost, Seller will remit to Purchaser the amount that said project exceeds the estimated cost, identified as the "1998 Revised Job Cost Estimate" on Exhibit "B". However, Seller's obligation shall be limited to an aggregate of $250,000.00 with respect to all of the projects set forth on Exhibit "B". Upon completion of a project listed on Exhibit "C", in the event that such a project is completed over estimated cost, Seller will remit to Purchaser the amount that said project exceeds the estimated cost identified as the "Job Cost Estimate B-4 Overhead 7/98" on Exhibit "C". Seller shall have the right to audit Purchaser's records and accounts prior to remitting any amount to Purchaser pursuant to this section.

Article Three
The Closing and Effective Date

Section 3.1. Closing and Effective Date. The sale and purchase of the Assets as provided in Article I hereof (the "Closing") shall occur at the offices of Seller, or at such other location as may be mutually agreed upon, on September 16, 1998. The date of the Closing is herein called the "Closing Date." At the Closing, the Seller shall execute and deliver to the Purchaser (a) a general warranty Bill of Sale conveying all of the Assets and (b) an Assignment and Assumption instrument by which certain continuing rights and obligations will be assigned to and assumed by Purchaser, against payment and delivery by the Purchaser of the total purchase price therefor as set forth in Section 1.2 hereof. In addition, the Seller shall execute and deliver to and in favor of the Purchaser such other instruments of transfer, conveyance, and assignment, in forms satisfactory to counsel for Purchaser, as shall be effective to vest good title to the Assets in Purchaser. The Seller agrees that whatever right, title, or interest it may have in or to the Assets shall be deemed fully and effectively conveyed to the Purchaser by and pursuant to the terms of the Bill of Sale and other such instruments to be executed and delivered. The Seller further agrees to take all steps as may be required to put Purchaser in actual possession and control of the Assets and to take such actions as may be necessary to allow Purchaser full and unfettered use of the trade name Gibraltar Mausoleum Construction Co., in connection with its construction related activities. All action to be taken at the Closing and all documents and instruments to be delivered in connection therewith, and all actions contemplated in Section 4.1 hereof and all documents and instruments to be delivered in connection therewith, shall be considered to have been taken or delivered simultaneously, and no such action, delivery, or payment shall be considered complete until all actions incident to the Closing, and all actions incident to the related transactions described in Section 4.1 hereof, have been completed.

It is recognized that the Seller is presently operating a mausoleum construction business as an ongoing operation, which Purchaser intends to continue operating subsequent to the Closing, and in connection therewith, the following additional agreements are made:

(a.) The "Effective Date" of the transfer of the Assets and business operations of the Business shall be as of 11:59 p.m. on September 30, 1998. Possession of all property and assets to be conveyed pursuant hereto shall be deemed delivered as of the Effective Date.

(b.) All personal property taxes and similar assessments relating to the Assets shall be prorated to the Effective Date. To the extent any party pays any expense relating to or benefitting a period of operation of the Business other than the applicable period of its ownership, it shall immediately, upon such payment and notice to the party properly owing the expense, be reimbursed therefor.

(c.) The parties agree to cooperate with each other so that during the twelve (12) month period after the closing there is an orderly transfer of the business operations of the Business, collection of all applicable income of each party, and payment of applicable expenses attributable to each party in accordance with the terms and conditions of this Agreement.

Article Four
Related Transactions

Section 4.1. Related Transactions. Also at the Closing, the Purchaser and Seller shall enter into a Construction Services Agreement wherein Purchaser will agree to perform certain construction services for Seller for a period of five (5) years after the Effective Date. Such Agreement shall be dated as of the Closing Date and shall contain such provisions and agreements as the parties thereto shall approve prior to the Closing.

Article Five
Representations and Warranties of the Seller

The Seller represents and warrants to and agrees with the Purchaser that:

Section 5.1. Organization and Existence of Seller. The Seller is a corporation duly organized, validly existing, and in good standing under the laws of Delaware, with all requisite corporate power to enter into and perform this Agreement.

Section 5.2. Title to Assets, Etc. The Seller is in the possession of and has good and indefeasible title to all of the Assets, free and clear of all liens, mortgages, security interests, encumbrances, and restrictions, including any conditional sale or other title retention agreements, except:

(a.) liens for any taxes not yet due and payable;

(b.) minor defects and irregularities that do not impair the use thereof for the purposes for which they are held.

Section 5.3. Furniture, Machinery and Equipment. All items of those fixtures, machinery, and equipment listed on Exhibit "A" attached hereto are in good operating condition, in a state of reasonable maintenance and repair, and free from any known defects.

Section 5.4. Contracts. Each contract or agreement, the liability for which is to be assumed by Purchaser pursuant to Section 2.1 above, if any, and/or which will otherwise accrue to the benefit of Purchaser as a result of the consummation of the transaction contemplated herein, is in full force and effect and neither Seller (nor to the best knowledge of Seller, any other party thereto) is in default to any degree with respect to its obligations thereunder. Except for those to be so assumed by the Purchaser or as otherwise expressly disclosed to the Purchaser in writing, there are no other contracts or agreements of any kind to which the Seller is a party in any way related to or arising from the operation of the Business or that affects the continued operation of the Business in its present form in any way.

Section 5.5. Brokers. The Seller is not a party to or in any way obligated under any broker's contract or other such agreement, and there are no outstanding claims against Seller for the payment of any broker's or finder's fee in connection with the origins, negotiation, execution, or performance of this Agreement.

Section 5.6. Authority of the Seller. The execution, delivery, and performance by the Seller of this Agreement and all other agreements ancillary hereto to which it will be a party have been duly and effectively authorized by the Board of Directors of the Seller and by the Executive Committee of the Board of Directors of Service Corporation International, and no further corporate action is necessary on the part of the Seller to make this Agreement and such other agreements valid and binding upon the Seller in accordance with their respective terms. The Closing of the transactions contemplated by this Agreement will not result in any breach of, violation of, or default under the Articles of Incorporation or Bylaws of Seller or any judgment, decree, mortgage, agreement, indenture, or other instrument applicable to Seller.

Section 5.7 Environmental Legal and Regulatory Compliance. To the best of Seller's knowledge, Seller has operated and is presently operating, in substantial compliance with all applicable federal, state and local statutes and regulations, including environmental statutes and regulations.

Article Six
Representations and Warranties of the Purchaser

The Purchaser represents and warrants to and agrees with the Seller that:

Section 6.1. Organization and Existence of Purchaser. The Purchaser is a corporation duly organized, validly existing, and in good standing under the laws of Pennsylvania, with all requisite corporate power to enter into and perform this Agreement.

Section 6.2. Brokers. The Purchaser is not a party to or in any way obligated under any broker's contract or other agreement, and there are no outstanding claims against Purchaser for the payment of any broker's or finder's fee in connection with the origin, negotiation, execution, or performance of this Agreement.

Section 6.3. Authority. The execution, delivery, and performance by the Purchaser of this Agreement and all other agreements ancillary hereto to which it will be a party have been duly and effectively authorized by the Board of Directors of the Purchaser, and no further corporate action is necessary on the part of the Purchaser to make this Agreement and such other agreements valid and binding upon the Purchaser in accordance with their respective terms. The closing of the transactions contemplated by this Agreement will not result in any breach of, violation of, or default under the articles of incorporation or bylaws of Purchaser or any judgment, decree, mortgage, agreement, indenture, or other instrument applicable to Purchaser.

Article Seven
Covenants of the Parties

The Seller covenants with the Purchaser that:
Section 7.1. Conduct of Business. Except as specifically contemplated in this Agreement, from the date of this Agreement to the Closing, the Business and all of its financial affairs will be conducted only in the ordinary course.

Section 7.2. Access to Information. The Seller will, prior to the Closing, give to the Purchaser, its counsel, accountants, engineers, and other representatives, full and free access to all properties, books, contracts, commitments, and records of the Business related to the Assets so that the Purchaser may have full opportunity to make such investigation and examination as it shall desire to make of the affairs and properties of the Business, provided that such investigation and examination shall not unreasonably interfere with the continued operations of the Business.

Section 7.3. Preservation of Goodwill. The Seller will use its best efforts to preserve the business organization of the Business, and, both prior and subsequent to the Closing, to preserve for the Purchaser the goodwill of all suppliers, customers, and others having or potentially having business relations with the Business.

Section 7.4. Further Assurances. From time to time at the request of the Purchaser and without further consideration, the Seller will execute and deliver those additional instruments of conveyance and transfer and take such other actions as the Purchaser may reasonably require to more effectively convey, assign, transfer, and deliver the Assets to the Purchaser and otherwise carry out the terms of this Agreement.

Section 7.5. Communications. Neither before nor after the Closing shall the Seller issue or present any statement or release to anyone, including any members of the press, regarding the transactions contemplated by this Agreement without the written approval of Purchaser.

Section 7.6. Collection of Receivables. Any post-Effective Date collections of the accounts receivable of the Business as of the Effective Date, which are herein expressly to be retained by Seller, shall be made by Purchaser in the ordinary course of the continued operation of the Business, and the amounts so collected for the benefit of the Seller shall be remitted by the Purchaser to the Seller on a periodic basis (at least monthly) after the Effective Date.

Article Eight
Conditions to Obligations of the Purchaser

The obligations of the Purchaser under this Agreement shall, at its option, be subject to the following conditions, any one or more of which may be waived, in whole or in part, in writing by the Purchaser:
Section 8.1. Seller's Representations and Warranties True at Closing. The Purchaser shall not have discovered any material error, misstatement, or omission in the representations and warranties made by the Seller in Article V hereof; the representations and warranties made by the Seller herein shall be deemed to have been made again at and as of the time of Closing and shall then be true in all material respects; and the Seller shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with at or before the Closing.

Section 8.2. Approval by Counsel. All actions, proceedings, instruments, and documents required to carry out the transactions contemplated by this Agreement or incidental thereto, and all other related legal matters, shall have been approved by legal counsel for the Purchaser, and such counsel shall have been furnished with those copies of actions and proceedings and all other instruments and documents that it has reasonably requested. There shall have been delivered to Purchaser's counsel (a) a copy of the Seller's charter, including all amendments thereto, certified by the Secretary of State or other appropriate official of the State of Delaware, (b) a copy of the Bylaws of the Seller, certified by the Secretary of Seller as being true and correct and in effect on the Closing Date, (c) a certificate from the Secretary of State or other appropriate official of the State of Delaware to the effect that the Seller is in good standing and subsisting in such jurisdiction, and (d) a certificate as to the tax good standing or other status of the Seller from the appropriate Delaware official dated no later than fifteen (15) days prior to the Closing Date.

Section 8.3. No Damage or Destruction. Prior to the Closing, there shall not have occurred any casualty to any inventory, fixture, equipment, or machinery used in the Business, as a result of which the monetary amount of damage or destruction aggregates at least $5,000.00. Additionally, there shall have been no changes in the properties or operations of the Business that would have a materially adverse effect on the value of the Business, its properties, and/or the Assets.

Section 8.4. Related Transactions. All related transactions contemplated by Section 4.1 of this Agreement shall have been consummated to Purchaser's satisfaction.

Section 8.5. Ownership of Assets. The Purchaser shall be satisfied that, after the consummation of the transactions contemplated by this Agreement, the Purchaser will have sole ownership of all of the Assets and that there shall exist no potential for any claim by any third person of an ownership interest in the Assets.

Article Nine
Conditions to Obligations of the Seller

The obligations of the Seller under this Agreement shall, at its option, be subject to the following conditions, any one or more of which may be waived, in whole or in part, in writing by the Seller:
Section 9.1. Purchaser's Representations and Warranties True at Closing. The Seller shall not have discovered any material error, misstatement, or omission in the representations and warranties made by the Purchaser in Article Six hereof; the representations and warranties made by the Purchaser herein shall be deemed to have been made again at and as of the time of Closing, and shall then be true in all material respects; and the Purchaser shall have performed and complied with all agreements and conditions required in this Agreement to be performed or complied with by it at or before the Closing.

Section 9.2. Approval by Counsel. All actions, proceedings, instruments, and documents required to carry out the transactions contemplated by this Agreement or incidental thereto, and all other related legal matters, shall have been approved by legal counsel for the Seller, and such counsel shall have been furnished with those copies of actions and proceedings and all other instruments and documents that it has reasonably requested.

Section 9.3. Related Transactions. All related transactions contemplated by Section 4.1 of this Agreement shall have been consummated to Seller's satisfaction.

Article Ten
Indemnification by the Seller

Section 10.1. Indemnification by Seller. The Seller shall and hereby agrees to indemnify and hold harmless the Purchaser, its successors, assigns, officers, and directors, from and against any loss, cost, damage, deficiency, liability, or expense (including reasonable attorneys' fees) caused by or arising out of:

(a.) any breach or default in the performance by the Seller of any covenant or agreement of the Seller contained in this Agreement;

(b.) any breach of warranty or inaccurate or erroneous representation made by the Seller herein or in any schedule hereto or in any certificate or other instrument delivered by or on behalf of the Seller pursuant hereto;

(c.) the failure of the Seller to fully pay and discharge as and when the same are due the obligations, liabilities, and/or duties relating to or arising from the Business not to be assumed by the Purchaser as described above;

(d.) any violation or claimed violation of any statute, rule, regulation, ordinance, order, or other law, which violation or claimed violation occurred prior to the Effective Date;

(e.) to any applicable extent, the non-compliance by the parties with the bulk sales laws of the State of Texas; and

(f.) any liability arising out of any or all actions, suits, settlements, proceedings, claims, demands, assessments, judgments, costs, and expenses (including reasonable attorneys' and accounting fees) incident to any of the
The Seller shall reimburse the Purchaser an amount satisfactory to compensate the Purchaser for any liability, obligation, claim, or adverse result arising from an event or circumstance to which the foregoing indemnities relate. In addition to any remedies that Purchaser may otherwise be entitled to by law, if the Seller shall become obligated to indemnify the Purchaser pursuant to the terms hereof, the Purchaser shall, at its option and without prejudice to any right of the Purchaser to proceed directly against the Seller, be entitled to immediately setoff all or any part of the amount of such indemnity against any sums owing to the Seller under any agreement with the Purchaser or any of its affiliates, to be entered into between the Seller and Purchaser as referenced above. The proper, good faith, exercise of any such right of setoff, after adequate notice to Seller and reasonable efforts to resolve any claim, by the Purchaser hereunder shall not constitute a default under the terms of any such agreement.

Article Eleven
Indemnification by Purchaser

Section 11.1. Indemnification by Purchaser. The Purchaser shall and hereby agrees to indemnify and hold harmless the Seller, its affiliates, successors, assigns, officers, and directors, from and against any loss, cost, damage, deficiency, liability, or expense (including reasonable attorneys' fees) caused by or arising out of:

(a.) any breach or default in the performance by the Purchaser of any covenant or agreement of the Purchaser contained in this Agreement;

(b.) any breach of warranty or inaccurate or erroneous representation made by Purchaser herein or in any schedule hereto or in any certificate or other instrument delivered by or on behalf of the Purchaser pursuant hereto;

(c.) the failure of the Purchaser to fully pay and discharge as and when same are due the obligations, liabilities, and/or duties relating to or arising from the Business which are expressly to be assumed by the Purchaser as described above;

(d.) any violation or claimed violation of any statute, rule, regulation, ordinance, order, or other law, which violation or claimed violation occurs after the Effective Date; and

(e.) any liability arising out of any or all actions, suits, settlements, proceedings, claims, demands, assessments, judgments, costs, and expenses (including reasonable attorneys' and accounting fees) incident to any of the foregoing.

The Purchaser shall reimburse the Seller an amount satisfactory to compensate the Seller for any liability, obligation, claim, or adverse result arising from an event or circumstance to which the foregoing indemnities relate. In addition to any remedies that the Seller may otherwise be entitled to by law, if the Purchaser shall become obligated to indemnify the Seller pursuant to the terms hereof, the Seller shall, at its option and without prejudice to any right of be entitled to immediately setoff all or any part of the amount of such indemnity against any sums owing to the Purchaser under any agreement with Seller or any of its affiliates, to be entered into between Purchaser and Seller as referenced above. The proper, good faith, exercise of any such right of setoff, after adequate notice to the Purchaser and reasonable efforts to resolve any claim, by the Seller hereunder shall not constitute a default under the terms of any such agreement.

Article Twelve
Confidentiality

Purchaser acknowledges that, in the course of Purchaser's involvement with the Business and in the course of Purchaser's association with the Seller, Purchaser has received and learned and will receive and learn of trade secrets, lists of customers, and other confidential information which Seller desires and intends to protect. Purchaser acknowledges that, among other things, the management methods, operating techniques, procedures, and methods; customer lists; collection procedures; pricing structures; and financial reports, including results of operations of Seller, are confidential. Purchaser agrees not to reveal or divulge to anyone not affiliated with Purchaser any such confidential information or trade secrets so long as the confidential or secret nature of such information shall continue (which shall be continually presumed by Seller, unless given written directive otherwise by Purchaser), unless specifically required to do so by law or by court order. Purchaser further agrees not to use any such confidential information or trade secrets in competing with Seller at any time during or after the Effective Date. Notwithstanding the provisions in the foregoing, Purchaser and Seller shall each be permitted to comply with their respective reporting requirements to the Securities and Exchange Commission without any prior disclosure or consent from the other party.

Article Thirteen
Miscellaneous

Section 13.1. Good Faith Efforts. All parties hereto agree to make reasonable, good-faith efforts to carry out all of the terms of this Agreement, to satisfy the conditions to their respective obligations as set forth in Articles Eight and Nine hereof, and to effect the Closing as contemplated herein.

Section 13.2. Expenses. The Seller and the Purchaser shall each pay its own expenses (including, without limitation, attorneys' and accounting fees and expenses) incident to the preparation and carrying out of this Agreement and the consummation of the transactions contemplated herein.

Section 13.3. Notices. All notices, requests, consents, and other communications hereunder shall be in writing and shall be deemed to have been delivered (i) on the date personally delivered, (ii) three (3) days after the date same is mailed, first class, registered or certified mail, postage prepaid, or (iii) when delivered by an overnight delivery service (including United States Express Mail), with receipt acknowledged, and with all charges prepaid by the sender addressed as provided in this section.

Notices shall be directed as follows:

(1) If to the Seller, to:
Gibraltar Mausoleum Construction Company, Inc.
1929 Allen Parkway
Houston, Texas 77019
Attn: General Counsel

(2) If to the Purchaser, to:
Matthews International Corporation
1315 West Liberty Avenue
Pittsburgh, Pennsylvania 15226
Attn: David J. DeCarlo

or to such other address as shall be given by like method by any party to the other party hereto.

Section 13.4. Assignment. This Agreement may not be assigned by any party hereto without the consent of the other party hereto; provided, however, that the rights and/or obligations of the Seller as contained in this Agreement or any other agreement or instrument executed and delivered in connection with the consummation of the transaction contemplated hereby may be assigned by it in whole or in part to (i) any successor to Seller in any or all of the Assets or operations of the Business or (ii) any other corporation or entity which is wholly owned or controlled by SERVICE CORPORATION INTERNATIONAL, provided that in either case, Purchaser shall not thereby be relieved of its obligations hereunder.

Section 13.5. Successors Bound. Subject to the provisions of Section 13.4, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Section 13.6. Headings and Schedules. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. All exhibits attached hereto, and all information set forth therein, are fully incorporated into the terms of this Agreement by this reference for all purposes as though fully set forth at length herein.

Section 13.7. Amendment. This Agreement may be amended only by an instrument in writing executed by the parties hereto.

Section 13.8. Entire Agreement. This Agreement and the schedules, certificates, and documents referred to herein constitute the entire agreement of the parties hereto and supersede all prior oral and written negotiations, understandings, and communications with respect to the subject matter hereof.
Section 13.9. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 13.10.Governing Law. This Agreement shall be construed and enforced under and in accordance with and governed by the law of Texas.

Section 13.11. Attorneys' Fees and Specific Performance. In the event of any controversy, claim, or dispute between or among any of the parties hereto arising out of or relating to this Agreement or any default or breach or alleged default or breach hereof, each party shall pay its own attorneys' fees and costs associated with any such action. If any party hereto shall be joined as a party in any judicial, administrative, or other legal proceeding arising from or incidental to any obligation, conduct, or action of another party hereto, the party so joined shall be entitled to be reimbursed by the other party for its reasonable attorneys' fees and costs associated therewith. The parties agree that damages for breach of the agreements and covenants contained herein will be inadequate and that each of the parties shall be entitled to specific performance, injunctive relief, or both.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the 16th day of September, 1998.

SELLER:	PURCHASER:
GIBRALTAR MAUSOLEUM CONSTRUCTION COMPANY, INC. A Delaware corporation	MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation
By: Curtis G. Briggs	By: D.J. DeCarlo
Name: Curtis G. Briggs	Name: D.J. DeCarlo
Title: Secretary	Title: President, Bronze Division

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 California, Inc.	100
Matthews International Colorado, Inc.	100
Matthews International GmbH	100
Matthews International Trading Company, Ltd.	100
Matthews Swedot AB	100
Carolina Repro-Graphic	100
Industrial Equipment and Engineering Company, Inc.	100
Venetian Investment Corporation	100
TKZ Holding Corporation	100
Tukaiz Communications, L.L.C.	50
Mattone Holding Corporation	100
O.N.E. Color Communications, L.L.C.	50

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 19, 1998, on our audits of the consolidated financial statements of Matthews International Corporation and subsidiaries as of September 30, 1998 and 1997, and for the years ended September 30, 1998, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Pittsburgh, Pennsylvania
December 18, 1998

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>

<S>	<C>
<PERIOD-TYPE>	YEAR
<FISCAL-YEAR-END>	SEP-30-1998
<PERIOD-END>	SEP-30-1998
<CASH>	$ 25,369,834
<SECURITIES>	229,903
<RECEIVABLES>	32,892,094
<ALLOWANCES>	0
<INVENTORY>	16,751,793
<CURRENT-ASSETS>	77,227,677
<PP&E>	78,876,967
<DEPRECIATION>	34,146,591
<TOTAL-ASSETS>	187,205,764
<CURRENT-LIABILITIES>	43,906,569
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	18,166,996
<OTHER-SE>	86,143,300
<TOTAL-LIABILITY-AND-EQUITY>	187,205,764
<SALES>	211,622,057
<TOTAL-REVENUES>	211,622,057
<CGS>	118,571,835
<TOTAL-COSTS>	118,571,835
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	466,304
<INCOME-PRETAX>	37,132,283
<INCOME-TAX>	14,630,591
<INCOME-CONTINUING>	22,501,692
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	22,501,692
<EPS-PRIMARY>	1.38
<EPS-DILUTED>	1.34

</TABLE>