

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended September 30, 2007

Commission File Number 0-09115

MATTHEWS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

COMMONWEALTH OF PENNSYLVANIA

(State or other jurisdiction of
incorporation or organization)

25-0644320

(I.R.S. Employer
Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA

(Address of principal executive offices)

15212-5851

(Zip Code)

Registrant's telephone number, including area code

(412) 442-8200

Securities registered pursuant to Section 12(b) 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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes

No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes

No

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.

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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the Class A Common Stock outstanding and held by non-affiliates of the registrant, based upon the closing sale price of the Class A Common Stock on the NASDAQ National Market System on March 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$1.3 billion.

As of October 31, 2007, shares of common stock outstanding were: Class A Common Stock 31,014,646 shares

Documents incorporated by reference: Specified portions of the Proxy Statement for the 2008 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report. The index to exhibits is on pages 70-72.

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", Item 1A, "Risk Factors" 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 Matthews International Corporation ("Matthews" or 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 changes in domestic or international economic conditions, changes in foreign currency exchange rates, changes in the cost of materials used in the manufacture of the Company's products, changes in death rates, changes in product demand or pricing as a result of consolidation in the industries in which the Company operates, changes in product demand or pricing as a result of domestic or international competitive pressures, unknown risks in connection with the Company's acquisitions, an unfavorable outcome in any litigation claims or assessments involving the Company and technological factors beyond the Company's control. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors.

ITEM 1. BUSINESS.

Matthews, founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products, and merchandising solutions. The Company's products and operations are comprised of six business segments: Bronze, Casket, Cremation, Graphics Imaging, Marking Products and Merchandising Solutions. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer in North America and produces a wide variety of wood and metal caskets. The Cremation segment is a leading designer and manufacturer of cremation equipment and cremation caskets primarily in North America. The Graphics Imaging segment manufactures and provides brand solutions, printing plates, pre-press services and imaging services for the primary packaging and corrugated industries. The Marking Products segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

At October 31, 2007, the Company and its majority-owned subsidiaries had approximately 4,100 employees. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212, its telephone number is (412) 442-8200 and its internet website is www.matw.com.

The following table sets forth reported sales and operating profit for the Company's business segments for the past three fiscal years. Detailed financial information relating to business segments and to domestic and international 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.

Years Ended September 30,

	2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent
(Dollars in Thousands)						
Sales to unaffiliated customers:						
<u>Memorialization:</u>						
Bronze	\$ 229,850	30.7%	\$ 218,004	30.4%	\$ 205,675	32.1%
Casket	210,673	28.1	200,950	28.1	135,512	21.2
Cremation	25,166	3.3	25,976	3.6	21,497	3.4
	<u>465,689</u>	<u>62.1</u>	<u>444,930</u>	<u>62.1</u>	<u>362,684</u>	<u>56.7</u>
<u>Brand Solutions:</u>						
Graphics Imaging	146,049	19.5	140,886	19.7	143,159	22.4
Marking Products	57,450	7.7	52,272	7.3	45,701	7.1
Merchandising Solutions	80,164	10.7	77,803	10.9	88,278	13.8
	<u>283,663</u>	<u>37.9</u>	<u>270,961</u>	<u>37.9</u>	<u>277,138</u>	<u>43.3</u>
Total	<u>\$ 749,352</u>	<u>100.0%</u>	<u>\$ 715,891</u>	<u>100.0%</u>	<u>\$ 639,822</u>	<u>100.0%</u>
Operating profit:						
<u>Memorialization:</u>						
Bronze	\$ 66,298	59.3%	\$ 65,049	57.1%	\$ 59,722	60.7%
Casket	11,801	10.6	16,971	14.9	12,645	12.8
Cremation	3,631	3.2	3,372	3.0	701	.7
	<u>81,730</u>	<u>73.1</u>	<u>85,392</u>	<u>75.0</u>	<u>73,068</u>	<u>74.2</u>
<u>Brand Solutions:</u>						
Graphics Imaging	14,439	12.9	16,554	14.5	14,861	15.1
Marking Products	9,931	8.9	9,066	8.0	7,373	7.5
Merchandising Solutions	5,724	5.1	2,872	2.5	3,111	3.2
	<u>30,094</u>	<u>26.9</u>	<u>28,492</u>	<u>25.0</u>	<u>25,345</u>	<u>25.8</u>
Total	<u>\$ 111,824</u>	<u>100.0%</u>	<u>\$ 113,884</u>	<u>100.0%</u>	<u>\$ 98,413</u>	<u>100.0%</u>

In fiscal 2007, approximately 75% of the Company's sales were made from the United States, and 21%, 2%, 1% and 1% were made from Europe, Canada, Australia and China, respectively. Bronze segment products are sold throughout the world with the segment's principal operations located in the United States, Italy, Canada, and Australia. Casket segment products are primarily sold in the United States and Canada. Cremation segment products and services are sold primarily in North America, as well as Asia, Australia, and Europe. Products and services of the Graphics Imaging segment are sold primarily in the United States and Europe. The Marking Products segment sells equipment and consumables directly to industrial consumers and distributors in the United States and internationally through the Company's subsidiaries in Canada, Sweden, China and through other foreign distributors. Matthews owns a minority interest in Marking Products distributors in Singapore, Australia, France, Germany and the Netherlands. Merchandising Solutions segment products and services are sold principally in the United States.

MEMORIALIZATION PRODUCTS AND MARKETS:

Bronze:

The Bronze segment manufactures and markets products used primarily in the cemetery and funeral home industries. The segment's products, which are sold principally in the United States, Europe, Canada and Australia, include cast bronze memorials and other memorialization products used primarily in cemeteries. The segment also manufactures and markets cast and etched architectural products, that are produced from bronze, aluminum and other metals, which are used to identify or commemorate people, places, events and accomplishments.

Memorial products, which comprise the majority of the Bronze segment's sales, include flush bronze memorials, flower vases, crypt plates and letters, cremation urns, niche units, cemetery features and statues, along with other related products and services. Flush bronze memorials are bronze plaques which contain personal information about a deceased individual such as name, birth date, death date and emblems. These memorials are used in cemeteries as an alternative to upright and flush granite monuments. The memorials are even or "flush" with the ground and therefore are preferred by many cemeteries for easier mowing and general maintenance. In order to provide products for the granite memorial and mausoleum markets, the Company's other memorial products include community and family mausoleums, granite monuments and benches, bronze plaques, letters, emblems, vases, lights and photoceramics that can be affixed to granite monuments, mausoleums, crypts and flush memorials. Matthews is a leading builder of mausoleums within North America. Principal customers for memorial products are cemeteries and memorial parks, which in turn sell the Company's products to the consumer.

Customers of the Bronze segment can also purchase memorials and vases on a "pre-need" basis. The "pre-need" concept permits families to arrange for these purchases in advance of their actual need. Upon request, the Company will manufacture the memorial to the customer's specifications (e.g., name and birth date) and place it in storage for future delivery. All memorials in storage have been paid in full with title conveyed to each pre-need purchaser.

The Bronze segment manufactures a full line of memorial products for cremation, including urns in a variety of sizes, styles and shapes. The segment also manufactures bronze and granite niche units, which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. In addition, the Company also markets turnkey cremation gardens, which include the design and all related products for a cremation memorial garden.

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, awards and recognition companies, and trophy dealers.

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

Competition from other bronze memorialization product manufacturers 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 believes that its superior quality, broad product lines, innovative designs, delivery capability, customer responsiveness, experienced personnel and consumer-oriented merchandising systems are competitive advantages in its markets. Competition in the

mausoleum construction industry includes various construction companies throughout North America and is on the basis of design, quality and price. Competitors in the architectural market are numerous and include companies that manufacture cast and painted signs, plastic materials, sand-blasted wood and other fabricated products.

Casket:

The Casket segment is a leading manufacturer of caskets in North America. The segment produces two types of caskets: metal and wood. Caskets can be customized with many different options such as color, interior design, handles and trim in order to accommodate specific religious, ethnic or other personal preferences.

Metal caskets are made from various gauges of cold rolled steel, stainless steel, copper and bronze. Metal caskets are generally categorized by whether the casket is non-gasketed or gasketed, and by material (i.e., bronze, copper, or steel) and in the case of steel, by the gauge, or thickness, of the metal.

The segment's wood caskets are manufactured from nine different species of wood, as well as from veneer. The species of wood used are poplar, pine, ash, oak, pecan, maple, cherry, walnut and mahogany. The Casket segment is a leading manufacturer of all-wood constructed caskets, which are manufactured using pegged and dowelled construction, and include no metal parts. All-wood constructed caskets are preferred by certain religious groups.

The segment also produces casket components. Casket components include stamped metal parts, metal locking mechanisms for gasketed metal caskets, adjustable beds, interior panels and plastic ornamental hardware for the exterior of the casket. Metal casket parts are produced by stamping cold rolled steel, stainless steel, copper and bronze sheets into casket body parts. Locking mechanisms and adjustable beds are produced by stamping and assembling a variety of steel parts. Certain ornamental hardware styles are produced from injection molded plastic. The segment purchases from sawmills and lumber distributors various species of uncured wood, which it dries and cures. The cured wood is processed into casket components.

Additionally, the segment provides assortment planning and merchandising and display products to funeral service businesses. These products assist funeral service professionals in providing value and satisfaction to their client families.

The primary materials required for casket manufacturing are cold rolled steel and lumber. The segment also purchases copper, bronze, stainless steel, cloth, ornamental hardware and coating materials. Purchase orders or supply agreements are typically negotiated with large, integrated steel producers that have demonstrated timely delivery, high quality material and competitive prices. Lumber is purchased from a number of sawmills and lumber distributors. The Company purchases most of its lumber from sawmills within 150 miles of its wood casket manufacturing facility in York, Pennsylvania.

Prior to July 2005, the segment marketed its casket products primarily through independent distributors. With the acquisition of Milso Industries Corporation in July 2005, the segment significantly expanded its internal casket distribution capabilities. The segment now markets its casket products in the United States through a combination of Company-owned and independent casket distribution facilities. The Company operates approximately 50 distribution centers in the United States. Over 70% of the segment's casket products are currently sold through Company-owned distribution centers.

The casket business is highly competitive. The segment competes with other manufacturers on the basis of product quality, price, service, design availability and breadth of product line. The segment provides a line of casket products that it believes is as comprehensive as any of its major competitors. There are a large number of casket industry participants operating in North America, and the industry has recently seen a few new foreign casket manufacturers, primarily from China, enter the North American market. The Casket segment and its two largest competitors account for a substantial portion of the finished caskets produced in North America.

Historically, the segment's operations have experienced seasonal variations. Generally, casket sales are higher in the second quarter and lower in the fourth quarter of each fiscal year. These fluctuations are due in part to the seasonal variance in the death rate, with a greater number of deaths generally occurring in cold weather months.

Cremation:

The Cremation segment has four major groups of products and services: cremation equipment, cremation caskets, equipment service and repair, and supplies and urns.

The Cremation segment is the leading designer and manufacturer of cremation equipment in North America. Cremation equipment includes systems for cremation of humans and animals, as well as equipment for processing the cremated remains and other related equipment such as handling equipment (tables, cooler racks, vacuums). Cremation equipment and products are sold primarily to funeral homes, cemeteries, crematories, animal disposers and veterinarians within North America, Asia, Australia and Europe.

Cremation casket products consist primarily of three types of caskets: cloth-covered wood, cloth-covered corrugated material and paper veneer-covered particleboard. These products are generally used in cremation and are marketed principally to funeral homes through independent distributors in the United States.

Service and repair consists of maintenance work performed on various makes and models of cremation equipment. This work can be as simple as routine maintenance or as complex as complete on-site reconstruction. The principal markets for these services are the owners and operators of cremation equipment. These services are marketed principally in North America through Company sales representatives.

Supplies and urns are consumable items associated with cremation operations. Supplies distributed by the segment include operator safety equipment, identification discs and combustible roller tubes. Urns distributed by the segment include products ranging from plastic containers to bronze urns for cremated remains. These products are marketed primarily in North America.

Raw materials used by the Cremation segment consist principally of structural steel, sheet metal, electrical components, cloth, wood, particleboard, corrugated materials, paper veneer and masonry materials and are generally available in adequate supply from numerous suppliers.

The Company competes with several manufacturers in the cremation equipment market principally on the basis of product quality and price. The Cremation segment and its three largest competitors account for a substantial portion of the U.S. cremation equipment market. The cremation casket business is highly competitive. The segment competes with other cremation casket manufacturers on the basis of product quality, price and design availability. Although there are a large number of casket industry participants, the Cremation segment and its two largest competitors account for a substantial portion of the cremation caskets sold in the United States.

Historically, the segment's cremation casket operations have experienced seasonal variations. These fluctuations are due in part to the seasonal variance in the death rate, with a greater number of deaths generally occurring in cold weather months.

BRAND SOLUTIONS PRODUCTS AND MARKETS:

Graphics Imaging:

The Graphics Imaging segment provides brand management, pre-press services, printing plates and creative design services to the primary packaging and corrugated industries. The primary packaging industry consists of manufacturers of printed packaging materials such as boxes, flexible packaging, folding cartons and bags commonly seen at retailers of consumer goods. The corrugated packaging industry consists of manufacturers of printed corrugated containers.

The principal products and services of this segment include brand management, pre-press graphics services, printing plates, print process assistance, print production management, digital asset management, content management, and package design. These products and services are used by brand owners and packaging manufacturers to develop and print packaging graphics that identify and help sell the product in the marketplace. Other packaging graphics can include nutritional information, directions for product use, consumer warning statements and UPC codes. The primary packaging manufacturer produces printed packaging from paper, film, foil and other composite materials used to display, protect and market the product. The corrugated packaging manufacturer produces printed containers from corrugated sheets. Using the Company's products, this sheet is printed and die cut to make a finished container.

The segment offers a wide array of value-added services and products. These include print process and print production management services; pre-press preparation, which includes computer-generated art, film and proofs; plate mounting accessories and various press aids; and rotary and flat cutting dies used to cut out intricately designed containers and point-of-purchase displays. The segment also provides creative digital graphics services to brand owners and packaging markets.

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 and sheet materials. 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 Graphics Imaging segment customer base consists primarily of brand owners and packaging industry converters. Brand owners are generally large, well-known consumer products companies and retailers with a national or global presence. These types of companies tend to purchase their graphics needs directly and supply the printing plates, or the electronic files to make the printing plates, to the packaging printer for their products. The Graphics Imaging segment serves customers primarily in the United States and Europe. In Europe, Matthews has subsidiaries principally in the U.K., Germany and Austria. Products and services of these operations include pre-press packaging, digital and analog flexographic printing plates, design, artwork, lithography and color separation.

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

The Graphics Imaging segment is one of several manufacturers of printing plates and providers of pre-press services with an international presence in the United States and Europe. The segment competes in a fragmented industry consisting of a few multi-plant regional printing plate suppliers and a large number of local single-facility companies located across the United States and Europe. The combination of the Company's Graphics Imaging business in the United States and Europe is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and service multinational customers on a global basis. Competition is on the basis of product quality, timeliness of delivery, price and value-added services. The Company differentiates itself from the competition by consistently meeting customer demands, its ability to service customers nationally and globally, and its ability to provide value-added services.

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of marking and coding products and related consumables, as well as industrial automation products. The Company's products are used by manufacturers and suppliers to identify, track and convey their products and packaging. Marking products can range from a simple hand stamp to microprocessor-based ink-jet printing systems. Coding systems often integrate into the customer's manufacturing, inventory tracking and conveyance control systems. The Company manufactures and markets products and systems that employ the following marking methods to meet customer needs: contact printing, indenting, etching and ink-jet printing. Customers will often use a combination of these methods in order to achieve an appropriate mark. These methods apply product information required for identification and traceability as well as to facilitate inventory and quality control, regulatory compliance and brand name communication.

The segment's industrial automation products are based upon embedded control architecture to create innovative custom solutions which can be "productized." Industries that products are created for include oil exploration, material handling and security scanning. The material handling industry customers include the largest automated assembly and mail sorting companies in the United States.

A significant portion of the revenue of the Marking Products segment is attributable to the sale of consumables and replacement parts in connection with the marking, coding and tracking hardware sold by the Company. The Company develops inks, rubber and steel consumables 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 inks, solvents and cleaners.

The principal customers for the Company's marking products are consumer goods manufacturers, including food and beverage processors, producers of pharmaceuticals, and manufacturers of durable goods and building products. The Company also serves a wide variety of industrial markets, including metal fabricators, manufacturers of woven and non-woven fabrics, plastic, rubber and automotive products.

A portion of the segment's sales are outside the United States and are distributed through the Company's subsidiaries in Canada, Sweden and China in addition to other international distributors. Matthews owns a minority interest in distributors in Singapore, Australia, France, Germany and the Netherlands.

The marking products industry is diverse, with companies either offering limited product lines for well-defined specialty markets, or similar to the Company, offering a broad product line and competing in various product markets and countries. In the United States, the Company has manufactured and sold marking products and related consumable items since 1850.

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

Competition for marking products is intense and based on product performance, integration into the manufacturing process, service and price. The Company normally competes with specialty companies in specific brand marking solutions and traceability applications. The Company believes that, in general, it offers the broadest line of marking products to address a wide variety of industrial marking applications.

Merchandising Solutions:

The Merchandising Solutions segment provides merchandising and printing solutions for manufacturers and retailers. The segment designs, manufactures and installs merchandising and display systems, and also provides creative merchandising and marketing solutions services.

The majority of the segment's sales are derived from the design, engineering, manufacturing and installation of merchandising and display systems. These systems include permanent and temporary displays, custom store fixtures, brand concept shops, interactive kiosks, custom packaging, and screen and digitally printed promotional signage. Design and engineering services include concept and model development, graphics design and prototyping. Merchandising and display systems are manufactured to specifications developed by the segment in conjunction with the customer. These products are marketed and sold primarily in the United States.

The segment operates in a fragmented industry consisting primarily of a number of small, locally operated companies. Industry competition is intense and the segment competes on the basis of reliability, creativity and providing a broad array of merchandising products and services. The segment is unique in its ability to provide in-depth marketing and merchandising services as well as design, engineering and manufacturing capabilities. These capabilities allow the segment to deliver complete turnkey merchandising solutions quickly and cost effectively.

Major raw materials for the segment's products include wood, particleboard, corrugated materials, structural steel, plastic, laminates, inks, film and graphic art supplies. All of these raw materials are presently available in adequate supply from various sources.

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 consolidated operations or revenues.

BACKLOG:

Because the nature of the Company's Bronze, Graphics Imaging and Merchandising Solutions businesses are primarily custom products made to order with short lead times, backlogs are not generally material except for mausoleums. Backlogs vary in a range of approximately one year of sales for mausoleums. Backlogs for the Casket segment and the cremation casket businesses are not material. Cremation equipment sales backlogs vary in a range of eight to ten months of sales. Backlogs generally vary in a range of up to four weeks of sales in the Marking Products segment.

REGULATORY MATTERS:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require the Company to obtain and operate in compliance with conditions of permits and other government authorizations. As such, the Company has developed environmental, health and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials.

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of the disposal of certain materials at various operating and non-operating sites. The Company is currently performing environmental assessments and remediation at these sites, as appropriate. In addition, prior to its acquisition, The York Group, Inc. was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a

ITEM 1. BUSINESS, continued

landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

At September 30, 2007, an accrual of approximately \$8.7 million had been recorded for environmental remediation (of which \$865,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

ITEM 1A. RISK FACTORS.

Risk factors specific to the Company relate primarily to the legal proceedings described more fully in Item 3 "Legal Proceedings" of this Form 10-K. Other general risk factors that could affect the Company's future results principally include changes in domestic or international economic conditions, changes in foreign currency exchange rates, changes in the cost of materials used in the manufacture of the Company's products, changes in death rates, changes in product demand or pricing as a result of consolidation in the industries in which the Company operates, changes in product demand or pricing as a result of domestic or international competitive pressures, unknown risks in connection with the Company's acquisitions, and technological factors beyond the Company's control. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors. These factors are also included in this Form 10-K under the caption "Cautionary Statement Regarding Forward-Looking Information."

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. PROPERTIES.

Principal properties of the Company and its majority-owned subsidiaries as of October 31, 2007 were as follows (properties are owned by the Company except as noted):

Location	Description of Property	Square Feet
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	97,000
Kingwood, WV	Manufacturing	121,000
Melbourne, Australia	Manufacturing	26,000(1)
Parma, Italy	Manufacturing / Warehouse	231,000(1)
Searcy, AR	Manufacturing	113,000
Seneca Falls, NY	Manufacturing	21,000
Casket (3):		
Monterrey, Mexico	Manufacturing	178,000(1)
Richmond, IN	Manufacturing	55,000(1)
Richmond, IN	Manufacturing / Metal Stamping	92,000
Richmond, IN	Injection Molding	18,000(1)
York, PA	Manufacturing	307,000
Cremation:		
Apopka, FL	Manufacturing / Division Offices	40,000
Richmond, IN	Manufacturing	129,000(1)
Graphics Imaging:		
Pittsburgh, PA	Manufacturing / Division Offices	56,000
Julich, Germany	Manufacturing / Division Offices	24,000
Atlanta, GA	Manufacturing	16,000
Beverly, MA	Manufacturing	14,500(1)
Dallas, TX	Manufacturing	15,000(1)
Denver, CO	Manufacturing	12,000(1)
Goslar, Germany	Manufacturing	39,000(1)
Kansas City, MO	Manufacturing	42,000(1)
Leeds, England	Manufacturing	64,000(1)
Munich, Germany	Manufacturing	10,000(1)
Nuremberg, Germany	Manufacturing	27,000(1)
Oakland, CA	Manufacturing	21,000(1)
St. Louis, MO	Manufacturing	25,000
Vienna, Austria	Manufacturing	38,000(1)
Marking Products:		
Pittsburgh, PA	Manufacturing / Division Offices	85,000
Gothenburg, Sweden	Manufacturing / Distribution	28,000(1)
Tualatin, OR	Manufacturing	15,000(1)
Beijing, China	Manufacturing	100,000(1)
Merchandising Solutions:		
East Butler, PA	Manufacturing / Division Offices	630,000(2)
Corporate Office:		
Pittsburgh, PA	General Offices	48,000

(1) These properties are leased by the Company under operating lease arrangements. Rent expense incurred by the Company for all leased facilities was approximately \$12.4 million in fiscal 2007.

(2) Approximately ten percent of this building is leased to unrelated parties.

(3) In addition to the properties listed, the Casket division leases warehouse facilities totaling approximately 789,000 square feet in 21 states under operating leases.

ITEM 2. PROPERTIES, continued

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.

In August 2005, The York Group, Inc. ("York"), a wholly-owned subsidiary of the Company, was served with Civil Investigative Demands ("CIDs") from the Attorneys General in Maryland and Florida. Thereafter, in October 2005, York was also served with a CID from the Attorney General in Connecticut. The pending CIDs are part of a multi-state investigation in which the Attorneys General from Maryland, Florida and Connecticut have requested information from various sources, including several national owners and operators of funeral homes, as well as several manufacturers of caskets, regarding alleged anti-competitive practices in the funeral service industry. As one of many potential sources of information, York has already timely responded to the document production request communicated through the CIDs. Presently, the investigation continues to remain in the preliminary stages and the scope of the investigation has been limited to evaluating the sale of caskets in the funeral service industry.

On May 30, 2007, York resolved the legal claim filed by Harry Pontone and Scott Pontone (the "Pontones") concerning their employment agreements. Under the resolution, York agreed to accelerate the timing of scheduled payments totaling \$8.0 million as originally contemplated at the time of the acquisition of Milso Industries and consistent with the earn-out provisions of the Pontones' employment agreements.

On July 20, 2007, York reached a settlement agreement with Yorktowne Caskets, Inc. ("Yorktowne") and its shareholders finally resolving all outstanding litigation between the parties. In exchange for the mutual releases, the principal terms of the settlement included the assignment by Yorktowne of certain customer and employment-related contracts to York Distribution Company ("YDC"), a wholly-owned subsidiary of York, and the purchase by YDC of certain assets, including York-product inventory, of Yorktowne. The purchase price for the assets was \$7.7 million, plus the value of the inventory. Notwithstanding the foregoing, York's lawsuit against the additional co-defendant, Batesville Casket Company, Inc. ("Batesville"), filed in the Court of Common Pleas of Allegheny County, Pennsylvania, remains pending.

On July 30, 2007, Batesville filed a complaint against York for damages and injunctive relief in the United States District Court for the Southern District of Ohio alleging, in part, that York's settlement with Yorktowne resulted in the commission of the tort of intentional interference of Batesville's supply agreement with Yorktowne dated April 15, 2007 (the "Complaint"). York has preliminarily filed a responsive pleading to the allegations pled by Batesville in the Complaint. The Company intends to vigorously defend against the allegations set forth in the pending Complaint and does not presently believe that the ultimate resolution of this matter will have a material adverse impact on the Company's financial position, results of operations or cash flows.

On September 12, 2007, York reached a settlement agreement with Horizon Casket Group, Inc. ("Horizon"), Delta Casket Enterprises, Inc., Delta Casket Company, Inc., Delta-Southern Casket Company, William W. Grubbs, Jr. and Gerald Kilpatrick (collectively the "Delta Defendants") addressing litigation previously pending in the United States District Court for the Southern District of Texas, Houston Division. In exchange for mutual releases, Horizon and the Delta Defendants agreed to pay York the lump sum payment of \$3.5 million. In connection with the same claims, York reached a settlement agreement with York Southern, Inc. and affiliates earlier in fiscal 2007.

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 2007.

OFFICERS AND EXECUTIVE MANAGEMENT OF THE REGISTRANT

The following information is furnished with respect to officers and executive management as of October 31, 2007:

<u>Name</u>	<u>Age</u>	<u>Positions with Registrant</u>
Joseph C. Bartolacci	47	President and Chief Executive Officer
David F. Beck	55	Controller
David J. DeCarlo	62	Vice Chairman
C. Michael Dempe	51	Chief Operating Officer, Cloverleaf Group, Inc.
James P. Doyle	56	Group President, Memorialization
Brian J. Dunn	50	Group President, Graphics and Marking Products
Steven F. Nicola	47	Chief Financial Officer, Secretary and Treasurer
Timothy S. O'Brien	43	President, Bronze Division
Paul F. Rahill	50	President, Cremation Division
Franz J. Schwarz	59	President, Graphics Europe

Joseph C. Bartolacci was appointed President and Chief Executive Officer effective October 1, 2006. He had been President and Chief Operating Officer since September 1, 2005. Mr. Bartolacci was elected to the Board of Directors on November 15, 2005. He had been President, Casket Division since February 2004 and Executive Vice President of Matthews since January 1, 2004. He had been President, Matthews Europe since April 2002. Prior thereto, he was President, Caggiati, S.p.A. (a wholly-owned subsidiary of Matthews International Corporation) and served as General Counsel of Matthews.

David F. Beck was appointed Controller effective September 15, 2003. Prior thereto, he was Vice President, Finance for the Company's Casket segment.

David J. DeCarlo, a Director of the Company since 1987, was appointed Vice Chairman effective September 1, 2005. Mr. DeCarlo had been Group President, Bronze and Casket Divisions since February 2004 and prior thereto had been President, Bronze Division.

C. Michael Dempe joined the Company as Chief Operating Officer of Cloverleaf Group, Inc. ("Cloverleaf"), a wholly-owned subsidiary of Matthews International Corporation, in July 2004. Cloverleaf was acquired by Matthews in July 2004. Prior thereto, he was President and Chief Operating Officer of iDL, Inc., a predecessor company to Cloverleaf.

James P. Doyle joined the Company as Group President, Memorialization in December 2006. Prior to joining Matthews, he served as President, Kohler Engine Business, (a manufacturer of air and liquid-cooled four cycle engines), a division of Kohler Company, from 2004 to 2006. From 2000 to 2004, Mr. Doyle served as President of Fasco Industries, Inc., a division of Invensys PLC, which manufactured custom blowers, motors and gear-motors for global markets.

OFFICERS AND EXECUTIVE MANAGEMENT OF THE REGISTRANT, continued

Brian J. Dunn was appointed Group President, Graphics and Marking Products effective September 1, 2007. Prior thereto, Mr. Dunn had been President, Marking Products Division.

Steven F. Nicola was appointed Chief Financial Officer, Secretary and Treasurer effective December 1, 2003. Prior thereto, he was Vice President, Accounting and Finance.

Timothy S. O'Brien joined the Company in October 2007 as President, Bronze Division. Prior to joining the Company, Mr. O'Brien served in senior management positions in the Cooper Lighting Division of Cooper Industries, a public company that produces and markets electrical products, tools, hardware and metal support products, since 2002.

Paul F. Rahill was appointed President, Cremation Division in October 2002.

Franz J. Schwarz was named President, Graphics Europe in May 2006. He has been Managing Director of Matthews International GmbH (a wholly-owned subsidiary of Matthews International Corporation) since 2000. He was a partial owner of S+T Gesellschaft für Reprotechnik GmbH ("S+T GmbH"), a provider of printing plates and print services located in Jülich, Germany, until September 30, 2005. Matthews International GmbH owns an 80% interest in S+T GmbH as of September 30, 2007.

PART II

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

Market Information:

The authorized common stock of the Company consists of 70,000,000 shares of Class A Common Stock, \$1 par value. The Company's Class A Common Stock is traded on the NASDAQ National Market System under the symbol "MATW". The following table sets forth the high, low and closing prices as reported by NASDAQ for the periods indicated:

		<u>High</u>		<u>Low</u>		<u>Close</u>	
Fiscal 2007:							
Quarter ended:	September 30, 2007	\$	48.22	\$	36.76	\$	43.80
	June 30, 2007		44.97		37.61		43.61
	March 31, 2007		42.35		38.13		40.70
	December 31, 2006		41.75		35.13		39.35
Fiscal 2006:							
Quarter ended:	September 30, 2006	\$	38.25	\$	31.02	\$	36.79
	June 30, 2006		38.32		33.21		34.47
	March 31, 2006		39.98		35.03		38.26
	December 31, 2005		40.49		34.25		36.41

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors has authorized the repurchase of a total of 12,500,000 shares of Matthews' common stock, of which 10,501,443 shares have been repurchased as of September 30, 2007. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its 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 Company's Restated Articles of Incorporation.

All purchases of the Company's common stock during fiscal 2007 were part of this repurchase program.

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

The following table shows the monthly fiscal 2007 stock repurchase activity:

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of a publicly announced plan	Maximum number of shares that may yet be purchased under the plan (1)
October 2006	-	\$ -	-	864,854
November 2006	60,000	38.00	60,000	804,854
December 2006	-	-	-	804,854
January 2007	11,500	39.64	11,500	793,354
February 2007	8,300	40.30	8,300	785,054
March 2007	271,900	39.54	271,900	513,154
April 2007	130,000	41.95	130,000	2,883,154
May 2007	335,604	43.22	335,604	2,547,550
June 2007	96,747	43.28	96,747	2,450,803
July 2007	210,000	39.28	210,000	2,240,803
August 2007	205,196	40.91	205,196	2,035,607
September 2007	37,050	42.09	37,050	1,998,557
Total	<u>1,366,297</u>	<u>\$ 41.11</u>	<u>1,366,297</u>	

(1) In April 2007, the Company's Board of Directors authorized the purchase of an additional 2,500,000 shares of Matthews common stock, bringing the total authorization for stock repurchases to 12,500,000 shares.

Holders:

Based on records available to the Company, the number of registered holders of the Company's common stock was 500 at October 31, 2007.

Dividends:

A quarterly dividend of \$.06 per share was paid for the fourth quarter of fiscal 2007 to shareholders of record on October 31, 2007. The Company paid quarterly dividends of \$.055 per share for the first three quarters of fiscal 2007 and the fourth quarter of fiscal 2006. The Company paid quarterly dividends of \$.05 per share for the first three quarters of fiscal 2006 and the fourth quarter of fiscal 2005. The Company paid quarterly dividends of \$.045 per share for the first three quarters of fiscal 2005.

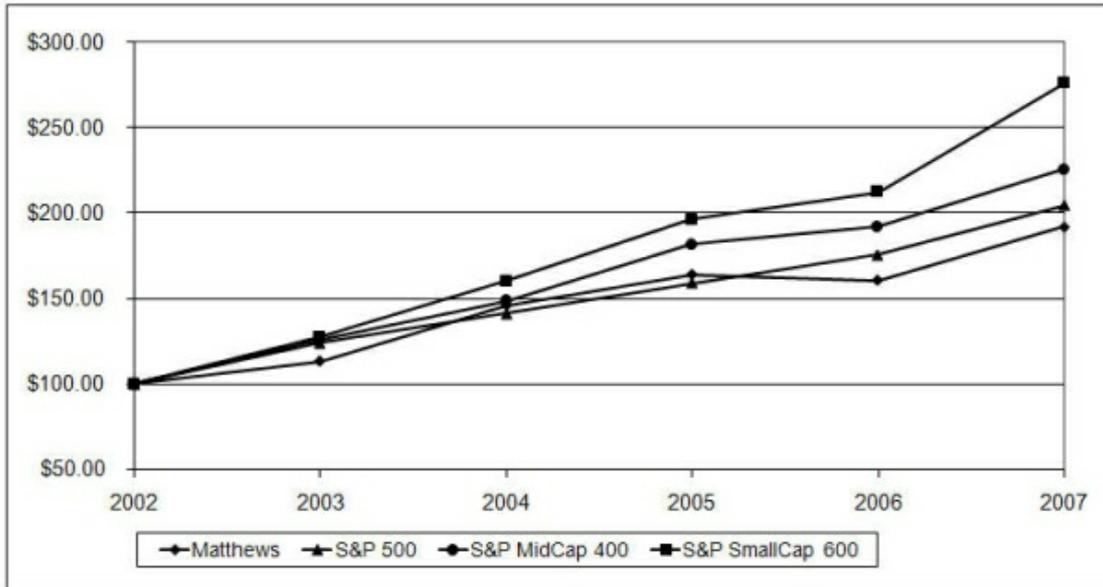
Cash dividends have been paid on common shares in every year for at least the past forty years. It is the present intention of the Company to continue to pay quarterly cash dividends on its common stock. However, there is no assurance that dividends will be declared and paid as the declaration and payment 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.

Performance Graph:

During fiscal 2007, the Company's common stock was added to the Standard & Poor's ("S&P") MidCap 400 Index. Accordingly, the performance graph includes the S&P MidCap 400 Index as well as the S&P 500 Index and S&P SmallCap 600 Index included in the prior year performance graph

**COMPARISON OF FIVE-YEAR CUMULATIVE RETURN *
AMONG MATTHEWS INTERNATIONAL CORPORATION,
S&P 500 INDEX, S&P MIDCAP 400 INDEX AND S&P SMALLCAP 600 INDEX ****

COMPARISON OF FIVE-YEAR CUMULATIVE RETURN *



* Total return assumes dividend reinvestment
 ** Fiscal year ended September 30

Note: Performance graph assumes \$100 invested on October 1, 2002 in Matthews International Corporation Common Stock, Standard & Poor's (S&P) 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index. The results are not necessarily indicative of future performance.

ITEM 6. SELECTED FINANCIAL DATA.

	Years Ended September 30,				
	2007(1)	2006 (2)	2005	2004	2003 (3)
	(Amounts in thousands, except per share data)				
	(Not Covered by Report of Independent Registered Public Accounting Firm)				
Net sales	\$ 749,352	\$ 715,891	\$ 639,822	\$ 508,801	\$ 458,865
Gross profit	280,457	271,933	223,075	193,754	170,302
Operating profit	111,824	113,884	98,413	95,078	77,816
Interest expense	8,119	6,995	2,966	1,998	2,852
Income before income taxes	103,716	105,408	93,056	89,117	71,086
Income taxes	<u>38,990</u>	<u>38,964</u>	<u>34,985</u>	<u>34,584</u>	<u>27,582</u>
Net income	<u>\$ 64,726</u>	<u>\$ 66,444</u>	<u>\$ 58,071</u>	<u>\$ 54,533</u>	<u>\$ 43,504</u>
Earnings per common share:					
Diluted	\$2.04	\$2.06	\$1.79	\$1.68	\$1.35
Basic	2.05	2.08	1.81	1.69	1.37
Weighted-average common shares outstanding:					
Basic	31,566	31,999	32,116	32,217	31,686
Diluted	31,680	32,252	32,381	32,542	32,147
Cash dividends per share	\$.225	\$.205	\$.185	\$.165	\$.123
Total assets	\$ 771,069	\$ 716,090	\$ 665,455	\$ 533,432	\$ 443,294
Long-term debt, non-current	142,273	120,289	118,952	54,389	57,023

- (1) Fiscal 2007 included a net pre-tax charge of approximately \$8,765 which consisted of a pre-tax charge of approximately \$9,373 related to the acceleration of earn-out payments in the resolution of employment agreements from the Milso Industries acquisition and pre-tax charges of \$3,515 primarily related to severance costs incurred in several of the Company's segments, partially offset by a pre-tax gain of \$1,322 on the sale of the merchandising consulting business in the Merchandising Solutions segment and favorable legal settlements, net of related legal costs incurred, of approximately \$2,801.
- (2) Fiscal 2006 included a net pre-tax gain of \$1,016 which consisted of a pre-tax gain of \$2,670 from the sale of a facility and a pre-tax charge of approximately \$1,654 related to asset impairments and related costs.
- (3) Fiscal 2003 included a net pre-tax charge of approximately \$1,000 which consisted of a pre-tax gain of \$2,600 on the sale of a facility and a goodwill impairment charge of \$3,600.

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 Matthews International Corporation and related notes thereto. In addition, 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	
	2007	2006	2005	2007- 2006	2006- 2005
Sales	100.0%	100.0%	100.0%	4.7%	11.9%
Gross profit	37.4	38.0	34.9	3.1	21.9
Operating profit	14.9	15.9	15.4	(1.8)	15.7
Income before taxes	13.8	14.7	14.5	(1.6)	13.3
Net income	8.6	9.3	9.1	(2.6)	14.4

Comparison of Fiscal 2007 and Fiscal 2006:

Sales for the year ended September 30, 2007 were \$749.4 million, compared to \$715.9 million for the year ended September 30, 2006. The increase reflected higher sales in five of the Company's six segments, and included the effect of higher foreign currency values against the U.S. dollar. For the year ended September 30, 2007, changes in foreign currency values against the U.S. dollar had a favorable impact of approximately \$13.6 million on the Company's consolidated sales compared to the year ended September 30, 2006.

In the Memorialization businesses, Bronze segment sales for fiscal 2007 were \$229.8 million compared to \$218.0 million for fiscal 2006. The increase primarily reflected higher selling prices and increases in the value of foreign currencies against the U.S. dollar. The higher selling prices were generally related to increases in the cost of bronze ingot. Sales for the Casket segment were \$210.7 million for fiscal 2007 compared to \$201.0 million for the same period in fiscal 2006. The increase mainly resulted from the segment's transition to Company-owned distribution in certain territories. Unit sales through Company-owned distribution are at higher price levels than sales to independent distributors. Sales for the Cremation segment were \$25.2 million for fiscal 2007 compared to \$26.0 million a year ago. The decrease primarily reflected lower sales volume of cremation equipment units, which was partially due to the timing of delivery of several units at the end of fiscal 2007. In the Company's Brand Solutions businesses, sales for the Graphics Imaging segment in fiscal 2007 were \$146.0 million, compared to \$140.9 million a year ago. The increase was mainly due to an increase in the value of foreign currencies against the U.S. dollar and higher sales in the German markets, partially offset by lower sales in the U.S. and U.K. markets. Marking Products segment sales for the year ended September 30, 2007 were \$57.5 million, compared to \$52.3 million for fiscal 2006. The increase primarily reflected higher domestic and international sales volume, the acquisition of an interest in a Chinese ink-jet equipment manufacturer in June 2007 and an increase in the value of foreign currencies against the U.S. dollar. Sales for the Merchandising Solutions segment were \$80.2 million for fiscal 2007, compared to \$77.8 million a year ago. The increase is attributable to a significant project completed in the second quarter for one of the segment's customers. Excluding this project, sales declined from a year ago, reflecting lower demand.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

Gross profit for the year ended September 30, 2007 was \$280.5 million, compared to \$271.9 million for the year ended September 30, 2006. The increase in consolidated gross profit primarily reflected the impact of higher sales, higher foreign currency values against the U.S. dollar, productivity improvements in the Casket segment's manufacturing facility in Mexico, and other manufacturing and cost reduction initiatives. These gains were partially offset by the impact of lower sales in the U.K. graphics market, the higher cost of bronze ingot in fiscal 2007 compared to fiscal 2006 and the impact of special charges incurred by several of the Company's segments. Consolidated gross profit as a percent of sales decreased from 38.0% for fiscal 2006 to 37.4% for fiscal 2007, principally resulting from the factors noted above.

Selling and administrative expenses for the year ended September 30, 2007 were \$168.6 million, compared to \$158.0 million for fiscal 2006. Consolidated selling and administrative expenses as a percent of sales were 22.5% for the year ended September 30, 2007, compared to 22.1% last year. The increases in costs and percentage of sales primarily resulted from the expansion of the Casket segment's distribution capabilities and special charges incurred in several of the Company's segments, the most significant of which was a Casket segment charge related to the acceleration of earn-out payments in the resolution of employment agreements from the fiscal 2005 acquisition of Milso Industries ("Milso"). These increases were partially offset by settlements of several Casket segment legal claims during fiscal 2007.

Operating profit for fiscal 2007 was \$111.8 million, compared to \$113.9 million for fiscal 2006. Fiscal 2007 operating profit included unusual items which had a net unfavorable impact of \$8.8 million. The most significant portion of these charges (approximately \$9.4 million) related to the acceleration of earn-out payments in the resolution of employment agreements from the Milso acquisition. Fiscal 2006 operating profit included unusual items which had a net favorable impact of \$1.0 million.

Operating profit reflected the positive impact of higher sales, increases in the values of foreign currencies against the U.S. dollar, and productivity improvements and cost reduction initiatives in several of the Company's segments. Bronze segment operating profit for fiscal 2007 was \$66.3 million, compared to \$65.0 million for fiscal 2006. The increase reflected the impact of higher sales and an increase in the value of foreign currencies against the U.S. dollar, partially offset by the higher cost of bronze ingot in fiscal 2007. Operating profit for the Casket segment for fiscal 2007 was \$11.8 million, compared to \$17.0 million for fiscal 2006. Casket segment operating profit reflected special charges of approximately \$10.0 million, including costs related to the resolution of employment agreements from the Milso acquisition and severance costs related to cost reduction initiatives in certain operations. These charges were partially offset by favorable litigation settlements (\$2.8 million net of legal costs incurred) in the fiscal 2007 fourth quarter. In addition, the segment's results reflected additional selling and administrative costs related to the expansion of the segment's distribution capabilities in certain territories. Cremation segment operating profit for the year ended September 30, 2007 was \$3.6 million, compared to \$3.4 million a year ago. The increase was mainly attributable to the impact of improved price realization and cost reduction initiatives. The Graphics Imaging segment operating profit for fiscal 2007 was \$14.4 million, compared to \$16.6 million for 2006. The decrease primarily reflected the impact of lower sales in the U.K. market and special charges (mainly severance costs) of approximately \$2.2 million related to cost reduction initiatives in the segment's U.S. and U.K. operations, partially offset by higher sales in the German markets and an increase in foreign currency values against the U.S. dollar. Operating profit for the Marking Products segment for fiscal 2007 was \$9.9 million, compared to \$9.1 million a year ago. The increase resulted principally from higher sales and the acquisition made in June 2007, partially offset by higher overhead costs during fiscal 2007. The Merchandising Solutions segment operating profit was \$5.7 million for fiscal 2007, compared to \$2.9 million for fiscal 2006. The increase primarily reflected the impact of higher sales attributable to a significant project completed in the second quarter for one of the segment's customers, a net gain of \$1.3 million recognized on the sale of the segment's merchandising consulting business in the fourth quarter of fiscal 2007 and the favorable effects of the segment's facilities consolidation program. Excluding the gain on the

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, continued

sale of the consulting business, the Merchandising Solutions segment reported an operating loss during the fourth quarter of fiscal 2007, compared to an operating profit of \$1.3 million for fiscal 2006. The decline principally reflected lower sales during the fiscal 2007 fourth quarter compared to the same period a year ago. For the year ended September 30, 2007, changes in foreign currency values against the U.S. dollar had a favorable impact of approximately \$2.4 million on the Company's consolidated operating profit compared to the year ended September 30, 2006.

Investment income for the year ended September 30, 2007 was \$2.4 million, compared to \$1.4 million for the year ended September 30, 2006. The increase reflected higher average levels of invested funds and higher rates of return. Interest expense for fiscal 2007 was \$8.1 million, compared to \$7.0 million last year. The increase in interest expense primarily reflected a higher average level of debt and higher average interest rates during fiscal 2007 compared to fiscal 2006.

Other income, net, for year ended September 30, 2007 was \$354,000, compared to other income of \$70,000 last year. Minority interest deduction was \$2.7 million for fiscal 2007, compared to \$3.0 million in fiscal 2006. The reduction reflected the Company's purchase of the remaining ownership interest in one of its less than wholly-owned German subsidiaries in September 2006.

The Company's effective tax rate for fiscal 2007 was 37.6%, compared to 37.0% for fiscal 2006. The fiscal 2006 effective tax rate reflected the favorable tax impact from the sale of property in the fourth quarter. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected the impact of state and foreign income taxes.

Comparison of Fiscal 2006 and Fiscal 2005:

Sales for the year ended September 30, 2006 were \$715.9 million and were \$76.1 million, or 11.9%, higher than sales of \$639.8 million for the year ended September 30, 2005. The increase resulted principally from the acquisition of Milso in July 2005, and higher sales in the Cremation, Marking Products and Bronze segments. These increases were partially offset by the effect of lower sales in the Merchandising Solutions segment and lower foreign currency values against the U.S. dollar. Bronze segment sales for fiscal 2006 were \$218.0 million, compared to \$205.7 million for fiscal 2005. The higher level of Bronze segment sales principally reflected an increase in memorial sales (which included price surcharges related to increases in the cost of bronze ingot) and higher mausoleum sales. Sales for the Casket segment were \$201.0 million for fiscal 2006, compared to \$135.5 million for fiscal 2005. The increase reflected the acquisition of Milso. Excluding Milso, fiscal 2006 sales volume was lower than fiscal 2005, partially attributable to the transition to Company-owned distribution in certain territories and a lower death rate for the year. Sales for the Cremation segment were \$26.0 million for the year ended September 30, 2006, compared to \$21.5 million for fiscal 2005. The increase primarily reflected higher sales of cremation equipment and cremation caskets. Sales for the Graphics Imaging segment in fiscal 2006 were \$140.9 million, compared to \$143.2 million in fiscal 2005. The decrease primarily reflected a lower value of the Euro against the U.S. dollar and a decline in volume in certain German markets. Marking Products segment sales for the year ended September 30, 2006 were \$52.3 million, compared to \$45.7 million for the year ended September 30, 2005. The increase of \$6.6 million was principally due to higher worldwide ink-jet coating business and domestic sales volume, particularly in the segment's industrial automation business. Sales for the Merchandising Solutions segment were \$77.8 million for fiscal 2006, compared to \$88.3 million for fiscal 2005. The decline was attributable to lower sales of merchandising systems and displays. Additionally, fiscal 2005 included sales for several promotional programs that did not repeat in fiscal 2006. Lower foreign currency values against the U.S. dollar had an unfavorable impact of approximately \$2.6 million on the Company's consolidated sales compared to the prior year.

Gross profit for the year ended September 30, 2006 was \$271.9 million, compared to \$223.1 million for the year ended September 30, 2005. The increase in consolidated gross profit primarily reflected the Milso acquisition, higher sales in the Cremation, Marking Products and Bronze segments and the effects of manufacturing improvements and cost reduction initiatives. These gains were partially offset by lower Casket segment sales excluding Milso and lower sales in the Merchandising Solutions segment. Consolidated gross profit as a percent of sales increased from 34.9% for fiscal 2005 to 38.0% for fiscal 2006. The gross margin percentage improvement principally related to the acquisition of Milso and the transition to Company-owned casket distribution in certain territories formerly served through independent distribution. Sales through Company-owned distribution generally result in higher gross margin and selling and administrative costs as a percent of sales compared to sales through independent distribution. Gross margin percentages also improved in the Cremation, Graphics Imaging, Marking Products and Merchandising Solutions segments. These increases were partially offset by a decline in Bronze segment gross margin, reflecting the significant rise in bronze ingot cost.

Selling and administrative expenses for the year ended September 30, 2006 were \$158.0 million, compared to \$124.7 million for fiscal 2005. The increase primarily reflected the acquisition of Milso, the expansion of the Casket segment's distribution capabilities and a charge of \$1.7 million in the Casket segment for the impairment of redundant assets and related costs. These increases were partially offset by a decrease in Bronze segment selling and administrative costs due to cost containment efforts intended to mitigate some of the increase in bronze metal cost, a reduction in Merchandising Solutions segment costs reflecting the effects of the segment's facilities consolidation program and a gain of \$2.7 million on the sale of a Bronze segment facility. Consolidated selling and administrative expenses as a percent of sales were 22.1% for the year ended September 30, 2006, compared to 19.5% for fiscal 2005. The increase reflected the acquisition of Milso, the expansion of the Casket segment's casket distribution capabilities and the impairment charge, partially offset by the gain on the sale of a Bronze facility.

Operating profit for fiscal 2006 was \$113.9 million, representing an increase of \$15.5 million over operating profit of \$98.4 million for the year ended September 30, 2005. Bronze segment operating profit for fiscal 2006 was \$65.0 million, compared to \$59.7 million for the year ended September 30, 2005. The increase reflected higher sales and cost reduction initiatives. In addition, the segment's fiscal 2006 operating profit included a gain of \$2.7 million on the sale of a facility. Operating profit for the Casket segment for the year ended September 30, 2006 was \$17.0 million, compared to \$12.6 million for fiscal 2005. The increase primarily reflected the Milso acquisition, partially offset primarily by lower sales in several territories, and a fourth quarter 2006 charge of \$1.7 million for the impairment of redundant assets and related costs. Cremation segment operating profit was \$3.4 million for fiscal 2006, compared to \$701,000 for fiscal 2005. The increase primarily reflected higher sales of cremation equipment and caskets, improved pricing and cost reduction initiatives. Graphics Imaging operating profit for the year ended September 30, 2006 was \$16.6 million, compared to \$14.9 million for the year ended September 30, 2005. The increase primarily reflected the effects of cost structure initiatives implemented in the segment's U.S. and U.K. operations in the fourth quarter of fiscal 2005, partially offset by lower foreign currency values against the U.S. dollar. Operating profit for the Marking Products segment for fiscal 2006 was \$9.1 million, compared to \$7.4 million for fiscal 2005. The increase resulted from the benefit of higher sales. Merchandising Solutions segment operating profit for the year ended September 30, 2006 was \$2.9 million, compared to \$3.1 million for fiscal 2005. The decrease primarily reflected lower sales volume. However, Merchandising Solutions operating margin as a percent of sales improved during the second six months of fiscal 2006, reflecting the effects of the facilities consolidation program and other cost reduction initiatives.

Investment income for the year ended September 30, 2006 was \$1.4 million, compared to \$1.7 million for fiscal 2005. The decrease from the prior year primarily reflected lower levels of invested cash. Interest expense for the year ended September 30, 2006 was \$7.0 million, compared to \$3.0 million for the prior year. The increase in interest expense primarily reflected higher borrowings under the Company's domestic Revolving Credit Facility (see "Liquidity and Capital Resources") and higher interest rates during fiscal 2006.

Other income (deductions), net, for the year ended September 30, 2006 represented an increase in pre-tax income of \$70,000, compared to an increase in pre-tax income of \$1.7 million for fiscal 2005. Other income in fiscal 2005 primarily reflected foreign currency exchange gains on intercompany advances to foreign affiliates. Minority interest deduction for fiscal 2006 was \$3.0 million, compared to \$5.8 million for fiscal 2005. The lower minority interest deduction for fiscal 2006 resulted principally from the Company's acquisition of an additional 30% interest in S+T Gesellschaft für Reprotechnik GmbH ("S+T") on September 30, 2005.

The Company's effective tax rate for the year ended September 30, 2006 was 37.0% compared to 37.6% for fiscal 2005. The decrease in the effective tax rate resulted primarily from the favorable tax impact of the sale of a Bronze facility. 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:

Net cash provided by operating activities was \$74.6 million for the year ended September 30, 2007, compared to \$66.3 million and \$70.9 million for fiscal 2006 and 2005, respectively. Operating cash flow for fiscal 2007 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense, an increase in minority interest and an increase in deferred taxes, partially offset by a \$5.0 million cash contribution to the Company's principal pension plan and an increase in working capital. The increase in working capital is mainly attributable to higher inventory levels resulting from the Casket segment's further expansion of its distribution capabilities. Operating cash flow for fiscal 2006 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense and an increase in minority interest, partially offset by an increase in working capital. The lower level of cash provided by operating activities in fiscal 2006 was attributable to an increase in working capital primarily resulting from higher levels of accounts receivable and inventories with the Casket segment's expansion of its distribution capabilities. Operating cash flow for fiscal 2005 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense and an increase in minority interest, partially offset by an increase in working capital, primarily accounts receivable and inventory.

Cash used in investing activities was \$38.7 million for the year ended September 30, 2007, compared to \$48.8 million and \$139.0 million for fiscal years 2006 and 2005, respectively. Investing activities for fiscal 2007 primarily reflected payments (net of cash acquired) of \$23.8 million for acquisitions, capital expenditures of \$20.6 million, net purchases of investments of \$1.1 million and proceeds of \$6.9 million from the sale of assets. Investing activities for fiscal 2006 primarily reflected payments (net of cash acquired) of \$32.3 million for acquisitions, capital expenditures of \$19.4 million, and proceeds of \$3.1 million from the sale of assets. Investing activities for fiscal 2005 primarily included payments (net of cash acquired) of \$109.4 million for acquisitions, capital expenditures of \$28.1 million, net purchases of investments of \$2.6 million and proceeds of \$1.1 million from the sale of assets. See "Acquisitions" for further discussion of the Company's acquisitions.

Capital expenditures were \$20.6 million for the year ended September 30, 2007, compared to \$19.4 million and \$28.1 million for fiscal 2006 and 2005, respectively. The higher level of capital spending in fiscal 2005 reflected capital expenditures in connection with establishment of the casket manufacturing facility in Mexico and the acquisition of production facilities for the Merchandising Solutions segment and a European graphics business. Capital expenditures in each of the last three fiscal years reflected reinvestment in the Company's business 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 the last three fiscal years were primarily financed through operating cash.

Capital spending for property, plant and equipment has averaged \$22.7 million for the last three fiscal years. The capital budget for fiscal 2008 is \$25.2 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the year ended September 30, 2007 was \$27.1 million, reflecting treasury stock purchases of \$56.5 million, net proceeds of long-term debt of \$17.7 million, proceeds of \$16.5 million from the sale of treasury stock (stock option exercises), a tax benefit of \$3.8 million from exercised stock options, dividends of \$7.1 million (\$0.225 per share) to the Company's shareholders and distributions of \$1.6 million to minority interests. Cash used in financing activities for the year ended September 30, 2006 was \$29.0 million, reflecting treasury stock purchases of \$17.5 million, net repayments of long-term debt of \$2.1 million, proceeds of \$2.0 million from the sale of treasury stock (stock option exercises), a tax benefit of \$637,000 from exercised stock options, dividends of \$6.6 million (\$0.205 per share) to the Company's shareholders and distributions of \$5.5 million to minority interests. Cash provided by financing activities for the year ended September 30, 2005 was \$44.8 million, reflecting proceeds, net of repayments, from long-term debt of \$75.7 million, treasury stock purchases of \$27.9 million, proceeds of \$5.9 million from the sale of treasury stock (stock option exercises), a tax benefit of \$2.5 million from exercised stock options, dividends of \$5.9 million (\$0.185 per share) to the Company's shareholders and distributions of \$5.5 million to minority interests.

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. In September 2007, the maximum amount of borrowings available under the facility was increased from \$175.0 million to \$225.0 million and the facility's maturity was extended to September 10, 2012. Borrowings under the amended facility bear interest at LIBOR plus a factor ranging from .40% to .80% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .15% to .25% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility, as amended, requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed \$10.0 million) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at September 30, 2007 and 2006 were \$147.8 million and \$123.2 million, respectively. The weighted-average interest rate on outstanding borrowings at September 30, 2007 and 2006 was 5.08% and 4.88%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at September 30, 2007	Equal Quarterly Payments	Maturity Date
April 2004	\$50 million	2.66%	.40%	\$2.5 million	April 2009
September 2005	50 million	4.14	.40	3.3 million	April 2009
August 2007	15 million	5.07	.40	-	April 2009
August 2007	10 million	5.07	.40	-	April 2009
September 2007	25 million	4.77	.40	-	September 2012

The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized gain of \$292,000 (\$178,000 after tax) at September 30, 2007 that is included in equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at September 30, 2007, approximately \$122,000 of the \$178,000 gain included in accumulated other comprehensive income is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

The Company, through its wholly-owned subsidiary, Matthews International GmbH ("MIGmbH"), has a credit facility with National Westminster Bank Plc for borrowings up to 10.0 million Euros (\$14.3 million). Outstanding borrowings under the credit facility totaled 8.0 million Euros (\$11.4 million) and 8.5 million Euros (\$10.8 million) at September 30, 2007 and 2006, respectively. The weighted-average interest rate on outstanding MIGmbH related borrowings at September 30, 2007 and 2006 was 4.90% and 3.69%, respectively.

The Company, through its wholly-owned subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled 5.1 million Euros (\$7.3 million) and 8.0 million Euros (\$10.2 million) at September 30, 2007 and 2006, respectively. Matthews International S.p.A. also has three lines of credit totaling 8.4 million Euros (\$11.9 million) with the same Italian banks. Outstanding borrowings on these lines were 1.4 million Euros (\$2.0 million) and 2.3 million Euros (\$3.0 million) at September 30, 2007 and 2006, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. related borrowings at September 30, 2007 and 2006 was 3.26% and 3.17%, respectively.

The Company has a stock repurchase program, which was initiated in 1996. As of September 30, 2007, the Company's Board of Directors had authorized the repurchase of a total of 12,500,000 shares of Matthews' common stock under the program, of which 10,501,443 shares had been repurchased as of September 30, 2007. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its 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 Company's Restated Articles of Incorporation.

Consolidated working capital of the Company was \$143.1 million at September 30, 2007, compared to \$105.6 million and \$86.6 million at September 30, 2006 and 2005, respectively. Working capital at September 30, 2007 reflected higher levels of inventories resulting primarily from the Casket segment's expansion of its distribution capabilities. Working capital at September 30, 2006 reflected higher levels of accounts receivable and inventories resulting primarily from the Casket segment's expansion of its distribution capabilities. Cash and cash equivalents were \$44.0 million at September 30, 2007, compared to \$29.7 million and \$39.6 million at September 30, 2006 and 2005, respectively. The Company's current ratio at September 30, 2007 was 2.2, compared to 1.8 and 1.6 at September 30, 2006 and 2005, respectively.

ENVIRONMENTAL MATTERS:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require the Company to obtain and operate in compliance with conditions of permits and other government authorizations. As such, the Company has developed environmental, health, and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials.

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of the disposal of certain materials at various operating and non-operating sites. The Company is currently performing environmental assessments and remediation at these sites, as appropriate. In addition, prior to its acquisition, The York Group, Inc. ("York") was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

At September 30, 2007, an accrual of approximately \$8.7 million had been recorded for environmental remediation (of which \$865,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. Changes in the accrued environmental remediation obligation

from the prior fiscal year reflect payments charged against the accrual. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

ACQUISITIONS:

Fiscal 2007:

Acquisition spending, net of cash acquired, during the year ended September 30, 2007 totaled \$23.8 million, and primarily included the following:

In July 2007, York reached a settlement agreement with Yorktowne Caskets, Inc. and its shareholders (collectively "Yorktowne") with respect to all outstanding litigation between the parties. In exchange for the mutual release, the principal terms of the settlement included the assignment by Yorktowne of certain customer and employment-related contracts to York and the purchase by York of certain assets, including York-product inventory, of Yorktowne.

In June 2007, the Company acquired a 60% interest in Beijing Kenuohua Electronic Technology Co., Ltd., ("Kenuohua"), an ink-jet equipment manufacturer, headquartered in Beijing, China. The acquisition was structured as a stock purchase. The acquisition was intended to expand Matthews' marking products manufacturing and distribution capabilities in Asia.

In December 2006, the Company paid additional purchase consideration of \$7.0 million under the terms of the Milso acquisition agreement.

Fiscal 2006:

Acquisition spending, net of cash acquired, during the year ended September 30, 2006 totaled \$32.3 million, and primarily included the following:

In March 2006, the Company acquired Royal Casket Company, a distributor of primarily York brand caskets in the Southwest region of the United States. The transaction was structured as an asset purchase with potential additional consideration payable contingent upon the operating performance of the acquired operations during the next five years. The Company expects to account for this consideration as additional purchase price. The acquisition was intended to expand Matthews' casket distribution capabilities in the Southwestern United States.

In February 2006, the Company acquired The Doyle Group, a provider of reprographic services to the packaging industry, located in Oakland, California. The transaction was structured as an asset purchase, with potential additional consideration payable contingent upon the operating performance of the acquired operations during the next three years. The Company expects to account for this consideration as additional purchase price. The acquisition was intended to expand the Company's graphics business in the Western United States.

In September 2005, the Company acquired an additional 30% interest in S+T which was paid in October 2005. The Company had acquired a 50% interest in S+T in 1998.

Fiscal 2005:

Acquisition spending, net of cash acquired, during the year ended September 30, 2005 totaled \$109.4 million, and primarily included the following:

In July 2005, the Company acquired Milso, a leading manufacturer and marketer of caskets in the United States. Milso, headquartered in Brooklyn, New York, has manufacturing operations in Richmond, Indiana and maintains distribution centers throughout the Northeast, Mid-Atlantic, Midwest and Southwest regions of the United States. The transaction was structured as an asset purchase, at an initial purchase price of approximately \$95.0 million. In connection with the contingent consideration provisions of the acquisition agreement, the Company paid additional purchase consideration in December 2006. The additional consideration was recorded as additional purchase price as of September 30, 2006. The acquisition was intended to expand Matthews' products and services in the United States casket market.

In June 2005, the Company paid additional consideration to the minority owner of Rudolf Reproflex GmbH ("Rudolf") under the terms of the original acquisition agreement. The Company had acquired a 75% interest in Rudolf in 2001.

DISPOSITION:

In August 2007, the Company sold the consulting services portion of its Merchandising Solutions segment. The transaction resulted in a pre-tax gain of \$1.3 million, which was recorded as a reduction in administrative expenses in the Company's Consolidated Statement of Income.

FORWARD-LOOKING INFORMATION:

The Company's objective with respect to operating performance is to increase annual earnings per share in the range of 12% to 15% over the long term. For the past ten fiscal years, the Company has achieved an average annual increase in earnings per share of 13.8%.

Matthews has a three-pronged strategy to attain the annual growth rate objective, which has remained unchanged from the prior year. This strategy consists of the following: internal growth (which includes productivity improvements, new product development and the expansion into new markets with existing products), acquisitions and share repurchases under the Company's stock repurchase program (see "Liquidity and Capital Resources").

The significant factors impacting the Company's fiscal 2007 results were the high level of bronze metal costs, continued transition to Company-owned casket distribution in certain territories in the Casket segment and difficult market conditions in the U.S. and U. K. Graphics markets. The Company expects to continue to face several of these same issues in fiscal 2008. Bronze metal costs are expected to remain high. The Casket segment will continue in its efforts to effectively integrate newly-established Company-owned distribution operations. Additionally, fiscal 2007 cost structure initiatives in the Graphics Imaging segment (particularly in the U.K.) should position this business for improved profitability in fiscal 2008.

Based on the Company's growth strategy and factors discussed above, the Company currently expects to achieve fiscal 2008 diluted earnings per share in the range of \$2.48 to \$2.54, which represents growth in the 12% to 15% range over fiscal 2007 earnings per share on an adjusted basis. This earnings expectation excludes the net impact of the unusual items incurred in fiscal 2007, and the impact of unusual items, if any, which may occur in fiscal 2008.

CRITICAL ACCOUNTING POLICIES:

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 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. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, economic conditions, and in some cases, actuarial techniques. Actual results may differ from those estimates. A discussion of market risks affecting the Company can be found in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K.

The Company's significant accounting policies are included in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the Company's operating results and financial condition. The following accounting policies involve significant estimates, which were considered critical to the preparation of the Company's consolidated financial statements for the year ended September 30, 2007.

Allowance for Doubtful Accounts:

The allowance for doubtful accounts is based on an evaluation of specific customer accounts for which available facts and circumstances indicate collectibility may be uncertain. In addition, the allowance includes a reserve for all customers based on historical collection experience.

Long-Lived Assets:

Property, plant and equipment, goodwill and other intangible assets are carried at cost. Depreciation on property, plant and equipment is computed primarily on the straight-line method over the estimated useful lives of the assets. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets is determined by evaluating the estimated undiscounted net cash flows of the operations to which the assets relate. An impairment loss would be recognized when the carrying amount of the assets exceeds the fair value which generally is a discounted cash flow analysis.

Goodwill is not amortized, but is subject to periodic review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a combination of valuation techniques, including discounted cash flows. Intangible assets are amortized over their estimated useful lives, unless such lives are considered to be indefinite. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets. The Company performed its annual impairment reviews in the second quarters of fiscal 2007 and fiscal 2006 and determined that no adjustments to the carrying values of goodwill or other intangibles were necessary at those times.

Share-Based Payment:

Effective October 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment", ("SFAS No. 123(R)") using the modified retrospective method. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period. The Company elected to apply the short-cut method for determining the pool of windfall tax benefits in connection with the adoption of SFAS No. 123(R).

Pension and Postretirement Benefits:

Pension assets and liabilities are determined on an actuarial basis and are affected by the market value of plan assets, estimates of the expected return on plan assets and the discount rate used to determine the present value of benefit obligations. Actual changes in the fair market value of plan assets and differences between the actual return on plan assets, the expected return on plan assets and changes in the selected discount rate will affect the amount of pension cost.

The Company's principal pension plan maintains a substantial portion of its assets in equity securities in accordance with the investment policy established by the Company's pension board. Based on an analysis of the historical performance of the plan's assets and consultation with its independent investment advisor, the Company has maintained the long-term rate of return assumption for these assets at 9.0% for purposes of determining pension cost and funded status under SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." The Company's discount rate assumption used in determining the present value of the projected benefit obligation is based upon published indices for long-term (10-year) high quality bonds as of its plan year-end date (July 31). The discount rate was 6.50%, 6.50% and 5.75% in fiscal 2007, 2006 and 2005, respectively, reflecting long-term bond rates in each of those periods.

Environmental Reserve:

Environmental liabilities are recorded when the Company's obligation is probable and reasonably estimable. Accruals for losses from environmental remediation obligations do not consider the effects of inflation, and anticipated expenditures are not discounted to their present value.

Revenue Recognition:

Revenues are generally recognized when title and risk of loss pass to the customer, which is typically at the time of product shipment. For pre-need sales of memorials and vases, revenue is recognized when the memorial has been manufactured to the customer's specifications (e.g., name and birth date), title has been transferred to the customer and the memorial and vase are placed in storage for future delivery. A liability has been recorded in Estimated Finishing Costs for the estimated costs of finishing pre-need bronze memorials and vases that have been manufactured and placed in storage prior to July 1, 2003 for future delivery.

In July 2003, the Emerging Issues Task Force ("EITF") issued Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables." Issue No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities. The provisions of Issue No. 00-21 were effective July 1, 2003 and have been applied prospectively by the Company to the finishing and storage elements of its pre-need sales. Beginning July 1, 2003, revenue is deferred by the Company on the portion of pre-need sales attributable to the final finishing and storage of the pre-need merchandise. Deferred revenue for final finishing is recognized at the time the pre-need merchandise is finished and shipped to the customer. Deferred revenue related to storage is recognized on a straight-line basis over the estimated average time that pre-need merchandise is held in storage.

At September 30, 2007, the Company held 354,886 memorials and 247,934 vases in its storage facilities under the pre-need sales program.

Construction revenues are recognized under the percentage-of-completion method of accounting using the cost-to-cost method. The Company offers rebates to certain customers participating in volume purchase programs. Rebates are estimated and recorded as a reduction in sales at the time the Company's products are sold.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at September 30, 2007, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	<u>Payments due in fiscal year:</u>				<u>After 2012</u>
	<u>Total</u>	<u>2008</u>	<u>2009 to 2010</u>	<u>2011 to 2012</u>	
<u>Contractual Cash Obligations:</u>		(Dollar amounts in thousands)			
Revolving credit facilities	\$ 159,240	\$ 23,333	\$ 28,907	\$ 107,000	\$ -
Notes payable to banks	7,332	1,005	2,924	2,342	1,061
Short-term borrowings	2,068	2,068	-	-	-
Capital lease obligations	711	664	41	6	-
Non-cancelable operating leases	27,999	8,526	9,803	6,506	3,164
Total contractual cash obligations	<u>\$ 197,350</u>	<u>\$ 35,596</u>	<u>\$ 41,675</u>	<u>\$ 115,854</u>	<u>\$ 4,225</u>

A significant portion of the loans included in the table above bear interest at variable rates. At September 30, 2007, the weighted-average interest rate was 5.08% on the Company's domestic Revolving Credit Facility, 4.90% on the credit facility through the Company's wholly-owned German subsidiary, and 3.26% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. Under IRS regulations, the Company was not required to make any significant contributions to its principal retirement plan in fiscal 2007, however, in June 2007, the Company made a \$5.0 million contribution to its principal retirement plan. The Company does not currently plan to make any significant contributions to its principal retirement plan in fiscal 2008. The Company estimates that benefit payments to participants under its retirement plans (including its supplemental retirement plan) and postretirement benefit payments will be \$5.3 million and \$1.1 million, respectively, in fiscal 2008. The amounts are not expected to change materially thereafter. The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

INFLATION:

Except for the significant increases in the cost of bronze ingot and steel (see "Results of Operations"), inflation has not had a material impact on the Company over the past three years nor is it anticipated to have a material impact for the foreseeable future.

ACCOUNTING PRONOUNCEMENTS:

Effective September 30, 2007, the Company adopted the recognition and related disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" ("SFAS No. 158") which amends SFAS No. 87, No. 88, No. 106 and No. 132(R). The provisions of the Statement are to be applied prospectively; therefore, prior periods presented have not been restated. The over-funded or under-funded status of defined benefit postretirement plans has been recognized on the balance sheet with a corresponding adjustment in accumulated other comprehensive income. In addition, gains or loss and prior service costs or credits that were not included as components of periodic benefit expense are recognized in accumulated other comprehensive income. As a result of the adoption of SFAS No. 158, the liability for pension and postretirement benefits increased approximately \$14.7 million, deferred tax assets increased approximately \$5.7 million and equity (accumulated other comprehensive income) decreased by approximately \$9.0 million.

Further, SFAS No. 158 requires the Company to measure the plan assets and benefit obligations of defined benefit postretirement plans as of the date of its year-end balance sheet. This provision of the SFAS No. 158 is effective for public companies for fiscal years beginning after December 15, 2008. The Company currently measures plan assets and benefit obligations as of July 31 of each year. The Company is considering the implications of this provision and the feasibility of earlier adoption of this portion of the statement. Upon adoption, this provision is not expected to have a material effect on the financial statements.

In June 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Any resulting cumulative effect of applying the provisions of FIN 48 upon adoption will be reported as an adjustment to beginning retained earnings in the period of adoption. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt the provisions of FIN 48 in the first quarter of fiscal 2008. The Company is currently evaluating the impact of the adoption of FIN 48, and does not expect such adoption to have a material impact on the Company's consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, however, for non-financial assets and liabilities the effective date has been extended to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of the adoption of SFAS No. 157.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The following discussion about the Company's market risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company has market risk related to changes in interest rates, commodity prices and foreign currency exchange rates. The Company does not generally use derivative financial instruments in connection with these market risks, except as noted below.

Interest Rates - The Company's most significant long-term debt instrument is the domestic Revolving Credit Facility, as amended, which bears interest at variable rates based on LIBOR.

The Company has entered into the following interest rate swaps:

<u>Date</u>	<u>Initial Amount</u>	<u>Fixed Interest Rate</u>	<u>Interest Rate Spread at September 30, 2007</u>	<u>Equal Quarterly Payments</u>	<u>Maturity Date</u>
April 2004	\$50 million	2.66%	.40%	\$2.5 million	April 2009
September 2005	50 million	4.14	.40	3.3 million	April 2009
August 2007	15 million	5.07	.40	-	April 2009
August 2007	10 million	5.07	.40	-	April 2009
September 2007	25 million	4.77	.40	-	September 2012

The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized gain of \$292,000 (\$178,000 after tax) at September 30, 2007 that is included in equity as part of accumulated other comprehensive income. A decrease of 10% in market interest rates (i.e. a decrease from 5.0% to 4.5%) would result in a decrease of approximately \$140,000 in the fair value of the interest rate swaps.

Commodity Price Risks - In the normal course of business, the Company is exposed to commodity price fluctuations related to the purchases of certain materials and supplies (such as bronze ingot, steel and wood) used in its manufacturing operations. The Company obtains competitive prices for materials and supplies when available.

Foreign Currency Exchange Rates - The Company is subject to changes in various foreign currency exchange rates, including the Euro, British Pound, Canadian Dollar, Australian Dollar, Swedish Krona and Chinese Yuan in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of its non-U.S. based subsidiaries. An adverse change of 10% in exchange rates would have resulted in a decrease in sales of \$18.7 million and a decrease in operating income of \$2.7 million for the year ended September 30, 2007.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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MANAGEMENT'S REPORT TO SHAREHOLDERS

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

Management's Report on Financial Statements

The accompanying consolidated financial statements of Matthews International Corporation and its subsidiaries (collectively, the "Company") were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this Annual Report on Form 10-K is consistent with that in the financial statements.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. In order to evaluate the effectiveness of internal control over financial reporting management has conducted an assessment using the criteria in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's internal controls over financial reporting include those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2007, based on criteria in *Internal Control – Integrated Framework* issued by the COSO. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2007, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Management's Certifications

The certifications of the Company's Chief Executive Officer and Chief Financial Officer required by the Sarbanes-Oxley Act have been included as Exhibits 31 and 32 in the Company's Form 10-K.

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Matthews International Corporation and its subsidiaries (the Company) at September 30, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2007 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included 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 financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 10 to the consolidated financial statements, the Company changed the manner in which it accounts for defined benefit pension and other postretirement plans in 2007.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
November 21, 2007

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

September 30, 2007 and 2006

(Dollar amounts in thousands, except per share data)

ASSETS	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 44,002	\$ 29,720
Short-term investments	105	92
Accounts receivable, net of allowance for doubtful accounts of \$11,160 and \$10,829, respectively	120,882	121,750
Inventories	93,834	85,415
Deferred income taxes	1,666	1,682
Other current assets	6,025	4,184
Total current assets	<u>266,514</u>	<u>242,843</u>
Investments	12,044	11,492
Property, plant and equipment, net	88,926	88,099
Deferred income taxes	23,311	24,441
Other assets	10,670	6,125
Goodwill	318,298	298,125
Other intangible assets, net	<u>51,306</u>	<u>44,965</u>
Total assets	<u>\$ 771,069</u>	<u>\$ 716,090</u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, continued
September 30, 2007 and 2006
(Dollar amounts in thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2007</u>	<u>2006</u>
Current liabilities:		
Long-term debt, current maturities	\$ 27,057	\$ 28,451
Trade accounts payable	22,859	26,925
Accrued compensation	31,205	33,517
Accrued income taxes	5,792	9,230
Other current liabilities	36,543	39,086
Total current liabilities	<u>123,456</u>	<u>137,209</u>
Long-term debt	142,273	120,289
Accrued pension	23,629	17,720
Postretirement benefits	20,743	17,422
Deferred income taxes	11,799	9,942
Environmental reserve	7,841	9,028
Other liabilities and deferred revenue	14,550	12,055
Commitments and contingent liabilities		
Shareholders' equity:		
Class A common stock, \$1.00 par value; authorized 70,000,000 shares; 36,333,992 shares issued	36,334	36,334
Preferred stock, \$100 par value, authorized 10,000 shares, none issued	-	-
Additional paid-in capital	41,570	33,953
Retained earnings	467,846	410,203
Accumulated other comprehensive income	13,390	4,386
Treasury stock, 5,276,830 and 4,699,697 shares, respectively, at cost	(132,362)	(92,451)
Total shareholders' equity	<u>426,778</u>	<u>392,425</u>
 Total liabilities and shareholders' equity	<u><u>\$ 771,069</u></u>	<u><u>\$ 716,090</u></u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
for the years ended September 30, 2007, 2006 and 2005
(Dollar amounts in thousands, except per share data)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Sales	\$ 749,352	\$ 715,891	\$ 639,822
Cost of sales	<u>(468,895)</u>	<u>(443,958)</u>	<u>(416,747)</u>
Gross profit	280,457	271,933	223,075
Selling expense	(71,623)	(70,354)	(59,484)
Administrative expense	<u>(97,010)</u>	<u>(87,695)</u>	<u>(65,178)</u>
Operating profit	111,824	113,884	98,413
Investment income	2,390	1,420	1,726
Interest expense	(8,119)	(6,995)	(2,966)
Other income, net	354	70	1,658
Minority interest	<u>(2,733)</u>	<u>(2,971)</u>	<u>(5,775)</u>
Income before income taxes	103,716	105,408	93,056
Income taxes	<u>(38,990)</u>	<u>(38,964)</u>	<u>(34,985)</u>
Net income	<u>\$ 64,726</u>	<u>\$ 66,444</u>	<u>\$ 58,071</u>
Earnings per share:			
Basic	<u>\$2.05</u>	<u>\$2.08</u>	<u>\$1.81</u>
Diluted	<u>\$2.04</u>	<u>\$2.06</u>	<u>\$1.79</u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

for the years ended September 30, 2007, 2006 and 2005

(Dollar amounts in thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of tax)	Treasury Stock	Total
Balance, September 30, 2004	\$ 36,334	\$ 24,859	\$ 298,165	\$ 11,538	\$ (55,756)	\$ 315,140
Net income	-	-	58,071	-	-	58,071
Unrealized gains (losses)	-	-	-	(28)	-	(28)
Minimum pension liability	-	-	-	(9,833)	-	(9,833)
Translation adjustment	-	-	-	(3,676)	-	(3,676)
Fair value of derivatives	-	-	-	640	-	640
Total comprehensive income	-	-	-	-	-	45,174
Stock-based compensation	-	2,874	-	-	-	2,874
Treasury stock transactions:						
Purchase of 792,728 shares	-	-	-	-	(27,933)	(27,933)
Issuance of 408,846 shares under stock plans	-	1,791	-	-	6,628	8,419
Dividends, \$.185 per share	-	-	(5,925)	-	-	(5,925)
Balance, September 30, 2005	36,334	29,524	350,311	(1,359)	(77,061)	337,749
Net income	-	-	66,444	-	-	66,444
Minimum pension liability	-	-	-	88	-	88
Translation adjustment	-	-	-	5,688	-	5,688
Fair value of derivatives	-	-	-	(31)	-	(31)
Total comprehensive income	-	-	-	-	-	72,189
Stock-based compensation	-	3,865	-	-	-	3,865
Treasury stock transactions:						
Purchase of 513,750 shares	-	-	-	-	(17,491)	(17,491)
Issuance of 121,353 shares under stock plans	-	564	-	-	2,101	2,665
Dividends, \$.205 per share	-	-	(6,552)	-	-	(6,552)
Balance, September 30, 2006	36,334	33,953	410,203	4,386	(92,451)	392,425
Net income	-	-	64,726	-	-	64,726
Minimum pension liability	-	-	-	2,191	-	2,191
Translation adjustment	-	-	-	16,546	-	16,546
Fair value of derivatives	-	-	-	(740)	-	(740)
Total comprehensive income	-	-	-	-	-	82,723
Initial adoption of SFAS No. 158	-	-	-	(8,993)	-	(8,993)
Stock-based compensation	-	3,509	-	-	-	3,509
Treasury stock transactions:						
Purchase of 1,366,297 shares	-	-	-	-	(56,526)	(56,526)
Issuance of 789,164 shares under stock plans	-	4,108	-	-	16,615	20,723
Dividends, \$.225 per share	-	-	(7,083)	-	-	(7,083)
Balance, September 30, 2007	<u>\$ 36,334</u>	<u>\$ 41,570</u>	<u>\$ 467,846</u>	<u>\$ 13,390</u>	<u>\$ (132,362)</u>	<u>\$ 426,778</u>

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2007, 2006 and 2005
(Dollar amounts in thousands, except per share data)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Net income	\$ 64,726	\$ 66,444	\$ 58,071
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,528	21,463	19,893
Minority interest	2,733	2,971	5,775
Stock-based compensation expense	3,509	3,865	2,874
Increase (decrease) in deferred taxes	7,826	(1,885)	1,304
Impairment charges	-	986	-
Gain on dispositions of assets	(3,106)	(3,090)	(200)
Changes in working capital items	(14,373)	(28,093)	(19,673)
Increase in other assets	(5,113)	(118)	(1,622)
Decrease in other liabilities	(1,225)	(1,205)	(2,240)
(Decrease) increase in pension and postretirement benefits	(907)	5,007	6,719
Net cash provided by operating activities	<u>74,598</u>	<u>66,345</u>	<u>70,901</u>
Cash flows from investing activities:			
Capital expenditures	(20,649)	(19,397)	(28,066)
Acquisitions, net of cash acquired	(23,784)	(32,278)	(109,352)
Proceeds from dispositions of assets	6,859	3,114	1,099
Purchases of investment securities	(4,033)	(232)	(11,758)
Proceeds from dispositions of investments	2,919	15	9,119
Net cash used in investing activities	<u>(38,688)</u>	<u>(48,778)</u>	<u>(138,958)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	75,770	45,422	103,587
Payments on long-term debt	(58,024)	(47,539)	(27,851)
Purchases of treasury stock	(56,526)	(17,491)	(27,933)
Proceeds from the sale of treasury stock	16,524	2,028	5,894
Tax benefit on exercised stock options	3,834	637	2,525
Dividends	(7,083)	(6,552)	(5,925)
Distributions to minority interests	(1,601)	(5,536)	(5,507)
Net cash (used in) provided by financing activities	<u>(27,106)</u>	<u>(29,031)</u>	<u>44,790</u>
Effect of exchange rate changes on cash	<u>5,478</u>	<u>1,629</u>	<u>(3,008)</u>
Net change in cash and cash equivalents	<u>14,282</u>	<u>(9,835)</u>	<u>(26,275)</u>
Cash and cash equivalents at beginning of year	<u>29,720</u>	<u>39,555</u>	<u>65,830</u>
Cash and cash equivalents at end of year	<u>\$ 44,002</u>	<u>\$ 29,720</u>	<u>\$ 39,555</u>
Cash paid during the year for:			
Interest	\$ 8,105	\$ 6,377	\$ 2,692
Income taxes	31,470	42,377	32,125

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands, except per share data)

1. NATURE OF OPERATIONS:

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products and merchandising solutions. The Company's products and operations are comprised of six business segments: Bronze, Casket, Cremation, Graphics Imaging, Marking Products and Merchandising Solutions. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer in North America and produces a wide variety of wood and metal caskets. The Cremation segment is a leading designer and manufacturer of cremation equipment and cremation caskets primarily in North America. The Graphics Imaging segment manufactures and provides brand solutions, printing plates, pre-press services and imaging services for the primary packaging and corrugated industries. The Marking Products segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

The Company has manufacturing and marketing facilities in the United States, Mexico, Canada, Europe, Australia and China.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. 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.

Foreign Currency:

Balance sheet accounts for foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the consolidated balance sheet date. Gains or losses that result from this process are recorded in accumulated other comprehensive income. The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

Allowance for Doubtful Accounts:

The allowance for doubtful accounts is based on an evaluation of specific customer accounts for which available facts and circumstances indicate collectibility may be uncertain. In addition, the allowance includes a reserve for all customers based on historical collection experience.

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, which generally range from 10 to 45 years for buildings and 3 to 12 years for machinery and equipment. Gains or losses from the disposition of assets are reflected in operating profit. 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. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets is determined by evaluating the estimated undiscounted net cash flows of the operations to which the assets relate. An impairment loss would be recognized when the carrying amount of the assets exceeds the fair value which generally is a discounted net cash flow analysis.

Goodwill and Other Intangible Assets:

Goodwill and indefinite-lived intangible assets are not amortized but are subject to annual review for impairment. Other intangible assets are amortized over their estimated useful lives, ranging from 2 to 20 years. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a combination of valuation techniques, including discounted cash flows. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets.

Environmental:

Costs that mitigate or prevent future environmental issues or extend the life or improve equipment utilized in current operations are capitalized and depreciated on a straight-line basis over the estimated useful lives of the related assets. Costs that relate to current operations or an existing condition caused by past operations are expensed. Environmental liabilities are recorded when the Company's obligation is probable and reasonably estimable. Accruals for losses from environmental remediation obligations do not consider the effects of inflation, and anticipated expenditures are not discounted to their present value.

Treasury Stock:

Treasury stock is carried at cost. The cost of treasury shares sold is determined under the average cost method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred income taxes for U.S. tax purposes have not been provided on certain undistributed earnings of foreign subsidiaries, as such earnings are considered to be reinvested indefinitely. To the extent earnings are expected to be returned in the foreseeable future, the associated deferred tax liabilities are provided.

Revenue Recognition:

Revenues are generally recognized when title and risk of loss pass to the customer, which is typically at the time of product shipment. For pre-need sales of memorials and vases, revenue is recognized when the memorial has been manufactured to the customer's specifications (e.g., name and birth date), title has been transferred to the customer and the memorial and vase are placed in storage for future delivery. A liability has been recorded in Estimated Finishing Costs for the estimated costs of finishing pre-need bronze memorials and vases that have been manufactured and placed in storage prior to July 1, 2003 for future delivery.

In July 2003, the Emerging Issues Task Force ("EITF") issued Issue No. 00-21 "Revenue Arrangements with Multiple Deliverables." Issue No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities. The provisions of Issue No. 00-21 were effective July 1, 2003 and have been applied prospectively by the Company to the finishing and storage elements of its pre-need sales. Beginning July 1, 2003, revenue is deferred by the Company on the portion of pre-need sales attributable to the final finishing and storage of the pre-need merchandise. Deferred revenue for final finishing is recognized at the time the pre-need merchandise is finished and shipped to the customer. Deferred revenue related to storage is recognized on a straight-line basis over the estimated average time that pre-need merchandise is held in storage.

At September 30, 2007, the Company held 354,886 memorials and 247,934 vases in its storage facilities under the pre-need sales program.

Construction revenues are recognized under the percentage-of-completion method of accounting using the cost-to-cost method. The Company offers rebates to certain customers participating in volume purchase programs. Rebates are estimated and recorded as a reduction in sales at the time the Company's products are sold.

Share-Based Payment:

Stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period.

Derivatives and Hedging:

Derivatives are held as part of a formal documented hedging program. All derivatives are straight forward and held for purposes other than trading. Matthews measures effectiveness by formally assessing, at least quarterly, the historical and probable future high correlation of changes in the fair value or future cash flows of the hedged item. If the hedging relationship ceases to be highly effective or it becomes probable that an expected transaction will no longer occur, gains and losses on the derivative will be recorded in other income (deductions) at that time.

Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income, net of tax and are reclassified to earnings in a manner consistent with the underlying hedged item. The cash flows from derivative activities are recognized in the statement of cash flows in a manner consistent with the underlying hedged item.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

Research and Development Expenses:

Research and development costs are expensed as incurred and were approximately \$2,700, \$2,800 and \$3,300 for the years ended September 30, 2007, 2006 and 2005, 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 is computed using the treasury stock method, which assumes the issuance of common stock for all dilutive securities.

Reclassifications:

Certain reclassifications have been made in the Consolidated Statements of Cash Flows and Consolidated Balance Sheets for prior periods to conform to the current period presentation.

3. INVENTORIES:

Inventories at September 30, 2007 and 2006 consisted of the following:

	2007	2006
Materials and finished goods	\$ 86,304	\$ 79,715
Labor and overhead in process	7,530	5,700
	\$ 93,834	\$ 85,415

4. INVESTMENTS:

Investment securities are recorded at estimated market value at the consolidated balance sheet date and, except for investments held in a non-revocable trust established to fund benefit payments under the Company's supplemental retirement plan, 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, 2007 and 2006. Investments classified as non-current and available-for-sale consisted of securities of the U.S. government and its agencies and corporate obligations with purchased maturities in the range of one to five years. Accrued interest on these non-current investment securities was classified with short-term investments.

At September 30, 2007 and 2006, non-current investments were as follows:

	2007	2006
Available-for-sale:		
U.S. government and its agencies	\$ 1,501	\$ 2,247
Corporate obligations	3,814	2,747
Trading securities:		
Mutual funds	4,923	4,598
Equity and other investments	1,806	1,900
	\$ 12,044	\$ 11,492

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

4. INVESTMENTS, continued:

Non-current investments classified as available for sale and trading securities are recorded at market value, which approximated cost at September 30, 2007 and 2006.

Unrealized gains and losses on available for sale securities, including related deferred taxes, are reflected in accumulated other comprehensive income. Realized gains and losses are based on the specific identification method and are recorded in investment income. Realized gains (losses) for fiscal 2007, 2006 and 2005 were not material. Bond premiums and discounts are amortized on the straight-line method, which does not significantly differ from the interest method.

Equity investments primarily included ownership interests in various entities of less than 20%, which 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, 2007 and 2006 were as follows:

	2007	2006
Buildings	\$ 42,493	\$ 43,907
Machinery and equipment	166,183	148,387
	<u>208,676</u>	<u>192,294</u>
Less accumulated depreciation	(129,995)	(114,247)
	78,681	78,047
Land	4,159	4,814
Construction in progress	6,086	5,238
	<u>\$ 88,926</u>	<u>\$ 88,099</u>

During the fourth quarter of fiscal 2006, the Company recorded a pre-tax gain of approximately \$2,670 from the sale of a facility and a pre-tax charge of approximately \$986 related to asset impairments.

6. LONG-TERM DEBT:

Long-term debt at September 30, 2007 and 2006 consisted of the following:

	2007	2006
Revolving credit facilities	\$ 159,240	\$ 133,946
Notes payable to banks	7,332	10,214
Short-term borrowings	2,068	2,961
Capital lease obligations	690	1,619
	<u>169,330</u>	<u>148,740</u>
Less current maturities	(27,057)	(28,451)
	<u>\$ 142,273</u>	<u>\$ 120,289</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

6. LONG-TERM DEBT, continued:

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. On September 10, 2007, the maximum amount of borrowings available under the facility was increased from \$175,000 to \$225,000 and the facility's maturity was extended to September 10, 2012. Borrowings under the amended facility bear interest at LIBOR plus a factor ranging from .40% to .80% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .15% to .25% (based on the Company's leverage ratio) of the unused portion of the facility. The Revolving Credit Facility, as amended, requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed \$10,000) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at September 30, 2007 and 2006 were \$147,833 and \$123,167 respectively. The weighted-average interest rate on outstanding borrowings at September 30, 2007 and 2006 was 5.08% and 4.88%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at September 30, 2007	Equal Quarterly Payments	Maturity Date
April 2004	\$ 50,000	2.66%	.40%	\$ 2,500	April 2009
September 2005	50,000	4.14	.40	3,333	April 2009
August 2007	15,000	5.07	.40	-	April 2009
August 2007	10,000	5.07	.40	-	April 2009
September 2007	25,000	4.77	.40	-	September 2012

The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility which are considered probable of occurring. Based on the Company's assessment, all the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized gain of \$292 (\$178 after tax) at September 30, 2007 that is included in shareholders' equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at September 30, 2007, approximately \$122 of the \$178 gain included in accumulated other comprehensive income is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

The Company, through its wholly-owned subsidiary, Matthews International GmbH ("MIGmbH"), has a credit facility with National Westminster Bank Plc for borrowings up to 10.0 million Euros (\$14,259). Outstanding borrowings under the credit facility totaled 8.0 million Euros (\$11,407) and 8.5 million Euros (\$10,779) at September 30, 2007 and 2006, respectively. The weighted-average interest rate on outstanding borrowings of MIGmbH at September 30, 2007 and 2006 was 4.90% and 3.69%, respectively.

The Company, through its wholly-owned subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled 5.1 million Euros (\$7,332) and 8.0 million Euros (\$10,195) at September 30, 2007 and 2006, respectively. Matthews International S.p.A. also has three lines of credit totaling 8.4 million Euros (\$11,935) with the same Italian banks. Outstanding borrowings on these lines were 1.4 million Euros (\$1,980) and 2.3 million Euros (\$2,961) at September 30, 2007 and 2006, respectively. The weighted-average interest rate on outstanding borrowings of Matthews International S.p.A. at September 30, 2007 and 2006 was 3.26% and 3.17%, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

6. LONG-TERM DEBT, continued:

Aggregate maturities of long-term debt, including short-term borrowings and capital leases, follows:

2008	\$ 27,057
2009	30,395
2010	1,472
2011	1,466
2012	107,880
Thereafter	1,060
	<u>\$ 169,330</u>

The carrying amounts of the Company's borrowings under its financing arrangements approximated their fair value.

7. SHAREHOLDERS' EQUITY:

The authorized common stock of the Company consists of 70,000,000 shares of Class A Common Stock, \$1 par value.

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors has authorized the repurchase of a total of 12,500,000 shares of Matthews' common stock, of which 10,501,443 shares have been repurchased as of September 30, 2007. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its 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 Company's Restated Articles of Incorporation.

Comprehensive income consists of net income adjusted for changes, net of any related income tax effect, in cumulative foreign currency translation, the fair value of derivatives, unrealized investment gains and losses and minimum pension liability.

Accumulated other comprehensive income at September 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Cumulative foreign currency translation	\$ 30,526	\$ 13,980
Fair value of derivatives, net of tax of \$114 and \$586, respectively	178	918
Minimum pension liability, net of tax of \$5,091 and \$6,721, respectively	(8,321)	(10,512)
Impact of adoption of SFAS No. 158, net of tax of \$5,748	(8,993)	-
	<u>\$ 13,390</u>	<u>\$ 4,386</u>

8. SHARE-BASED PAYMENTS:

The Company has a stock incentive plan that provides for grants of incentive stock options, non-statutory stock options and restricted share awards in an aggregate number not to exceed 15% of the outstanding shares of the Company's common stock (4,658,574 shares at September 30, 2007). The plan is administered by the Compensation Committee of the Board of Directors. The option price for each stock option that 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. Outstanding stock options are exercisable in various share amounts based on the attainment of certain market value

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

8. SHARE-BASED PAYMENTS, continued:

levels of Class A Common Stock. In addition, options generally 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 appreciation of 10%, 33% and 60%, respectively, in the market value of the Company's common stock). The options 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 generally settles employee stock option exercises and restricted share awards with treasury shares.

Effective October 1, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share-Based Payment, ("SFAS No. 123 (R)") using the modified retrospective method. Accordingly, stock-based compensation cost is measured at grant date, based on the fair value of the award, and is recognized as expense over the employee requisite service period. The Company elected to apply the short-cut method for determining the pool of windfall tax benefits in connection with the adoption of SFAS No. 123(R).

For the years ended September 30, 2007, 2006 and 2005, stock-based compensation cost totaled \$3,509, \$3,865 and \$2,874, respectively. The associated future income tax benefit recognized was \$1,369, \$1,507 and \$1,121 for the years ended September 30, 2007, 2006 and 2005, respectively.

The amount of cash received from the exercise of stock options was \$16,524, \$2,028 and \$5,894, for the years ended September 30, 2007, 2006 and 2005, respectively. In connection with these exercises, the tax benefits realized by the Company were \$5,976, \$902 and \$3,148 for the years ended September 30, 2007, 2006 and 2005, respectively.

The transactions for shares under options for the year ended September 30, 2007 were as follows:

	Shares	Weighted- average exercise price	Weighted- average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2006	2,529,451	\$ 28.75		
Granted	392,650	40.59		
Exercised	(768,111)	21.36		
Expired or forfeited	(53,413)	31.45		
Outstanding, September 30, 2007	<u>2,100,577</u>	33.60	7.2	\$21,428
Exercisable, September 30, 2007	<u>458,376</u>	27.02	5.6	\$7,690
Shares reserved for future options	<u>2,557,997</u>			

The weighted-average grant date fair value of options granted was \$12.29 per share in 2007, \$9.47 per share in 2006, \$11.61 per share in 2005. The fair value of shares earned was \$4,331, \$3,752 and \$2,606 during the years ended September 30, 2007, 2006 and 2005, respectively. The intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the years ended September 30, 2007, 2006 and 2005 was \$15,336, \$2,411 and \$9,132, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

8. SHARE-BASED PAYMENTS, continued:

The transactions for non-vested shares for the year ended September 30, 2007 were as follows:

	Shares	Weighted- average grant-date fair value
Non-vested at September 30, 2006	1,814,878	\$ 9.84
Granted	392,650	12.29
Vested	(513,830)	8.43
Expired or forfeited	(51,497)	9.83
Non-vested at September 30, 2007	1,642,201	10.87

As of September 30, 2007, the total unrecognized compensation cost related to non-vested stock options was approximately \$5,459. This cost is expected to be recognized over a weighted-average period of 3.5 years in accordance with the vesting periods of the options.

As of October 1, 2005, the fair value of each option grant is estimated on the date of grant using a binomial lattice valuation model. Prior to October 1, 2005, the fair value of each option award was estimated on the grant date using a Black-Scholes valuation model.

The following table indicates the assumptions used in estimating fair value for the years ended September 30, 2007, 2006 and 2005.

	Years Ended September 30,		
	2007	2006	2005
Expected volatility	24.0%	24.0%	23.2%
Dividend yield	.6%	.6%	1.0%
Average risk free interest rate	4.7%	4.4%	4.3%
Average expected term (years)	6.3	5.5	7.9

The risk free interest rate is based on United States Treasury yields at the date of grant. The dividend yield is based on the most recent dividend payment and average stock price over the 12 months prior to the grant date. Expected volatilities are based on the historical volatility of the Company's stock price. The expected term represents an estimate of the period of time options are expected to remain outstanding. Separate employee groups and option characteristics are considered separately for valuation purposes.

In the first quarter of fiscal 2007, 15,209 shares of restricted stock were granted to certain employees. The shares generally vest based upon certain service and performance criteria. At September 30, 2007, 9,249 shares of restricted stock were outstanding. The unrecognized compensation cost related to the unvested shares was approximately \$154 at September 30, 2007.

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, either cash or shares of the Company's Class A Common Stock equivalent to \$30. Where the annual retainer fee is provided in shares, 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. Directors may also elect to receive the common

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

8. SHARE-BASED PAYMENTS, continued:

stock equivalent of meeting fees credited to a deferred stock account. The value of deferred shares is recorded in other liabilities. Shares deferred under the Director Fee Plan at September 30, 2007, 2006 and 2005 were 48,697, 49,569 and 51,313, respectively. Directors who are not also officers of the Company each received an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of \$50 in fiscal 2007 and \$40 in fiscal 2006 and 2005. A total of 22,300 stock options have been granted under the plan. At September 30, 2007, 21,300 options were outstanding, of which 16,500 are vested. Additionally, 13,200 shares of restricted stock have been granted under the plan, all of which are unvested at September 30, 2007. The restricted shares generally vest two years after the date of issuance. As of November 13, 2007, a total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

9. EARNINGS PER SHARE:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Net income	\$ 64,726	\$ 66,444	\$ 58,071
Weighted-average common shares outstanding	31,565,716	31,999,309	32,116,012
Dilutive securities, primarily stock options	<u>113,900</u>	<u>252,415</u>	<u>265,562</u>
Diluted weighted-average common shares outstanding	<u>31,679,616</u>	<u>32,251,724</u>	<u>32,381,574</u>
Basic earnings per share	<u>\$2.05</u>	<u>\$2.08</u>	<u>\$1.81</u>
Diluted earnings per share	<u>\$2.04</u>	<u>\$2.06</u>	<u>\$1.79</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS:

The Company provides defined benefit pension and other postretirement plans to certain employees. Effective September 30, 2007, the Company adopted the recognition and related disclosure provisions SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" which amends SFAS No. 87, No. 88, No. 106 and No. 132(R). The following provides a reconciliation of benefit obligations, plan assets and funded status of the plans:

	Pension		Other Postretirement	
	2007	2006	2007	2006
<u>Change in benefit obligation:</u>				
Benefit obligation, beginning	\$ 104,060	\$ 106,352	\$ 18,267	\$ 22,068
Service cost	3,892	4,504	533	632
Interest cost	6,525	5,923	1,188	1,227
Assumption changes	-	(9,887)	-	(1,693)
Actuarial (gain) loss	1,774	2,016	2,944	(2,494)
Benefit payments	(4,708)	(4,848)	(1,113)	(1,473)
Benefit obligation, ending	111,543	104,060	21,819	18,267
<u>Change in plan assets:</u>				
Fair value, beginning	75,817	79,915	-	-
Actual return	9,849	(43)	-	-
Benefit payments	(4,708)	(4,848)	(1,113)	(1,473)
Employer contributions	6,082	793	1,113	1,473
Fair value, ending	87,040	75,817	-	-
<u>Funded status</u>				
Unrecognized actuarial loss	(24,503)	(28,243)	(21,819)	(18,267)
Unrecognized prior service cost	24,296	27,487	7,991	5,335
Unrecognized prior service cost	311	342	(4,214)	(5,502)
Net amount recognized	\$ 104	\$ (414)	\$ (18,042)	\$ (18,434)
<u>Amounts recognized in the consolidated balance sheet:</u>				
Current liability	\$ (874)	\$ (517)	\$ (1,076)	\$ (1,012)
Noncurrent benefit liability	(23,629)	(17,720)	(20,743)	(17,422)
Accumulated other comprehensive income	24,607	17,823	3,777	-
Net amount recognized	\$ 104	\$ (414)	\$ (18,042)	\$ (18,434)
<u>Amounts recognized in accumulated other comprehensive income:</u>				
Net actuarial gain/loss	\$ 24,296		\$ 7,991	
Prior service cost	311		(4,214)	
Net amount recognized	\$ 24,607		\$ 3,777	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

The accumulated benefit obligation for the Company's defined benefit pension plans was \$97,283 and \$91,442 at September 30, 2007 and 2006, respectively. The projected benefit obligation for the Company's defined benefit pension plans was \$111,543 and \$104,060 at September 30, 2007 and 2006, respectively.

The following table reflects the effects of the adoption of SFAS No. 158 on the Company's consolidated balance sheet as of September 30, 2007:

	Balance prior to Additional Minimum Liability and SFAS No.158 Adjustments	Additional Minimum Liability Adjustments	Balance prior to SFAS No. 158 Adjustments	SFAS No. 158 Adjustments	Balance after SFAS No. 158 Adjustments
<u>Pension Benefits:</u>					
Intangible assets	\$ 360	\$ (360)	\$ -	\$ -	\$ -
Current liabilities	(874)	-	(874)	-	(874)
Pension liabilities	(16,845)	4,181	(12,664)	(10,965)	(23,629)
Deferred tax assets	6,951	(1,630)	5,321	4,276	9,597
Accumulated other comprehensive income (loss)	(17,823)	4,181	(13,642)	(10,965)	(24,607)
<u>Postretirement Benefits:</u>					
Current liabilities	(1,076)	-	(1,076)	-	(1,076)
Postretirement benefits	(16,966)	-	(16,966)	(3,777)	(20,743)
Deferred tax assets	-	-	-	1,473	1,473
Accumulated other comprehensive income (loss)	-	-	-	(3,777)	(3,777)

Net periodic pension and other postretirement benefit cost for the plans included the following:

	Pension			Other Postretirement		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Service cost	\$ 3,892	\$ 4,504	\$ 3,707	\$ 533	\$ 632	\$ 505
Interest cost	6,525	5,923	5,615	1,188	1,227	1,173
Expected return on plan assets	(6,410)	(6,879)	(6,333)	-	-	-
Amortization:						
Prior service cost	31	(14)	83	(1,287)	(1,287)	(1,287)
Net actuarial loss	1,527	1,979	1,378	288	646	493
Net benefit cost	<u>\$ 5,565</u>	<u>\$ 5,513</u>	<u>\$ 4,450</u>	<u>\$ 722</u>	<u>\$ 1,218</u>	<u>\$ 884</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are made from the Company's operating cash. Under IRS regulations, the Company was not required to make any significant contributions to its principal retirement plan in fiscal 2007, however, in June 2007 the Company made a \$5,000 contribution to its principal retirement plan. The Company does not currently plan to make any significant contributions to its principal retirement plan in fiscal 2008. Contributions of \$485 and \$1,113 were made under the Company's supplemental retirement plan and postretirement benefit plan, respectively, in fiscal 2007.

Amounts expected to be recognized in net periodic benefit costs in fiscal 2008 include:

	Pension Benefits	Other Postretirement Benefits
Net actuarial gain/loss	\$ 1,268	\$ 487
Prior service cost	28	(1,287)

The measurement date of annual actuarial valuations for the Company's principal retirement and other postretirement benefit plans is July 31, and the weighted-average assumptions for those plans were:

	Pension			Other Postretirement		
	2007	2006	2005	2007	2006	2005
Discount rate	6.50%	6.50%	5.75%	6.50%	6.50%	5.75%
Return on plan assets	9.00	9.00	9.00	-	-	-
Compensation increase	4.25	4.25	4.25	-	-	-

The Company's principal pension plan maintains a substantial portion of its assets in equity securities in accordance with the investment policy established by the Company's pension board. Based on an analysis of the historical performance of the plan's assets and consultation with its independent investment advisor, the Company has maintained the long-term rate of return assumption for these assets at 9.0% for purposes of determining pension cost and funded status under SFAS No. 87. The Company's discount rate assumption used in determining the present value of the projected benefit obligation is based upon published indices for long-term (10-year) high quality bonds.

Benefit payments expected to be paid are as follows:

	Pension Benefits	Other Postretirement Benefits
<u>Year ended September 30:</u>		
2008	\$ 5,270	\$ 1,076
2009	5,344	1,192
2010	5,597	1,301
2011	5,827	1,426
2012	6,082	1,488
2013-2017	35,147	9,149
	\$ 63,267	\$ 15,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

10. PENSION AND OTHER POSTRETIREMENT PLANS, continued:

For measurement purposes, a rate of increase of 9.0% in the per capita cost of health care benefits was assumed for 2007; the rate was assumed to decrease gradually to 5.0% for 2014 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported. An increase in the assumed health care cost trend rates by one percentage point would have increased the accumulated postretirement benefit obligation as of September 30, 2007 by \$1,207 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$133. A decrease in the assumed health care cost trend rates by one percentage point would have decreased the accumulated postretirement benefit obligation as of September 30, 2007 by \$1,060 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$115.

11. INCOME TAXES:

The provision for income taxes consisted of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current:			
Federal	\$ 20,941	\$ 28,782	\$ 26,346
State	2,762	5,245	2,953
Foreign	7,461	7,087	5,005
	<u>31,164</u>	<u>41,114</u>	<u>34,304</u>
Deferred	7,826	(2,150)	681
Total	<u>\$ 38,990</u>	<u>\$ 38,964</u>	<u>\$ 34,985</u>

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Postretirement benefits	\$ 8,510	\$ 7,189
Environmental reserve	3,437	3,924
Pension costs	8,762	6,088
Deferred compensation	2,535	4,289
Stock options	3,825	4,631
Other	14,284	13,148
	<u>41,353</u>	<u>39,269</u>
Deferred tax liabilities:		
Depreciation	(3,510)	(4,725)
Goodwill	(24,550)	(17,776)
Other	(115)	(587)
	<u>(28,175)</u>	<u>(23,088)</u>
Net deferred tax asset	<u>\$ 13,178</u>	<u>\$ 16,181</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

11. INCOME TAXES, continued

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

	2007	2006	2005
Federal statutory tax rate	35.0%	35.0%	35.0%
Effect of state income taxes, net of federal deduction	2.2	2.9	1.8
Foreign taxes in excess of federal statutory rate	.5	.4	.5
Tax on repatriated earnings	.0	.0	.7
Other	(0.1)	(1.3)	(.4)
Effective tax rate	37.6%	37.0%	37.6%

The Company's foreign subsidiaries had income before income taxes for the years ended September 30, 2007, 2006 and 2005 of approximately \$24,300, \$24,500 and \$24,600, respectively. At September 30, 2007, undistributed earnings of foreign subsidiaries for which deferred U.S. income taxes have not been provided approximated \$81,400. During fiscal 2005, the Company's Chief Executive Officer and Board of Directors approved a domestic reinvestment program as required by the American Jobs Creation Act of 2004. The Company repatriated \$13,700 of dividends in fiscal 2005, on which taxes were provided in accordance with FASB Staff Position No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004."

12. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company operates various production, warehouse and office facilities and equipment under operating lease agreements. Annual rentals under these and other operating leases were \$15,621, \$13,747 and \$10,950 in 2007, 2006 and 2005, respectively. Future minimum rental commitments under non-cancelable operating lease arrangements for fiscal years 2008 through 2012 are \$8,526, \$5,461, \$4,342, \$3,397 and \$3,109, respectively, and \$3,164 thereafter.

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. 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 2008 and 2010. The agreements generally provide for base salary and bonus levels and include non-compete provisions. The aggregate commitment for salaries under these agreements at September 30, 2007 was \$12,711.

13. ENVIRONMENTAL MATTERS:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws and regulations impose limitations on the discharge of materials into the environment and require the Company to obtain and operate in compliance with conditions of permits and other government authorizations. As such, the Company has developed environmental, health and safety policies and procedures that include the proper handling, storage and disposal of hazardous materials.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

13. ENVIRONMENTAL MATTERS, continued

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of the disposal of certain materials at various operating and non-operating sites. The Company is currently performing environmental assessments and remediation at these sites, as appropriate. In addition, prior to its acquisition, The York Group, Inc. ("York") was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

At September 30, 2007, an accrual of \$8,706 had been recorded for environmental remediation (of which \$865 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

14. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets:			
Accounts receivable	\$ 1,502	\$ (4,110)	\$ (13,489)
Inventories	(2,135)	(10,860)	(9,886)
Other current assets	<u>(2,567)</u>	<u>518</u>	<u>549</u>
	<u>(3,200)</u>	<u>(14,452)</u>	<u>(22,826)</u>
Current liabilities:			
Trade accounts payable	1,064	(9,765)	7,529
Accrued compensation	(2,411)	50	1,584
Accrued income taxes	(3,644)	(2,410)	(1,378)
Customer prepayments	514	(674)	722
Other current liabilities	<u>(6,696)</u>	<u>(842)</u>	<u>(5,304)</u>
	<u>(11,173)</u>	<u>(13,641)</u>	<u>3,153</u>
Net change	<u>\$ (14,373)</u>	<u>\$ (28,093)</u>	<u>\$ (19,673)</u>

15. SEGMENT INFORMATION:

The Company's products and operations consist of two principal businesses that are comprised of three operating segments each, as described under Nature of Operations (Note 1): Memorialization Products (Bronze, Casket, Cremation) and Brand Solutions (Graphics Imaging, Marking Products, Merchandising Solutions). Management evaluates segment performance based on operating profit (before income taxes) and does not allocate non-operating items such as investment income, interest expense, other income (deductions), net and minority interest.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

15. SEGMENT INFORMATION, continued:

The accounting policies of the segments are the same as those described in Summary of Significant Accounting Policies (Note 2). Intersegment sales are accounted for at negotiated prices. Operating profit is total revenue less operating expenses. Segment assets include those assets that are used in the Company's operations within each segment. Assets classified under "Other" principally consist of cash and cash equivalents, investments, deferred income taxes and corporate headquarters' assets. Long-lived assets include property, plant and equipment (net of accumulated depreciation), goodwill, and other intangible assets (net of accumulated amortization).

Information about the Company's segments follows:

	Memorialization			Brand Solutions			Other	Consolidated
	Bronze	Casket	Cremation	Graphics Imaging	Marking Products	Merchandising Solutions		
Sales to external customers:								
2007	\$ 229,850	\$ 210,673	\$ 25,166	\$ 146,049	\$ 57,450	\$ 80,164	\$ -	\$ 749,352
2006	218,004	200,950	25,976	140,886	52,272	77,803	-	715,891
2005	205,675	135,512	21,497	143,159	45,701	88,278	-	639,822
Intersegment sales:								
2007	208	220	2,594	13	41	41	-	3,117
2006	151	301	1,048	1	36	105	-	1,642
2005	175	437	423	-	37	224	-	1,296
Depreciation and amortization:								
2007	3,707	6,680	164	5,431	630	2,896	1,020	20,528
2006	4,411	6,581	221	6,015	482	2,760	993	21,463
2005	4,644	4,456	237	6,634	475	2,677	770	19,893
Operating profit:								
2007	66,298	11,801	3,631	14,439	9,931	5,724	-	111,824
2006	65,049	16,971	3,372	16,554	9,066	2,872	-	113,884
2005	59,722	12,645	701	14,861	7,373	3,111	-	98,413
Total assets:								
2007	158,666	280,598	11,910	180,987	42,851	59,436	36,621	771,069
2006	149,593	258,224	11,452	157,677	31,477	65,860	41,807	716,090
2005	148,408	222,270	11,128	150,687	29,924	58,173	44,865	665,455
Capital expenditures:								
2007	3,557	5,811	170	3,850	545	6,426	290	20,649
2006	2,101	7,217	38	3,730	592	5,391	328	19,397
2005	2,129	7,730	29	8,119	638	2,207	7,214	28,066

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

15. SEGMENT INFORMATION, continued:

Information about the Company's operations by geographic area follows:

	<u>United States</u>	<u>Mexico</u>	<u>Canada</u>	<u>Europe</u>	<u>Australia</u>	<u>China</u>	<u>Consolidated</u>
Sales to external customers:							
2007	\$ 563,594	\$ -	\$ 14,475	\$ 158,651	\$ 9,969	\$ 2,663	\$ 749,352
2006	550,254	-	13,520	143,706	8,411	-	715,891
2005	474,466	-	11,319	145,931	8,106	-	639,822
Long-lived assets:							
2007	312,694	6,377	504	131,786	3,066	4,103	458,530
2006	300,502	6,785	2,544	118,797	2,561	-	431,189
2005	270,540	6,759	2,482	113,521	2,634	-	395,936

16. ACQUISITIONS:

Fiscal 2007:

Acquisition spending, net of cash acquired, during the year ended September 30, 2007 totaled \$23,784, and primarily included the following:

In July 2007, York reached a settlement agreement with Yorktowne Caskets, Inc. and its shareholders (collectively "Yorktowne") with respect to all outstanding litigation between the parties. In exchange for the mutual release, the principal terms of the settlement included the assignment by Yorktowne of certain customer and employment-related contracts to York and the purchase by York of certain assets, including York-product inventory, of Yorktowne.

In June 2007, the Company acquired a 60% interest in Beijing Kenuohua Electronic Technology Co., Ltd., ("Kenuohua"), an ink-jet equipment manufacturer, headquartered in Beijing, China. The acquisition was structured as a stock purchase. The acquisition was intended to expand Matthews' marking products manufacturing and distribution capabilities in Asia.

In December 2006, the Company paid additional purchase consideration of \$7,000 under the terms of the Milso Industries ("Milso") acquisition agreement.

Fiscal 2006:

Acquisition spending, net of cash acquired, during the year ended September 30, 2006 totaled \$32,278, and primarily included the following:

In March 2006, the Company acquired Royal Casket Company ("Royal"), a distributor of primarily York brand caskets in the Southwest region of the United States. The transaction was structured as an asset purchase with potential additional consideration payable contingent upon the operating performance of the acquired operations during the next five years. The Company expects to account for this consideration as additional purchase price. The acquisition was intended to expand Matthews' casket distribution capabilities in the Southwestern United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

16. ACQUISITIONS, continued:

In February 2006, the Company acquired The Doyle Group (“Doyle”), a provider of reprographic services to the packaging industry, located in Oakland, California. The transaction was structured as an asset purchase, with potential additional consideration payable contingent upon the operating performance of the acquired operations during the next three years. The Company expects to account for this consideration as additional purchase price. The acquisition was intended to expand the Company’s graphics business in the Western United States.

In September 2005, the Company acquired an additional 30% interest in S+T which was paid in October 2005. The Company had acquired a 50% interest in S+T in 1998.

Fiscal 2005:

Acquisition spending, net of cash acquired, during the year ended September 30, 2005 totaled \$109,352, and primarily included the following:

In July 2005, the Company acquired Milso, a leading manufacturer and marketer of caskets in the United States. Milso, headquartered in Brooklyn, New York, has manufacturing operations in Richmond, Indiana and maintains distribution centers throughout the Northeast, Mid-Atlantic, Midwest and Southwest regions of the United States. The transaction was structured as an asset purchase, at an initial purchase price of approximately \$95,000. In connection with the contingent consideration provisions of the acquisition agreement, the Company paid additional purchase consideration in December 2006. The additional consideration was recorded as additional purchase price as of September 30, 2006. The acquisition was intended to expand Matthews’ products and services in the United States casket market.

Acquired intangible assets of Milso include trade names with an assigned value of \$5,800, which are not subject to amortization. Intangible assets also include customer relationships with an assigned value of \$10,400 to be amortized over their useful lives of 20 years.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed of Milso at the date of acquisition.

Cash	\$ 197
Trade receivables	13,143
Inventories	17,975
Property, plant and equipment	5,434
Intangible assets	16,200
Goodwill and other assets	63,152
Total assets acquired	<u>116,101</u>
Trade accounts payable	9,467
Debt	1,207
Other liabilities	<u>3,022</u>
Total liabilities assumed	<u>13,696</u>
Net assets acquired	<u>\$ 102,405</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

16. ACQUISITIONS, continued:

The following unaudited pro forma information for the year ended September 30, 2005 presents a summary of the consolidated results of Matthews combined with Milso as if the acquisition had occurred on October 1, 2004:

	<u>2005</u>
Sales	\$ 707,222
Income before taxes	98,734
Net income	61,614
Earnings per share	\$1.90

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as interest expense on acquisition debt. The pro forma information does not purport to be indicative of the results of operations which actually would have resulted had the acquisition occurred on the date indicated, or which may result in the future.

In June 2005, the Company paid additional consideration to the minority owner of Rudolf Reproflex GmbH ("Rudolf") under the terms of the original acquisition agreement. The Company had acquired a 75% interest in Rudolf in 2001.

Matthews has accounted for these 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 estimated fair value of the net assets acquired was recorded as goodwill.

17. DISPOSITION:

In August 2007, the Company sold the consulting services portion of its Merchandising Solutions segment. The transaction resulted in a pre-tax gain of \$1,322, which was recorded as a reduction in administrative expenses in the Consolidated Statement of Income.

18. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill is not amortized but is subject to annual review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment the Company uses a combination of valuation techniques, including discounted cash flows. Intangible assets are amortized over their estimated useful lives unless such lives are considered to be indefinite. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets.

The Company performed its annual impairment reviews in the second quarters of fiscal 2007 and fiscal 2006 and determined that no adjustments to the carrying values of goodwill or other indefinite lived intangibles were necessary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
(Dollar amounts in thousands, except per share data)

18. GOODWILL AND OTHER INTANGIBLE ASSETS, continued:

Changes to goodwill, net of accumulated amortization, during the years ended September 30, 2007 and 2006, follow.

	<u>Bronze</u>	<u>Casket</u>	<u>Cremation</u>	<u>Graphics Imaging</u>	<u>Marking Products</u>	<u>Merchandising Solutions</u>	<u>Consolidated</u>
Balance at September 30, 2005	\$ 73,029	\$ 91,977	\$ 6,536	\$ 73,970	\$ 5,213	\$ 9,947	\$ 260,672
Additions during period	-	24,005	-	8,502	-	-	32,507
Translation and adjustments	1,149	-	-	3,797	-	-	4,946
Balance at September 30, 2006	74,178	115,982	6,536	86,269	5,213	9,947	298,125
Additions	-	4,573	-	885	3,550	-	9,008
Dispositions	-	-	-	-	-	(809)	(809)
Translation and adjustments	3,197	-	-	8,478	299	-	11,974
Balance at September 30, 2007	<u>\$ 77,375</u>	<u>\$ 120,555</u>	<u>\$ 6,536</u>	<u>\$ 95,632</u>	<u>\$ 9,062</u>	<u>\$ 9,138</u>	<u>\$ 318,298</u>

The additions to Casket goodwill during fiscal 2006 related primarily to the acquisitions of Royal and additional consideration recorded in accordance with the purchase agreement with Milso. The additions to Graphics Imaging goodwill relate to the acquisition of Doyle and additional consideration paid in accordance with the purchase agreement related to a European Graphics business.

In fiscal 2007, the additions to Casket relate primarily to additional consideration paid in accordance with the acquisition of Royal and the purchase of certain Yorktowne assets. The additions to Graphics Imaging goodwill relate to the additional consideration paid in accordance with the purchase agreement related to a European Graphics business. The addition to Marking Products goodwill related to the purchase of a 60% interest in Kenuohua. The reduction in goodwill in Merchandising Solutions relates to the disposition of its consulting services business during the year.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of September 30, 2007 and 2006, respectively.

	<u>Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
<u>September 30, 2007:</u>			
Trade names	\$ 26,140	\$ -*	\$ 26,140
Customer relationships	25,215	(3,977)	21,238
Copyrights/patents/other	7,382	(3,454)	3,928
	<u>\$ 58,737</u>	<u>\$ (7,431)</u>	<u>\$ 51,306</u>
<u>September 30, 2006:</u>			
Trade names	\$ 24,003	\$ -*	\$ 24,003
Customer relationships	20,900	(2,714)	18,186
Copyrights/patents/other	5,322	(2,546)	2,776
	<u>\$ 50,225</u>	<u>\$ (5,260)</u>	<u>\$ 44,965</u>

* Not subject to amortization

18. GOODWILL AND OTHER INTANGIBLE ASSETS, continued:

The increase in intangible assets during fiscal 2007 was due to the addition of intellectual property in the Bronze and Marking Products segments, the purchase of certain assets by the Casket segment and the impact of fluctuations in foreign currency exchange rates on intangible assets denominated in foreign currencies, offset by additional amortization.

Amortization expense on intangible assets was \$2,129, \$2,216, and \$1,826 in 2007, 2006 and 2005, respectively. Amortization expense is estimated to be \$2,756 in 2008, \$2,614 in 2009, \$1,757 in 2010, \$1,725 in 2011 and \$1,662 in 2012.

19. ACCOUNTING PRONOUNCEMENTS:

Effective September 30, 2007, the Company adopted the recognition and related disclosure provisions of SFAS No. 158 which amends SFAS No. 87, No. 88, No. 106 and No. 132(R). The provisions of the Statement are to be applied prospectively; therefore, prior periods presented have not been restated. Accordingly, the over-funded or under-funded status of defined benefit postretirement plans has been recognized on the balance sheet with a corresponding adjustment in other comprehensive income. In addition, gains or loss and prior service costs or credits that were not included as components of periodic benefit expense are recognized in other comprehensive income. As a result of the adoption of SFAS No. 158, the liability for pension and postretirement benefits increased approximately \$14,742, deferred tax assets increased approximately \$5,749 and equity (accumulated other comprehensive income) decreased by approximately \$8,993.

Further, SFAS No. 158 requires the Company to measure the plan assets and benefit obligations of defined benefit postretirement plans as of the date of its year-end balance sheet. This provision of the SFAS No. 158 is effective for public companies for fiscal years beginning after December 15, 2008. The Company currently measures plan assets and benefit obligations as of July 31 of each year. The Company is considering the implications of this provision and the feasibility of earlier adoption of this portion of the statement. Upon adoption, this provision is not expected to have a material effect on the financial statements.

In June 2006, FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Any resulting cumulative effect of applying the provisions of FIN 48 upon adoption will be reported as an adjustment to beginning retained earnings in the period of adoption. The Interpretation is effective for fiscal years beginning after December 15, 2006. The Company will adopt the provisions of FIN 48 in the first quarter of fiscal 2008. The Company is currently evaluating the impact of the adoption of FIN 48, and does not expect such adoption to have a material impact on the Company's consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, however, for non-financial assets and liabilities the effective date has been extended to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of the adoption of SFAS No. 157.

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 2007 and fiscal 2006.

	Quarter Ended				Year Ended September 30
	December 31	March 31	June 30	September 30	
	(Dollar amounts in thousands, except per share data)				
FISCAL YEAR 2007:					
Sales	\$ 175,424	\$ 202,979	\$ 185,477	\$ 185,472	\$ 749,352
Gross profit	64,934	74,207	69,418	71,898	280,457
Operating profit	24,184	31,645	21,129	34,866	111,824
Net income	13,971	18,501	12,029	20,225	64,726
Earnings per share	.44	.58	.38	.64	2.04
FISCAL YEAR 2006:					
Sales	\$ 170,109	\$ 181,068	\$ 181,804	\$ 182,910	\$ 715,891
Gross profit	61,197	66,947	70,289	73,500	271,933
Operating profit	22,418	29,061	30,523	31,882	113,884
Net income	12,907	16,852	17,706	18,979	66,444
Earnings per share	.40	.52	.55	.59	2.06

FINANCIAL STATEMENT SCHEDULE

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of period	Additions		Deductions	Balance at end of period
		Charged to expense	Charged to other accounts		
			(1)	(2)	
<u>Allowance for Doubtful Accounts:</u>					
Fiscal Year Ended:					
September 30, 2007	\$ 10,829	\$ 335	\$ 209	\$ (213)	\$ 11,160
September 30, 2006	10,547	474	890	(1,082)	10,829
September 30, 2005	7,717	398	3,209	(777)	10,547

- (1) Amount comprised principally of acquisitions and purchase accounting adjustments in connection with acquisitions.
 (2) Amounts determined not to be collectible, net of recoveries.

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, Independent Registered Public Accounting Firm, for the fiscal years ended September 30, 2007, 2006 and 2005.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures.

Based on their evaluation at the end of the period covered by this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

(b) Management's Report on Internal Control over Financial Reporting.

Management's Report on Internal Control over Financial Reporting is included in Management's Report to Shareholders in Item 8 of this Annual Report on Form 10-K.

(c) Attestation Report of the Registered Public Accounting Firm.

The Company's internal control over financial reporting as of September 30, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Annual Report on Form 10-K.

(d) Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS, OFFICERS and EXECUTIVE MANAGEMENT OF THE REGISTRANT.

In addition to the information reported in Part I of this Form 10-K, under the caption "Officers and Executive Management of the Registrant", the information required by this item as to the directors of the Company is hereby incorporated by reference from the information appearing under the captions "Proposal No. 1 – Elections of Directors", "General Information Regarding Corporate Governance – Audit Committee" and "Compliance with Section 16(a) of the Exchange Act" in the Company's definitive proxy statement, which involves the election of the directors and is to be filed with the Securities and Exchange Commission pursuant to the Exchange Act of 1934, as amended, within 120 days of the end of the Company's fiscal year ended September 30, 2007.

The Company's Code of Ethics Applicable to Executive Management is set forth in Exhibit 14.1 hereto.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item as to the compensation of directors and executive management of the Company is hereby incorporated by reference from the information appearing under the captions "Executive Compensation and Retirement Benefits" and "Director Compensation" in the Company's definitive proxy statement which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company's fiscal year ended September 30, 2007. The information contained in the "Compensation Committee Report" is specifically not incorporated herein by reference.

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

The information required by this item as to the ownership by management and others of securities of the Company is hereby incorporated by reference from the information appearing under the caption "Stock Ownership" in the Company's definitive proxy statement which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company's fiscal year ended September 30, 2007.

Equity Compensation Plans:

The Company has a stock incentive plan that provides for grants of incentive stock options, non-statutory stock options and restricted share awards in an aggregate number not to exceed 15% of the outstanding shares of the Company's common stock. The option price for each stock option that 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. Outstanding stock options are exercisable in various share amounts based on the attainment of appreciation of 10%, 33% and 60%, respectively, in the market value of the Company's common stock but, in the absence of such events, options granted in fiscal 2005 and prior are exercisable in full for a one-week period beginning five years from the date of grant. Options granted after fiscal 2006 will not allow for such one-week exercise period. In addition, options generally 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 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.

Under the Company's Director Fee Plan, directors who are not also officers of the Company each receive, as an annual retainer fee, either cash or shares of the Company's Class A Common Stock equivalent to \$30,000. Where the annual retainer fee is provided in shares, 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. Directors may also elect to receive the common stock equivalent of meeting fees credited to a deferred stock account. The value of deferred shares is recorded in other liabilities. Shares deferred under the Director Fee Plan at September 30, 2007, 2006 and 2005 were 48,697, 49,569 and 51,313, respectively. Directors who are not also officers of the Company each received an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of \$50,000 in fiscal 2007 and \$40,000 in fiscal 2006 and 2005. A total of 22,300 stock options have been granted under the plan. At September 30, 2007, 21,300 options were outstanding, of which 16,500 are vested. Additionally, 13,200 shares of restricted stock have been granted under the plan, all of which are unvested at September 30, 2007. The restricted shares generally vest two years after the date of issuance. As of November 13, 2007, a total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

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

The following table provides information about grants under the Company's equity compensation plans as of September 30, 2007:

Plan category	Equity Compensation Plan Information		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	
Equity compensation plans			
Approved by security holders:			
Stock Incentive Plan	2,100,577	\$33.60	2,557,997(1)
Employee Stock Purchase Plan	-	-	1,732,435(2)
Director Fee Plan	69,997	35.05	385,518(3)
Equity compensation plans not approved by security holders	None	None	None
Total	2,170,574	\$33.61	4,675,950

- (1) The aggregate number of shares available for grant under such plan cannot exceed 15% of the outstanding shares of the Company's common stock (4,658,574 shares at September 30, 2007) and includes up to 1,000,000 shares that can be issued as restricted stock under the Company's 1992 Stock Incentive Plan.
- (2) Shares under the Employee Stock Purchase Plan (the "Plan") are purchased in the open market by employees at the fair market value of the Company's stock. The Company provides a matching contribution of 10% of such purchases subject to certain limitations under the Plan. As the Plan is an open market purchase plan, it does not have a dilutive effect.
- (3) Shares of restricted stock may be issued under the Director Fee Plan. On November 13, 2007, the maximum number of shares authorized to be issued under the Director Fee Plan was reduced from 500,000 shares to 300,000 shares. As such, the number of securities remaining available for future issuance under the Director Fee Plan was 185,518 at November 13, 2007.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item as to certain relationships and transactions with management and other related parties of the Company is hereby incorporated by reference from the information appearing under the captions "Proposal No. 1 – Election of Directors" and "Certain Transactions" in the Company's definitive proxy statement, which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company's fiscal year ended September 30, 2007.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item as to the fees billed and the services provided by the principal accounting firm of the Company is hereby incorporated by reference from the information appearing under the caption "Relationship with Independent Registered Public Accounting Firm" in the Company's definitive proxy statement, which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act within 120 days of the end of the Company's fiscal year ended September 30, 2007.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:

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

	<u>Pages</u>
Management's Report to Shareholders	34
Report of Independent Registered Public Accounting Firm	35
Consolidated Balance Sheets as of September 30, 2007 and 2006	36-37
Consolidated Statements of Income for the years ended September 30, 2007, 2006 and 2005	38
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2007, 2006 and 2005	39
Consolidated Statements of Cash Flows for the years ended September 30, 2007, 2006 and 2005	40
Notes to Consolidated Financial Statements	41-62
Supplementary Financial Information	63

2. Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts is included on page 64 in Part II, Item 8 of this Annual Report on Form 10-K.

3. Exhibits Filed:

The index to exhibits is on pages 70-72.

(b) Reports on Form 8-K:

On July 20, 2007 Matthews filed a Current Report on Form 8-K under Item 2 in connection with a press release announcing its earnings for the third fiscal quarter of 2007.

On July 24, 2007 Matthews filed a Current Report on Form 8-K under Item 7 in connection with the settlement agreement with Yorktowne Caskets, Inc.

On July 27, 2007 Matthews filed a Current Report on Form 8-K under Item 1 in connection with the termination of the employment agreement with Martin J. Beck, President, Brand Solutions.

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 November 27, 2007.

MATTHEWS INTERNATIONAL CORPORATION
(Registrant)

By /s/Joseph C. Bartolacci
Joseph C. Bartolacci
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 November 27, 2007:

/s/Joseph C. Bartolacci
Joseph C. Bartolacci
President and Chief Executive Officer
(Principal Executive Officer)

/s/Steven F. Nicola
Steven F. Nicola
Chief Financial Officer, Secretary
and Treasurer (Principal Financial
and Accounting Officer)

/s/David M. Kelly
David M. Kelly, Chairman of the Board

/s/John P. O'Leary, Jr.
John P. O'Leary, Jr., Director

/s/David J. DeCarlo
David J. DeCarlo, Director

/s/Martin Schlatter.
Martin Schlatter, Director

/s/Glenn R. Mahone
Glenn R. Mahone, Director

/s/William J. Stallkamp
William J. Stallkamp, Director

/s/Robert G. Neubert
Robert G. Neubert, Director

/s/John D. Turner
John D. Turner, 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.

<u>Exhibit No.</u>	<u>Description</u>	<u>Prior Filing or Sequential Page Numbers Herein</u>
3.1	Restated Articles of Incorporation *	Exhibit Number 3.1 to Form 10-K for the year ended September 30, 1994
3.2	Restated By-laws *	Exhibit Number 99.1 to Form 8-K dated October 18, 2007
4.1 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
4.2	Form of Share Certificate for Class A Common Stock *	Exhibit Number 4.9 to Form 10-K for the year ended September 30, 1994
10.1	Revolving Credit Facility *	Exhibit Number 10.1 to Form 10-K for the year ended September 30, 2001
10.2	First Amendment to Revolving Credit Facility*	Exhibit Number 10.1 to Form 10-Q for the quarter ended March 31, 2004
10.3	Second Amendment to Revolving Credit Facility *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 2004
10.4	Third Amendment to Revolving Credit Facility	Filed Herewith
10.5 a	Supplemental Retirement Plan*	Exhibit Number 10.4 to Form 10-K for the year ended September 30, 2006
10.6 a	1992 Stock Incentive Plan (as amended through April 25, 2006) *	Exhibit Number 10.1 to Form 10-Q for the quarter ended March 31, 2006

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
10.7 a	Form of Stock Option Agreement *	Exhibit Number 10.1 to Form 10-Q for the quarter ended December 31, 1994
10.8 a	Form of Restricted Stock Agreement	Filed Herewith
10.9 a	1994 Director Fee Plan (as amended through November 13, 2007)	Filed Herewith
10.10 a	1994 Employee Stock Purchase Plan *	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1995
10.11 a	Key Employee Employment Agreement by and between The York Group, Inc. and Harry Pontone dated May 28, 2005 and effective July 11, 2005*	Exhibit Number 10.2 to Form 8-K dated July 14, 2005
10.12	Agreement and Plan of Merger By and Among Matthews International Corporation, Empire Merger Corp., and The York Group, Inc., dated as of May 24, 2001 *	Exhibit Number 10.3 to Form 8-K dated May 24, 2001
10.13	Asset Purchase Agreement between I.D.L. Incorporated and Hugh Andrew, L.P. and Big Red Rooster, Inc. and The Cloverleaf Group, L.P. and iDL shareholders and the BRR shareholders and The Cloverleaf Group, Inc. and Matthews International Corporation dated as of July 19, 2004*	Exhibit Number 10.1 to Form 10-Q for the quarter ended June 30, 2004
10.14	Share Sale and Purchase Agreement between Graeme Phillip King and Brian Ernest Tottman and Robert Greig Watkins and Geoffrey William Roberts and Helen M. King and Josephine Tottman and Sally R. Watkins and Jennifer R. Roberts and Matthews Holding Company (U.K.) Limited.*	Exhibit Number 10.11 to Form 10-K for the year ended September 30, 2004
10.15	Asset Purchase Agreement by and among The York Group, Inc., Midnight Acquisition Corporation, Milso Industries, Inc., Milso Industries, LLC, SBC Holding Corporation, the Shareholders identified therein and Matthews International Corporation*	Exhibit Number 10.1 to Form 8-K dated on July 14, 2005
14.1	Form of Code of Ethics Applicable to Executive Management *	Exhibit Number 14.1 to Form 10-K for the year ended September 30, 2004

INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
21	Subsidiaries of the Registrant	Filed Herewith
23	Consent of Independent Registered Public Accounting Firm	Filed Herewith
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci	Filed Herewith
31.2	Certification of Principal Financial Officer for Steven F. Nicola	Filed Herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Joseph C. Bartolacci	Filed Herewith
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Steven F. Nicola	Filed Herewith

Copies of any Exhibits will be furnished to shareholders upon written request. Requests should be directed to Mr. Steven F. Nicola, Chief Financial Officer, Secretary and Treasurer of the Registrant.



THIRD AMENDMENT TO LOAN AGREEMENT

Third Amendment to Loan Agreement, dated the 10th day of September, 2007, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as defined in the Loan Agreement (as hereinafter defined)), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as joint lead arranger and administrative agent for the Banks (in such capacity, the "Agent"), PNC Bank, National Association, a national banking association, in its capacity as joint lead arranger and syndication agent for the Banks (in such capacity, the "Syndication Agent"), and National City Bank, successor by merger to National City Bank of Pennsylvania, in its capacity as documentation agent for the Banks (in such capacity, the "Documentation Agent") (the "Third Amendment").

WITNESSETH:

WHEREAS, pursuant to that certain Loan Agreement, dated December 3, 2001, by and among the Borrower, the Banks, Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as agent for the Banks, and PNC Bank, National Association, a national banking association, in its capacity as the documentation agent for the Banks, as amended by that certain (i) First Amendment to Loan Agreement, dated April 21, 2004, by and among the Borrower, the Banks, Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as lead arranger and administrative agent for the Banks, PNC Bank, National Association, a national banking association, in its capacity as lead arranger and syndication agent for the Banks, and National City Bank of Pennsylvania, in its capacity as documentation agent for the Banks, and (ii) Second Amendment to Loan Agreement, dated February 8, 2005, by and among the Borrower, the Banks, Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as lead arranger and administrative agent for the Banks, PNC Bank, National Association, a national banking association, in its capacity as lead arranger and syndication agent for the Banks, and National City Bank of Pennsylvania, in its capacity as documentation agent for the Banks (as amended, the "Loan Agreement"), pursuant to which, among other things, the Banks agreed to extend a revolving credit facility to the Borrower in an aggregate principal amount not to exceed One Hundred Fifty Million and 00/100 Dollars (\$150,000,000.00); and

WHEREAS, the Borrower desires to amend certain provisions of the Loan Agreement and the Banks and the Agent desire to permit such amendments pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. All capitalized terms used herein which are defined in the Loan Agreement shall have the same meaning herein as in the Loan Agreement unless the context clearly indicates otherwise.

2. All references to "National City Bank of Pennsylvania" in the Loan Agreement and each of the other Loan Documents are hereby deleted in their entirety and in their stead is inserted the following:

National City Bank, successor by merger to National City Bank of Pennsylvania.

3. The Preamble of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

Agreement, dated the 3rd day of December, 2001, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as hereinafter defined), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as joint lead arranger and administrative agent for the Banks (in such capacity, the "Agent"), PNC Bank, National Association, a national banking association, in its capacity as joint lead arranger and syndication agent for the Banks (in such capacity, the "Syndication Agent"), and National City Bank, successor by merger to National City Bank of Pennsylvania, in its capacity as documentation agent for the Banks (in such capacity, the "Documentation Agent").

4. The reference to "One Hundred Fifty Million and 00/100 Dollars (\$150,000,000.00)" in the first "WHEREAS" clause of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following: "Two Hundred Twenty-Five Million and 00/100 Dollars (\$225,000,000.00)".

5. The reference to "Ten Million and 00/100 Dollars (\$10,000,000.00)" in the second "WHEREAS" clause of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following: "Twenty-Five Million and 00/100 Dollars (\$25,000,000.00)".

6. Section 1.01 of the Loan Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

"Refunded Swing Line Loans" shall mean as set forth in Section 2.02.1(d) hereof.

"Swing Line Lender" shall mean Citizens in its capacity as Swing Line Lender, or any Person serving as a successor Swing Line Lender hereunder.

"Swing Line Loan Facility" shall mean as set forth in Section 2.02.1(a) hereof.

"Swing Line Loans" shall mean the Loans made by the Swing Line Lender to the Borrower pursuant to Section 2.02.1 hereof.

"Swing Line Note" shall mean the Swing Line Note, made by the Borrower to the Swing Line Lender in the form of Exhibit "B.1" attached hereto and made a part hereof, as amended, modified or supplemented from time to time, together with all extensions, renewals, refinancings or refundings in whole or in part.

"Swing Line Rate" shall mean an interest rate per annum offered by the Swing Line Lender with respect to the Swing Line Loans, as determined in its sole discretion.

"Term Loan Commitment" shall mean, with respect to each Bank, the amount set forth on Schedule 1 attached hereto and made a part hereof as the amount of such Bank's commitment to make the Term Loan (subject to the terms and conditions of this Agreement). Schedule 1 shall be amended from time to time to reflect any changes to the Term Loan Commitment.

7. Section 1.01 of the Loan Agreement is hereby amended by deleting the following definitions in their entirety and in their stead inserting the following:

"Applicable Rate" shall mean, as of the date of determination, the Prime Rate plus the Applicable Prime Margin, the Libor Rate plus the Applicable Libor Margin, the Prime Rate, the Libor Rate plus four-tenths of one percent (.40%), or the Swing Line Rate, as the case may be.

"Commitment" shall mean, with respect to each Bank, the amount set forth on Schedule 1 attached hereto and made a part hereof as the amount of each Bank's commitment to make Revolving Credit Loans (and, in the case of the Swing Line Lender, Swing Line Loans) and participate in the issuance of Letters of Credit, as such amount may be modified from time to time pursuant to Section 8.17(A) hereof. Schedule 1 shall be amended from time to time to reflect modifications pursuant to Section 8.17(A) and any other changes to the Commitment of the Banks.

"Commitment Percentage" shall mean, with respect to each Bank, the percentage set forth on Schedule 1 attached hereto and made a part hereof as such Bank's percentage of the aggregate Commitments and the Term Loan Commitment (excluding the amount of the Swing Line Loan Facility) of all of the Banks, as such percentage may be changed from time to time in accordance with the terms and conditions of this Agreement. Schedule 1 shall be amended from time to time to reflect any changes to the Commitment Percentages.

"Expiry Date" shall mean September 10, 2012.

"Loan" or "Loans" shall mean, singularly or collectively, as the context may require, the Revolving Credit Loans, the Term Loan, if any, the Swing Line Loans and any other credit to the Borrower extended by any Bank in accordance with Article II hereof as evidenced by the Notes, as the case may be.

"Majority Banks" shall mean, (i) if there are no Loans (excluding Swing Line Loans) outstanding or Letters of Credit Outstanding, any group of Banks constituting the majority of the total number of Banks whose Commitment Percentages aggregate at least fifty-one percent (51%) of the Total Commitment Amount or, (ii) if there are Loans (excluding Swing Line Loans) outstanding and/or Letters of Credit Outstanding, any group of Banks constituting the majority of the total number of Banks if the sum of the Loans (excluding Swing Line Loans) outstanding and Letters of Credit Outstanding of such Bank or Banks aggregates at least fifty-one percent (51%) of the total principal amount of all of such Loans (excluding Swing Line Loans) and Letters of Credit Outstanding.

"Note" or "Notes" shall mean, singularly or collectively as the context may require, the Revolving Credit Notes, the Term Notes (if any), the Swing Line Note and any other note of the Borrower executed and delivered pursuant to this Agreement, as any such note may be amended, modified or supplemented from time to time, together with all extensions, renewals, refinancings or refundings in whole or in part.

"Revolving Credit Facility Commitment" shall mean the difference of (i) Two Hundred Twenty-Five Million and 00/100 Dollars (\$225,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof, minus (ii) the outstanding principal amount of the Term Loan, if any.

"Term Loan" shall mean that as set forth in Section 2.02(a).

"Total Commitment Amount" shall mean the obligation of the Banks hereunder to make Loans (other than Swing Line Loans) and to issue Letters of Credit up to the maximum aggregate principal amount of Two Hundred Twenty-Five Million and 00/100 Dollars (\$225,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof.

8. Section 1.01 of the Loan Agreement is hereby amended by deleting the following definition in its entirety:

"Invested Funds"

9. The first sentence of Section 2.01(a) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

Subject to the terms and conditions and relying upon the representations and warranties set forth in this Agreement, the Notes and the other Loan Documents, the Banks severally (but not jointly) agree to make loans in either Dollars or one or more Optional Currencies (the "Revolving Credit Loans") to the Borrower at any time or from time to time on or after the Closing Date and to and including the Business Day immediately preceding the Expiry Date in an aggregate Dollar Equivalent principal amount which, when combined with the aggregate principal amount of all Swing Line Loans outstanding and the amount of aggregate Letters of Credit Outstanding, shall not exceed at any one time outstanding the Revolving Credit Facility Commitment; provided, however, that (i) no Bank shall be required to make Revolving Credit Loans (or participate in the issuance of Letters of Credit) in an aggregate Dollar Equivalent principal amount outstanding at any one time exceeding the difference of (a) such Bank's Commitment minus (b) the outstanding principal amount of the Term Loan made by such Bank, if any, (ii) no Prime Rate Loan shall be made in an Optional Currency, and (iii) after giving effect to any Revolving Credit Loan denominated in Optional Currencies the Dollar Equivalent amount of all such Revolving Credit Loans shall not exceed Seventy-Five Million and 00/100 Dollars (\$75,000,000.00).

10. Section 2.01(d) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(d) Maximum Principal Amount of Revolving Credit Loans and Letters of Credit Outstanding. The sum of the aggregate Dollar Equivalent principal amount of all Revolving Credit Loans outstanding, the sum of the aggregate principal amount of all Swing Line Loans outstanding and the aggregate Letters of Credit Outstanding shall not exceed the amount of the Revolving Credit Facility Commitment subject to Section 2.21. The Borrower agrees that if at any time the sum of the aggregate Dollar Equivalent principal amount of all Revolving Credit Loans outstanding, the sum of the aggregate principal amount of all Swing Line Loans outstanding and the aggregate Letters of Credit Outstanding exceeds the amount of the Revolving Credit Facility Commitment (the "Excess Amount"), the Borrower shall promptly, but in no event later than one Business Day thereafter, pay to the Agent (for the ratable benefit of the Banks) such Excess Amount. If not sooner paid, the entire principal balance of all outstanding Revolving Credit Loans, together with all unpaid accrued interest thereon, and all other sums and costs owed to the Agent and the Banks by the Borrower pursuant to this Agreement, shall be immediately due and payable on the Expiry Date, without notice, presentment or demand of any kind.

11. Section 2.02 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

2.02 Term Loan

(a) Conversion Option. Upon the written request (the "Term Loan Notice") by the Borrower received by the Agent at any one (1) time prior to September 10, 2011, and so long as no Potential Default or Event of Default has occurred, the Borrower may convert (the "Conversion Option") a portion of the outstanding principal balance of the Revolving Credit Loans which are denominated in Dollars in an amount not to exceed Fifty Million and 00/100 Dollars (\$50,000,000.00) (the "Term Amount") into a term loan which will be denominated in Dollars (the "Term Loan"). Such conversion shall be effective on the first (1st) day of the first (1st) full calendar month following the Agent's receipt of such written request so long as such written request was received at least five (5) Business Days prior to the effective date of such conversion and the Borrower executes and delivers to the Agent a Term Note for each Bank in the amount of each Bank's Pro Rata Share.

(b) Nature of Term Loan. Upon repayment of any amount of principal or interest on the Term Loan by the Borrower, the Borrower may not reborrow under this Section 2.02.

(c) Term Notes. The joint and several obligations of the Borrower to repay the unpaid principal amount of the Term Loan made to the Borrower by each Bank and to pay interest therein shall be evidenced in part by the Term Notes of the Borrower. Each Term Note shall be payable to the order of a Bank in a principal amount equal to such Bank's Pro Rata Share with respect to the Term Loan. The executed Term Notes will be delivered by the Borrower to the Banks on the effective date of the Conversion Option.

(d) Term Loan Interest Rate Options.

(i) The Borrower may, subject to the terms and conditions of this Agreement, convert all or a portion of the Term Loan which is a Libor Rate Loan(s) into a Prime Rate Loan as set forth in Section 2.02(d)(ii). In addition, the Borrower may, subject to the terms and conditions of this Agreement, convert all or a portion of the Term Loan that is a Prime Rate Loan into a Libor Rate Loan in accordance with this Section 2.02(d)(i). Any portion of the Term Loan that is converted from a Prime Rate Loan into a Libor Rate Loan shall be converted, and shall begin to accrue interest with reference to the Libor Rate, on such Business Day, in such amount (greater than or equal to One Million and 00/100 Dollars (\$1,000,000.00)); provided, however, that any amount in excess of One Million and 00/100 Dollars (\$1,000,000.00) may only be in increments of Five Hundred Thousand and 00/100 Dollars (\$500,000.00), and with such an Interest Period as an Authorized Representative of the Borrower shall request by written or telephonic notice

(confirmed promptly, but in no event later than one (1) Business Day thereafter, in writing) received by the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the third (3rd) Business Day prior to the requested date of conversion into such Libor Rate Loan. In addition, in the event that the Borrower desires to renew the portion of the Term Loan that is a Libor Rate Loan for an additional Interest Period, an Authorized Representative of the Borrower shall provide the Agent with written or telephonic notice (confirmed promptly, but in no event later than one (1) Business Day thereafter, in writing) thereof on or before 10:00 a.m. (Pittsburgh, Pennsylvania time) on the third (3rd) Business Day prior to the expiration of the applicable Interest Period. In the event that the Borrower fails to provide the Agent with the required written or telephonic notice (confirmed promptly, but in no event later than one (1) Business Day thereafter, in writing) prior to 10:00 a.m. (Pittsburgh, Pennsylvania time) on the third (3rd) Business Day prior to the expiration of the applicable Interest Period for a Libor Rate Loan, the Borrower shall be deemed to have given notice that such portion of the Term Loan shall be converted into a Prime Rate Loan on the last day of the applicable Interest Period. Each written notice of any Libor Rate Loan shall be irrevocable and binding on the Borrower and the Borrower shall indemnify the Agent and the Banks against any loss or expense incurred by the Banks as a result of any failure by the Borrower to consummate such transaction calculated as set forth in Section 2.12(c) hereof.

(ii) The Borrower shall have the option, subject to the terms and conditions of this Agreement, to convert a portion of the Term Loan that is a Prime Rate Loan into a Libor Rate Loan as set forth in Section 2.02(d)(i); provided, however, that no portion of the outstanding principal amount of any Libor Rate Loan may be renewed as or converted into a Libor Rate Loan of a different duration if such Libor Rate Loan relates to any Hedging Obligations. Any portion of the Term Loan that is converted from a Libor Rate Loan into a Prime Rate Loan shall be converted, and shall begin to accrue interest with reference to the Prime Rate, on such Business Day and in such amount as an Authorized Representative of the Borrower shall request by written or telephonic notice (confirmed promptly, but in no event later than one (1) Business Day thereafter, in writing) received by the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the Business Day of the requested conversion of such portion of the Term Loan into a Prime Rate Loan.

(iii) Upon receipt of a Term Loan Notice or a request to renew or convert an interest rate option with respect to the Term Loan, the Agent shall promptly advise each of the Banks of its receipt of the Term Loan Notice or the request to renew or convert an interest rate option with respect thereto, the amount of the Term Loan, the Interest Period thereof, as applicable, and the Bank's Pro Rata Share of the Term Loan.

(e) Payments of Principal and Maturity. If the Borrower notifies the Agent in the Term Loan Notice that it elects to make quarterly principal payments with respect to the Term Loan then, subject to the terms and conditions of this Agreement, commencing on the last day of the first (1st) Fiscal Quarter immediately following the first (1st) day of the Term Loan, and on the last day of each successive Fiscal Quarter thereafter through and including the Expiry Date, the Borrower shall make equal quarterly principal payments in Dollars to the Agent for the ratable account of the Banks in such amount as the Agent shall advise the Borrower prior to or on the first (1st) day of a Term Loan (such amount shall be an amount which will result in a level principal payment necessary to amortize the principal balance of the Term Loan over a period selected by the Borrower; provided, however, that such amortization period shall not exceed five (5) years), plus accrued interest as set forth in Section 2.04 hereof. Subject to the terms and conditions of this Agreement, all unpaid principal, accrued interest and all other sums and costs incurred by the Agent and the Banks pursuant to this Agreement with respect to the Term Loan shall be immediately due and payable on the Expiry Date without notice, presentment or demand of any kind.

12. The following is added as new Section 2.02.1 of the Loan Agreement:

2.02.1 Swing Line Loan Facility.

(a) Swing Line Loans. Subject to the terms and conditions and relying upon the representations and warranties set forth in this Agreement and the other Loan Documents, the Swing Line Lender may, in its sole and absolute discretion, make available to the Borrower at any time and from time to time during the period from the Closing Date through and including the Business Day immediately preceding the earlier of (i) the date upon which the aggregate unpaid principal balance of the Swing Line Loans become due and payable by demand or (ii) the Expiry Date, by making Swing Line Loans to the Borrower in Dollars in an aggregate principal amount not exceeding at any one time outstanding Twenty-Five Million and 00/100 Dollars (\$25,000,000.00) (the "Swing Line Loan Facility"); provided, however, that the aggregate principal amount of the Swing Line Lender's Swing Line Loans outstanding, the Dollar Equivalent principal amount of all Revolving Credit Loans outstanding of all the Banks and the aggregate Letters of Credit Outstanding at any one time shall not exceed the aggregate amount of the Revolving Credit Facility Commitment subject to Section 2.21. If not sooner paid, each Swing Line Loan, all unpaid interest thereon and all other sums and costs incurred hereunder with respect to such Swing Line Loan shall be immediately due and payable on the earlier of (i) thirty (30) Business Days from the date such Swing Line Loan was made, (ii) demand or (iii) the Expiry Date, without notice, presentment or demand (unless payable by demand). Within the limits of time and amount set forth in this Section 2.03.1, and subject to the provisions of this Agreement including, without limitation, the Swing Line Lender's right to demand repayment of the Swing Line Loans at any time with or without the occurrence of an Event of Default, Borrower may borrow, repay and reborrow under this Section 2.02.1.

(b) Swing Line Note. The obligation of the Borrower to repay the unpaid principal amount of the Swing Line Loans made to the Borrower by the Swing Line Lender and to pay interest on the unpaid principal amount thereof will be evidenced in part by the Swing Line Note of the Borrower. The executed Swing Line Note will be delivered by Borrower to the Swing Line Lender on September 10, 2007.

(c) Making Swing Line Loans. Subject to the terms and conditions set forth in this Agreement and the other Loan Documents, and provided that the Borrower has satisfied all applicable conditions specified in Article IV hereof, the Swing Line Lender may, in its sole and absolute discretion, make Swing Line Loans to the Borrower on such Business Day and in such amount as an Authorized Representative of the Borrower shall request by written or telephonic notice (confirmed promptly, but in no event later than one (1) Business Day thereafter in writing) received by the Swing Line Lender no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the date of requested disbursement of the Swing Line Loan. Subject to the terms and conditions of this Agreement, on each borrowing date, the Swing Line Lender shall make the proceeds of the Swing Line Loan available to the Borrower at the Swing Line Lender's Office in immediately available funds not later than 2:00 p.m., Pittsburgh, Pennsylvania time. The Swing Line Lender shall give notice to the Agent no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) of the next Business Day or such other time as the Agent and the Swing Line Lender may agree of the amount of each such Swing Line Loan.

(d) Refunded Swing Line Loans. With respect to any Swing Line Loans, the Swing Line Lender may, at any time in its sole and absolute discretion, deliver to the Agent (with a copy to the Borrower), no later than 10:00 a.m. (Pittsburgh, Pennsylvania time) on the first (1st) Business Day immediately preceding the proposed date of disbursement, a notice (which shall be deemed to be a notice of borrowing given by an Authorized Representative) requesting the Banks to make Revolving Credit Loans that are Prime Rate Loans on such date in an amount equal such portion of the Swing Line Loans outstanding as the Swing Line Lender may request in its sole and absolute discretion plus, if the Swing Line Lender so requests, accrued interest thereon, (the "Refunded Swing Line Loans"). Anything contained in this Agreement to the contrary notwithstanding, (i) the proceeds of such Revolving Credit Loans made by Banks other than the Swing Line Lender shall be immediately delivered by the Agent to the Swing Line Lender (and not to the Borrower) and applied to repay a corresponding portion of the Refunded Swing Line Loans and (ii) on the day such Revolving Credit Loans are made, the Swing Line Lender's Pro Rata Share of the Refunded Swing Line Loans shall be deemed to be paid with the proceeds of a Revolving Credit Loan made by the Swing Line Lender, and such portion of the Swing Line Loans deemed to be so paid shall no longer be outstanding as Swing Line Loans and shall no longer be due under the Swing Line Note of the Swing Line Lender but shall instead constitute part of the Swing Line Lender's outstanding Revolving Credit Loans and shall be due under the Revolving Credit Note of the Swing Line Lender.

Anything contained herein to the contrary notwithstanding, each Bank's obligation to make Revolving Credit Loans for the purpose of repaying any Refunded Swing Line Loans pursuant to the immediately preceding paragraph shall be absolute and unconditional and shall not be affected by any circumstance, including (a) any set-off, counterclaim, recoupment, defense or other right which such Bank may have against the Swing Line Lender, the Borrower or any other Person for any reason whatsoever; (b) the occurrence or continuation of an Event of Default or a Potential Default; (c) any Material Adverse Change; (d) any breach of this Agreement or any other Loan Document by the Borrower; or (e) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing; provided that such obligations of each Bank are subject to the condition that (X) the Swing Line Lender believed in good faith that all conditions under Article IV to the making of the applicable Swing Line Loans were satisfied at the time such Swing Line Loans were made or (Y) the satisfaction of any such condition not satisfied had been waived in writing by the Banks prior to or at the time such Swing Line Loans were made; provided, further, that no Bank shall be obligated in any event to make Revolving Credit Loans in excess of its Commitment less its Pro Rata Share of the Letters of Credit Outstanding.

13. Section 2.03(a) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(a) Interest on the Loans. Subject to the terms and conditions of this Agreement, the aggregate outstanding principal balance of the Revolving Credit Loans shall be, at the option of the Borrower as selected pursuant to Section 2.01(c) hereof, (x) Prime Rate Loans which shall bear interest for each day at the rates set forth below or (y) Libor Rate Loans which shall bear interest during each applicable Interest Period at the rates set forth below:

(i) Subject to the terms and conditions of this Agreement, on the date of this Amendment and through the day immediately preceding the first (1st) Incentive Pricing Effective Date, (x) Revolving Credit Loans which are Prime Rate Loans shall bear interest for each day at a rate per annum equal to the Prime Rate plus the applicable margin corresponding to Tier I as set forth below and (y) Revolving Credit Loans which are Libor Rate Loans shall bear interest during each applicable interest period at a rate per annum equal to the Libor Rate plus the Applicable Libor Margin corresponding to Tier I set forth below;

(ii) Subject to the terms and conditions of this Agreement, during each Fiscal Quarter, in accordance with Section 5.01(b) hereof, the Borrower shall submit to the Agent and the Banks quarterly financial statements (the Fiscal Quarter in which such financial statements are required to be received by the Agent and the Banks is the "Reporting Quarter") as of the last day of the Fiscal Quarter immediately preceding such Reporting Quarter (with respect to any Reporting Quarter, the Fiscal Quarter immediately preceding such Reporting Quarter is the "Measurement Quarter"). Upon receipt of such quarterly financial statements by the Agent and the Banks in accordance with Section 5.01(b), the Borrower's Leverage Ratio shall be calculated as of the last day of the Measurement Quarter ending June 30, 2007 and as of the last day of each Measurement Quarter thereafter. From the first (1st) day of the first (1st) full calendar month following the Agent's and the Bank's receipt of such quarterly financial statements (the "Incentive Pricing Effective Date") until the next Incentive Pricing Effective Date, (x) Revolving Credit Loans which are Prime Rate Loans shall bear interest for each day at a rate per annum equal to the Prime Rate plus the applicable margin determined by reference to the Borrower's Leverage Ratio as set forth below (the "Applicable Prime Margin") and (y) Revolving Credit Loans which are Libor Rate Loans shall bear interest during each applicable Interest Period at a rate per annum equal to the Libor Rate plus the applicable margin determined by reference to the Borrower's Leverage Ratio as set forth below (the "Applicable Libor Margin"):

<u>Tier</u>	<u>Leverage Ratio</u>	<u>Applicable Libor Margin</u>	<u>Applicable Prime Margin</u>	<u>Applicable L/C Fee Percentage</u>	<u>Applicable Commitment Fee Percentage</u>
I	< 1.00	0.40%	0.00%	0.40%	0.15%
II	³ 1.00 < 1.50	0.60%	0.00%	0.60%	0.20%
III	³ 1.50	0.80%	0.25%	0.80%	0.25%

(iii) Subject to the terms and conditions of this Agreement, in the event that the Borrower fails to timely deliver the financial statements required by Section 5.01(b) hereof, the Applicable Margin shall be the amount corresponding to Tier III until the delivery of such financial statements.

Subject to the terms and conditions of this Agreement, the aggregate outstanding principal balance of the Term Loan shall be, at the option of the Borrower as selected pursuant to Section 2.02(d) hereof, (x) Prime Rate Loans which shall bear interest for each day at the Prime Rate or (y) Libor Rate Loans which shall bear interest during each applicable Interest Period at the Libor Rate plus four-tenths of one percent (.40%).

Subject to the terms and conditions of this Agreement, the aggregate outstanding principal balance of the Swing Line Loans shall bear interest for each day at the Swing Line Rate.

14. Section 2.03(b) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(b) Calculation of Interest and Fees; Adjustment to Prime Rate and Swing Line Rate. Interest on the Loans, unpaid fees and other sums payable hereunder shall be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed; provided that, for Revolving Credit Loans made in an Optional Currency for which a three hundred sixty five (365) day basis is the only market practice available to the Agent, such rate shall be calculated on the basis of a year of three hundred sixty five (365) or three hundred sixty six (366) days, as the case may be, for the actual days elapsed. In the event of any change in the Prime Rate or the Swing Line Rate, the rate of interest applicable to each Prime Rate Loan or the Swing Line Loans shall be adjusted to immediately correspond with such change; provided, however, that any interest rate charged hereunder shall not exceed the Maximum Rate.

15. The following is added at the end of Section 2.04 of the Loan Agreement:

The Borrower shall pay to the Swing Line Lender interest on the unpaid principal balance of the aggregate outstanding balance of the Swing Line Loans in arrears, on October 1, 2007 and on the first day of each January, April, July and October thereafter through and including the Expiry Date.

16. Section 2.05(i) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(i) A commitment fee in Dollars on the unused portion of the amount of the Revolving Credit Facility Commitment during the period from the date of this Agreement to the Expiry Date, payable quarterly in arrears beginning on January 1, 2002 and continuing on the first (1st) day of each April, July, October and January thereafter and on the Expiry Date. Such fee shall be calculated daily, and shall equal the amount by which the amount of the Revolving Credit Facility Commitment has exceeded the closing principal balance of the sum of the outstanding Dollar Equivalent principal balance of the Revolving Credit Loans (for purposes of this Computation the Swing Line Lender's Swing Line Loans shall be deemed to be borrowed amounts under its Revolving Credit Commitment) and the Letters of Credit Outstanding on each day, multiplied by the applicable percentage with respect to commitment fees for such day determined by reference to the Borrower's Leverage Ratio as set forth in set forth in Section 2.03(a)(ii) hereof (the "Applicable Commitment Fee Percentage"); and

17. The first sentence of Section 2.06 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

From time to time during the period from the Closing Date to the fifteenth (15th) day preceding the Expiry Date, subject to the further terms and conditions hereof, including those required in connection with the making of Revolving Credit Loans, the Agent shall issue Standby Letters of Credit or Commercial Letters of Credit (collectively the "Letters of Credit") for the account of the Borrower in an amount not to exceed Ten Million and 00/100 Dollars (\$10,000,000.00) in the aggregate as a subfacility of the Revolving Credit Facility Commitment; provided, however, that on any date on which the Borrower requests a Letter of Credit, and after giving effect to the Letter of Credit Face Amount of such Letter of Credit, the sum of all Revolving Credit Loans outstanding, the sum of all Swing Line Loans outstanding and the Letters of Credit Outstanding shall not exceed the Revolving Credit Facility Commitment.

18. The first sentence of Section 2.21 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

If at any time after September 10, 2007, and so long as no Event of Default or Potential Default has occurred and is continuing, the Borrower desires to increase the Revolving Credit Facility Commitment, (each, an "Additional

Increase") the Borrower shall notify the Agent in writing, who will promptly notify each Bank thereof, provided that any such Additional Increase shall be in a minimum of Ten Million and 00/100 Dollars (\$10,000,000.00) and the aggregate of all such Additional Increases shall not exceed Fifty Million and 00/100 Dollars (\$50,000,000.00).

19. Section 8.17(A) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

A. Assignment/Transfer of Commitments/Term Loan Commitments.

Each Bank shall have the right at any time or times to assign or transfer to an Eligible Assignee or any affiliate of such Bank, without recourse, all or a portion of (a) that Bank's Commitment or Term Loan Commitment, if any, (b) all Loans made by that Bank, (c) that Bank's Notes, and (d) that Bank's participation in Letters of Credit and that Bank's participation purchased pursuant to Section 7.04; provided, however, in each such case, that the transferor and the transferee shall have complied with the following requirements:

20. Section 8.17(A)(iii) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(iii) Minimum Amount. No transfer may be consummated pursuant to this Section 8.17(A) (other than a transfer by any Bank to an affiliate of such Bank) in an aggregate amount less than (a) Five Million and 00/100 Dollars (\$5,000,000.00) or (b) if such Bank's Commitment and/or Term Loan Commitment, if any, is at any time less than Five Million and 00/100 Dollars (\$5,000,000.00), the entire amount of such Bank's Commitment and/or Term Loan Commitment, if any.

21. Section 8.17(B) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

B. Participations.

Each Bank shall have the right at any time or times, without the consent of any other party, to sell one or more participations or sub-participations to one or more financial institutions or any affiliate of such Bank, in all or any part of (a) that Bank's Commitment or Term Loan Commitment, if any, (b) that Bank's Commitment Percentage, (c) any Loan made by that Bank, (d) any Note delivered to that Bank pursuant to this Agreement and (e) that Bank's participations, if any, purchased pursuant to Section 7.04 or this Section 8.17(B).

22. Schedule 1 to the Loan Agreement is hereby deleted in its entirety and replaced by Schedule 1 attached hereto.

23. Exhibit B to the Loan Agreement is hereby deleted in its entirety and replaced by Exhibit B attached hereto.

24. The Loan Agreement is hereby amended by inserting as Exhibit B.1 to the Loan Agreement in the appropriate order the Exhibit B.1 attached hereto.

25. Exhibit C to the Loan Agreement is hereby deleted in its entirety and replaced by Exhibit C attached hereto.

26. The provisions of Section 2 through 25 of this Third Amendment shall not become effective until the Agent has received the following, each in form and substance acceptable to the Agent:

- (a) this Third Amendment, duly executed by the Borrower and the Banks;
- (b) the documents listed in the Preliminary Closing Checklist set forth on Exhibit A attached hereto and made a part hereof; and
- (c) such other documents as may be reasonably requested by the Agent.

27. The Borrower hereby reconfirms and reaffirms all representations and warranties, agreements and covenants made by and pursuant to the terms and conditions of the Loan Agreement, except as such representations and warranties, agreements and covenants may have heretofore been amended, modified or waived in writing in accordance with the Loan Agreement, and except any such representations or warranties made as of a specific date or time, which shall have been true and correct in all material respects as of such date or time.

28. The Borrower acknowledges and agrees that each and every document, instrument or agreement which at any time has secured payment of the Borrower's Indebtedness under the Loan Agreement including, but not limited to, (i) the Loan Agreement and (ii) the Guaranty Agreements continue to secure prompt payment when due of the Borrower's Indebtedness under the Loan Agreement.

29. The Borrower hereby represents and warrants to the Banks and the Agent that (i) the Borrower has the legal

power and authority to execute and deliver this Third Amendment; (ii) the officers of the Borrower executing this Third Amendment have been duly authorized to execute and deliver the same and bind the Borrower with respect to the provisions hereof; (iii) the execution and delivery hereof by the Borrower and the performance and observance by the Borrower of the provisions hereof and of the Loan Agreement and all documents executed or to be executed therewith, do not violate or conflict with the organizational documents of the Borrower or any Law applicable to the Borrower or result in a breach of any provision of or constitute a default which would have a Material Adverse Effect under any other agreement, instrument or document binding upon or enforceable against the Borrower and (iv) this Third Amendment, the Loan Agreement and the documents executed or to be executed by the Borrower in connection herewith or therewith constitute valid and binding obligations of the Borrower in every respect, enforceable in accordance with their respective terms.

30. The Borrower represents and warrants that (i) no Event of Default exists under the Loan Agreement, nor will any occur as a result of the execution and delivery of this Third Amendment or the performance or observance of any provision hereof; (ii) the Schedules attached to and made part of the Loan Agreement are true and correct as of the date hereof in all material respects and there are no material modifications or supplements thereto; and (iii) it presently has no claims or actions of any kind at law or in equity against the Banks or the Agent arising out of or in any way relating to the Loan Agreement or the other Loan Documents.

31. Each reference to the Loan Agreement that is made in the Loan Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Loan Agreement as amended hereby.

32. The agreements contained in this Third Amendment are limited to the specific agreements made herein. Except as amended hereby, all of the terms and conditions of the Loan Agreement shall remain in full force and effect. This Third Amendment amends the Loan Agreement and is not a novation thereof.

33. This Third Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

34. This Third Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles or the conflicts thereof. The Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this Third Amendment.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto, have caused this Third Amendment to be duly executed by their duly authorized officers on the day and year first above written.

ATTEST

Borrower:
Mathews International Corporation

By:
Name:
Title:

By: _____
Name: _____
Title: _____

Citizens Bank of Pennsylvania, as Agent and for itself as a Bank

By: _____
Name: _____
Title: _____

PNC Bank, National Association, as Syndication Agent and for itself as a Bank

By: _____
Name: _____
Title: _____

National City Bank, as Documentation Agent and for itself as a Bank

By: _____
Name: _____
Title: _____

- -

EXHIBIT A

Preliminary Closing Checklist

See Attached
Schedule 1

Schedule of Banks and Commitments

<u>Bank</u>	<u>Commitment For Revolving Credit</u> <u>Loans</u>	<u>Commitment for Term</u> <u>Loan</u>	<u>Commitment Percentage</u>
Citizens Bank of Pennsylvania 525 William Penn Place Pittsburgh, PA 15219 Attn: Dwayne Finney	\$90,000,000.00	\$20,000,000.00	40%
PNC Bank, National Association One PNC Plaza 249 Fifth Avenue Pittsburgh, PA 15222 Attn: David G. Schaich	\$90,000,000.00	\$20,000,000.00	40%
National City Bank National City Center 20 Stanwix Street Pittsburgh, PA 15222 Attn: Debra W. Riefner	\$45,000,000.00	\$10,000,000.00	20%
Total Commitment Amount	\$225,000,000.00	\$50,000,000.00	100%

EXHIBIT B.1

Form of Swing Line Note

See Attached

**MATTHEWS INTERNATIONAL CORPORATION
1992 Stock Incentive Plan (as amended through April 25, 2006)
Restricted Share Agreement For Employees**

MATTHEWS INTERNATIONAL CORPORATION, a Pennsylvania corporation (the "Corporation"), and _____, an eligible employee of the Corporation or one of its Subsidiaries (the "Awardee"), for good and valuable consideration the receipt and adequacy of which are hereby acknowledged and intending to be legally bound hereby, agree as follows:

1. Stock Award. The Corporation hereby confirms the award to the Awardee of _____ shares of Class A Common Stock, par value \$1.00 per share, of the Corporation (the "Class A Common Stock") under and subject to the terms and conditions of the Corporation's 1992 Stock Incentive Plan (as amended through April 25, 2006) (the "Plan") and this Agreement (the "Restricted Stock"). The Plan is incorporated by reference and made a part of this Agreement as though set forth in full herein. Terms which are capitalized but not defined in this Agreement have the same meaning as in the Plan unless the context otherwise requires. This Restricted Stock award shall be effective as of November 12, 2007 (the "Effective Date"), provided that this Agreement is executed by the Awardee and delivered to the Corporation. As of the Effective Date, the Awardee shall be a shareholder of the Corporation with respect to the Restricted Stock and shall have all the rights of a shareholder with respect to the Restricted Stock, including the right to vote the Restricted Stock and to receive all dividends and other distributions paid with respect to the Restricted Stock, subject to the restrictions of the Plan and this Agreement.

2. Acceptance of Restricted Share Award. The Awardee accepts the award of the Restricted Stock confirmed hereby, subject to the restrictions of the Plan and this Agreement.

3. Performance-Based Restrictions. The restrictions set forth in this Section 3 shall apply with respect to _____ (_____) shares of the Restricted Stock (the "Performance Restricted Stock").

A. General. If (i) the Awardee remains continuously employed with the Corporation and its Subsidiaries until the date(s) described in the following table (the "Performance Vesting Date(s)"), (ii) the shares of Performance Restricted Stock set forth in the table with respect to each respective Performance Vesting Date have not been previously forfeited to the Corporation pursuant to Section 5, and (iii) the restrictions imposed under this Agreement on such shares have not previously lapsed pursuant to Section 6, the restrictions imposed on the following respective numbers of shares of the Performance Restricted Stock shall lapse (except for the restriction set forth in Section 5 for the period set forth in Section 5), such shares shall become vested, and the Corporation shall instruct its transfer agent that such shares are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock, as of the following respective date(s):

Performance Vesting Dates

Number of Shares of Performance Restricted Stock on Which the Restrictions Shall Lapse and Which Shall Vest

(a) The first date, if any, prior to November 12, 2012 on which the fair market value per share of the Class A Common Stock has equaled or exceeded \$48.09 for a period of ten (10) consecutive trading days;

[Insert 1/3 of the number of shares of the Performance Restricted Stock]

(b) The first date, if any, prior to November 12, 2012 on which the fair market value per share of the Class A Common Stock has equaled or exceeded \$54.65 for a period of ten (10) consecutive trading days; and

[Insert 1/3 of the number of shares of the Performance Restricted Stock]

(c) The first date, if any, prior to November 12, 2012 on which the fair market value per share of the Class A Common Stock has equaled or exceeded \$61.21 for a period of ten (10) consecutive trading days.

[Insert 1/3 of the number of shares of the Performance Restricted Stock]

If any event described in Section 8 of the Plan occurs, the Committee shall make such adjustments to the amounts set forth in (a) – (c) above as it deems appropriate and equitable to prevent the dilution or enlargement of the rights of the Awardee under this Agreement.

The fair market value per share of the Class A Common Stock for purposes of this Agreement shall be determined under Section 5(H) of the Plan, and such fair market value per share of the Class A Common Stock on the Effective Date is \$43.715. If the Awardee's employment with the Corporation and its Subsidiaries terminates prior to a Performance Vesting Date for any reason other than as a result of the Awardee's death or permanent disability (as defined in Section 3.B.), voluntary termination of the Awardee's employment with the consent of the Corporation (with such a voluntary termination by the Awardee requiring the written consent of the Committee or, in the case of an awardee other than the Chief Executive Officer of the Corporation, such Chief Executive Officer) (a "Voluntary Termination With Consent"), or the Awardee's retirement under any retirement plan of the Corporation or one of its Subsidiaries, and the employment and stock performance restrictions with respect to such Performance Vesting Date have not previously lapsed pursuant to Section 6, the shares of the Performance Restricted Stock set forth in the table above in this Section 3.A. with respect to such Performance Vesting Date which have not been previously forfeited to the Corporation pursuant to Section 5 shall, upon such termination of employment and without any further action, be forfeited to the

Corporation by the Awardee and cease to be issued and outstanding shares of the Class A Common Stock of the Corporation. Any shares of the Performance Restricted Stock (i) which have not been previously forfeited to the Corporation pursuant to Section 5 or the immediately preceding sentence, (ii) for which the employment and stock performance restrictions have not previously lapsed pursuant to Section 6, and (iii) which have not vested prior to November 12, 2012 pursuant to the foregoing table shall, on November 12, 2012 and without any further action, be forfeited to the Corporation by the Awardee and cease to be issued and outstanding shares of the Class A Common Stock of the Corporation.

B. Certain Terminations of Employment. If the Awardee's employment with the Corporation and its Subsidiaries terminates as a result of the Awardee's death or permanent disability (within the meaning of Section 22(e)(3) of the Internal Revenue Code of 1986 as amended (the "Code") or any successor section), a Voluntary Termination With Consent, or the Awardee's retirement under any retirement plan of the Corporation or one of its Subsidiaries, and the employment and stock performance restrictions have not previously lapsed with respect to shares of the Performance Restricted Stock pursuant to Sections 3.A. or 6, such shares of the Performance Restricted Stock which have not been previously forfeited to the Corporation pursuant to Section 5 or the last sentence of Section 3.A. shall continue to be eligible for vesting under the stock performance conditions set forth in Section 3.A.(a), (b) and (c) and shall become vested pursuant to the table set forth in Section 3.A., if (and at the time) the Performance Vesting Dates described in Section 3.A.(a), (b) and (c), respectively, occur within two years after the date of termination of employment of the Awardee. Sections 5 and 6 and the last sentence of Section 3.A. shall continue to apply to shares of Performance Restricted Stock during such two-year period or, in the case of Section 6 and the last sentence of Section 3.A, if earlier, until such shares of Performance Restricted Stock become vested pursuant to the table set forth in Section 3.A. The Corporation shall instruct its transfer agent to no longer designate as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock any shares of the Performance Restricted Stock which become vested pursuant to this Section 3.B, provided that Section 5 shall continue to apply to such shares to the extent set forth in Section 5 for the period set forth in Section 5. Any such shares of the Performance Restricted Stock on which the employment and stock performance restrictions under Section 3 of this Agreement have not previously lapsed, which have not been previously forfeited, and which have not become vested as of the close of business on the two-year anniversary of the date of termination of employment of the Awardee shall, without any further action, be forfeited to the Corporation by the Awardee at such time and cease to be issued and outstanding shares of the Class A Common Stock of the Corporation.

4. Time-Based Restrictions. The restrictions set forth in this Section 4 shall apply to all of the shares of the Restricted Stock which are not Performance Restricted Stock (i.e., the remaining ____ (____) shares of Restricted Stock) (the "Time-Based Restricted Stock").

A. General. If, on or before November 12, 2010 (the "Vesting Date"), the Awardee's employment with the Corporation and its Subsidiaries terminates for any reason other than as a result of (i) the Awardee's death or permanent disability (as defined in Section 3.B.), (ii) a Voluntary Termination With Consent, or (iii) the Awardee's retirement under any retirement plan of the Corporation or one of its subsidiaries, and this restriction has not previously lapsed pursuant to Section 6, the shares of the Time-Based Restricted Stock which have not been previously forfeited to the Corporation shall, upon such termination of employment and without any further action, be forfeited to the Corporation by the Awardee and cease to be issued and outstanding shares of the Class A Common Stock of the Corporation. If (i) the Awardee remains an employee of the Corporation and its Subsidiaries until the Vesting Date, (ii) the shares of the Time-Based Restricted Stock have not been previously forfeited to the Corporation pursuant to Section 5, and (iii) the employment restriction described in the first sentence of this Section 4.A. (the "Section 4.A. Restriction") has not previously lapsed pursuant to Section 6, the Section 4.A. Restriction on the Time-Based Restricted Stock shall lapse, such shares shall become vested, and the Corporation shall instruct its transfer agent that such shares are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock, provided that Section 5 shall continue to apply to such shares to the extent set forth in Section 5 for the period set forth in Section 5.

B. Certain Terminations of Employment. If the Awardee terminates employment with the Corporation and its Subsidiaries due to any of the reasons set forth in Section 4.A. (i)-(iii), upon such termination the Section 4.A. Restriction on the shares of the Time-Based Restricted Stock which have not been previously forfeited to the Corporation pursuant to Section 5 and on which the Section 4.A. Restriction has not previously lapsed pursuant to Section 6, shall lapse, such shares shall become vested, and the Corporation shall instruct its transfer agent that such shares are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock, provided that Section 5 shall continue to apply to such shares to the extent set forth in Section 5 for the period set forth in Section 5.

5. Non-Competition/Non-Solicitation/Non-Disparagement. If the Awardee (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after termination of employment) which is in competition with the Corporation or any of its Subsidiaries, (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries, (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, or (iv) makes any statements or comments, orally or in writing, of a defamatory or disparaging nature regarding the Corporation or any of its Subsidiaries (including but not limited to regarding any of their respective businesses, officers, directors, personnel, products or policies), the Committee may (a) cause all shares of the Restricted Stock remaining subject to the employment and stock performance restrictions imposed by this Agreement to be immediately forfeited to the Corporation and the Awardee shall have no further rights with respect to such shares and/or (b) require the Awardee to promptly return and transfer, and thereby forfeit, ownership to the Corporation of all or a portion (at the discretion of the Committee) of the number of shares of the Restricted Stock which were issued or transferred by the Corporation to the Awardee within the three (3) years immediately preceding any such activity by the Awardee (or, at the discretion of the Committee, to pay to the Corporation in cash an amount equal to the fair market value of such number of shares of the Class A Common Stock as of the date of the determination by the Committee under this Section 5), provided, however, that this Section 5 shall not apply if a Section 9 Event occurs prior to any such activity by the Awardee. Whether the Awardee has engaged in any of the activities referred to in the immediately preceding sentence shall be determined, in its discretion, by the Committee, and any such

determination by the Committee shall be final and binding.

6. Section 9 Event. If (i) a Section 9 Event occurs, (ii) the employment and stock performance restrictions (if any) imposed by this Agreement on the shares of the Restricted Stock have not previously lapsed, and (iii) such shares of the Restricted Stock have not been previously forfeited to the Corporation, the employment and stock performance restrictions (if any) and the restrictions set forth in Section 5 imposed by this Agreement on such shares of the Restricted Stock remaining subject to such restrictions shall lapse upon the occurrence of such Section 9 Event, such shares shall become vested, and the Corporation shall instruct its transfer agent that such shares are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock.

7. Transfers. Except for transfers to a trust that is revocable by the Awardee alone as permitted by Section 6 of the Plan and subject to the conditions set forth therein, the Awardee shall not sell, exchange, assign, alienate, pledge, hypothecate, encumber, charge, give, transfer or otherwise dispose of, either voluntarily or by operation of law, any shares of the Restricted Stock or any rights or interests appertaining thereto, prior to the lapse of the employment and stock performance restrictions (if any) imposed by this Agreement as to such shares, except that the shares of the Restricted Stock may be transferred by the Awardee by Will or, if the Awardee dies intestate, by the laws of descent and distribution of the state of domicile of the Awardee at the time of death. Subsequent to the lapse of the employment and stock performance restrictions imposed by this Agreement as to shares of the Restricted Stock, Awardee agrees that such shares of the Restricted Stock cannot be offered, sold, pledged or otherwise disposed of, and the Awardee will not offer, sell, pledge or otherwise dispose of such shares of the Restricted Stock, except pursuant to (i) an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act") and qualification under applicable state and foreign securities laws, or (ii) in accordance with Rule 144 under the 1933 Act.

8. Book-Entry Share Records. As of the Effective Date, the shares of the Registered Stock shall be issued in book-entry form in the name of the Awardee until any forfeiture of the shares of the Restricted Stock to the Corporation. As of the Effective Date, the Corporation shall instruct its transfer agent that the shares of the Restricted Stock (a) are to be recorded as owned by the Awardee and designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock, and (b) may not be transferred from the name of the Awardee until the earlier of (i) when the Corporation instructs its transfer agent in writing pursuant to this Agreement to record the shares as owned by the Corporation (rather than by the Awardee) or (ii) when requested in writing by the Awardee (or the Awardee's personal representative) after the Corporation has instructed its transfer agent in writing that such shares are no longer to be designated as restricted on the transfer agent's book-entry records. If the employment and stock performance restrictions (if any) imposed by this Agreement lapse with respect to such shares, the Corporation shall instruct its transfer agent that such shares are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock. If such shares are forfeited to the Corporation by the Awardee under this Agreement, the Corporation shall instruct its transfer agent that such shares are no longer to be recorded as owned by the Awardee but rather shall be recorded as owned by the Corporation. The Awardee hereby acknowledges that the transfer agent may take such action based solely on instructions from the Corporation and shall hold the transfer agent harmless from any liability for such action.

9. Section 83(b) Election/Foreign Taxes. If the Awardee is subject to taxation in the United States of America (the "United States") the Awardee acknowledges that an election under Section 83(b) of the Code, may be available to the Awardee for Federal income tax purposes and that **such election, if desired, must be made within thirty (30) days of the Effective Date.** The Awardee acknowledges that whether to make such election (or any similar election in a country other than the United States) is the responsibility of the Awardee, not the Corporation. The Awardee may make the election as to any or all of both the Performance Restricted Shares and the Time-Based Restricted Shares. The Awardee acknowledges that the Awardee and not the Corporation is responsible for all tax consequences, including but not limited to all non-United States tax consequences, and that the Awardee should consult the Awardee's tax advisor with respect to any applicable election and all other tax aspects associated with this Agreement.

10. Withholding of Taxes. If the Awardee is subject to taxation in the United States, the Awardee shall be advised by the Corporation or a Subsidiary as to the amount of any United States Federal income or employment taxes required to be withheld by the Corporation or such Subsidiary on the compensation income resulting from the award of the Restricted Stock. The timing of the withholding will depend on whether the Awardee makes an election under Section 83(b) of the Code. State, local or foreign income or employment taxes may also be required to be withheld by the Corporation or a Subsidiary on any compensation income resulting from the award of the Restricted Stock. The Awardee shall pay any taxes required to be withheld directly to the Corporation or any Subsidiary in cash upon receipt, provided, however, that taxes required to be withheld upon the vesting of the Restricted Stock (as opposed to upon the Awardee's making of an election under Section 83(b) of the Code), may be paid by one or more of the following methods, at the election of the Awardee:

(a) in cash;

(b) if in compliance with any applicable securities laws, by having the Corporation withhold from the shares of Restricted Stock which have then vested for the Awardee, a number of such shares with a fair market value on the date of vesting of the Restricted Stock equal to the amount of such taxes (rounded down to the next whole number of shares) and with payment in cash by the Awardee to the Corporation or a Subsidiary of the difference between the amount of such taxes and the fair market value of such whole number of shares on such date of vesting; or

(c) if in compliance with any applicable securities laws, by delivery and transfer to the Corporation or a Subsidiary by the Awardee of a number of unencumbered shares of Class A Common Stock with a fair market value on the date of vesting of the Restricted Stock equal to the amount of such taxes (rounded down to the next whole number of shares) and with payment in cash by the Awardee to the Corporation or a Subsidiary of the difference between the amount of such taxes and the fair market value of such whole number of shares on such date of vesting.

If the Awardee does not pay any taxes required to be withheld directly to the Corporation or one of its Subsidiaries in the manner provided in this Section 10 within ten days after any such request, the Corporation or any of its Subsidiaries may withhold such taxes from any other

compensation to which the Awardee is entitled from the Corporation or any of its Subsidiaries. The Awardee shall hold the Corporation and its Subsidiaries harmless in acting to satisfy the withholding obligation in this matter if it becomes necessary to do so. Notwithstanding other provisions of this Agreement, the Corporation shall not be required to instruct its transfer agent that shares of the Restricted Stock are no longer to be designated as restricted on the transfer agent's book-entry records of the owners of the Class A Common Stock until all taxes required to be withheld with respect to the Restricted Stock have been paid to the Corporation or a Subsidiary.

11. Effect of Agreement on Rights of Corporation and Awardee. This Agreement does not confer any right on the Awardee to continue in the employ of the Corporation or any of its Subsidiaries or interfere in any way with the rights of the Corporation or any of its Subsidiaries to terminate the employment of the Awardee with the Corporation or any of its Subsidiaries at any time.

12. Binding Effect. This Agreement shall be binding upon the successors and assigns of the Corporation and upon the legal representatives, estate, heirs and legatees of the Awardee.

13. Entire Agreement. This Agreement constitutes the entire agreement between the Corporation and the Awardee and supersedes all prior agreements and understandings, oral or written, between the Corporation and the Awardee with respect to the subject matter of this Agreement.

14. Amendment. This Agreement may be amended only by a written instrument signed by the Corporation and the Awardee.

15. Section Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of any of the provisions of this Agreement.

16. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Pennsylvania.

17. Interpretation of Plan and Agreement; Dispute Resolution. This Agreement is the restricted stock agreement referred to in Section 6 of the Plan. If there is any conflict between the Plan and this Agreement, the provisions of the Plan shall control. Any dispute or disagreement which shall arise under or in any way relate to the interpretation or construction of the Plan or this Agreement shall be resolved by the Committee and the decision of the Committee shall be final, binding and conclusive for all purposes. The Awardee and the Corporation irrevocably submit to the exclusive and sole jurisdiction and venue of the state courts of Allegheny County, Pennsylvania and the federal courts of the Western District of Pennsylvania with respect to any and all disputes arising out of or relating to the Plan, this Agreement, and/or the Restricted Stock, and agree that (a) sole and exclusive appropriate venue for any such action shall be such Pennsylvania courts, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Pennsylvania courts, and no other, (c) such Pennsylvania courts shall have sole and exclusive jurisdiction over the Awardee and the Corporation and over the subject matter of any dispute relating hereto and (d) the Awardee and the Corporation waive any and all objections and defenses to bringing any such action before such Pennsylvania courts, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens*.

IN WITNESS WHEREOF, the Corporation and the Awardee have executed this Agreement as of this 12th day of November, 2007.

MATTHEWS INTERNATIONAL CORPORATION

By: _____
Chief Executive Officer

WITNESS:

AWARDEE:

Print name:

MATTHEWS INTERNATIONAL CORPORATION

**1994 DIRECTOR FEE PLAN,
as amended through November 13, 2007**

SECTION 1

Purposes; Reservation of Shares

(a) Purposes. The purposes of the 1994 Director Fee Plan, as amended through November 13, 2007 (the "Plan") are:

(1) to provide for each Director of Matthews International Corporation (the "Corporation") who is not also an employee of the Corporation or any of its Subsidiaries ("Director") the payment of retainer fees and, in the case of a Director who is Chairperson (the "NE Chairperson"), an additional retainer fee for future services to be performed by such Director ("Director Fees") as a member of the Board of Directors of the Corporation (the "Board") in cash or in shares of Class A Common Stock, par value \$1.00 per share, of the Corporation ("Common Stock") and, in the case of payment to the Directors of the Director Fees in shares of Common Stock, to increase the identification of interests between such Directors and the shareholders of the Corporation;

(2) to provide current payment in cash (or if a Director shall elect to defer receipt, future payment in shares of Common Stock) to each Director (except the NE Chairperson) for:

- (a) fees paid for attendance at meetings of the Board ("Board Meeting Fees");
- (b) fees paid to Directors for attendance at meetings of Committees of the Board ("Committee Meeting Fees");
- (c) annual retainer fees paid to the Chairperson of a Committee ("Committee Chairperson Retainer Fees");
- (d) annual retainer fees paid to the Lead Director of the Board of Directors ("Lead Director Fee"); and
- (e) fees paid to a Director for attendance at the annual shareholders' meeting of the Corporation ("Shareholders' Meeting Fees") (subsections (a)-(e) are collectively referred to herein as "Meeting Fees"); and

(3) to increase the identification of interests between the Directors and the shareholders of the Corporation by permitting the Nominating and Corporate Governance Committee of the Board (the "Committee") or a Stock Compensation Subcommittee of the Committee (the "Subcommittee") to award restricted stock, nonstatutory stock options and/or stock appreciation rights to each Director on the fifteenth (15th) business day after the annual shareholders' meeting of the Corporation.

For purposes of the Plan, the term "Subsidiary" means any corporation in an unbroken chain of corporations beginning with the Corporation, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

As used hereinafter, the term "Committee" shall mean either the Nominating and Corporate Governance Committee or the Subcommittee, if the Subcommittee is authorized by the Board to act under this Plan.

(b) Reservation of Shares. Except as otherwise provided in this Section 1(b), the aggregate number of shares of Common Stock which may be issued under the Plan or credited to Deferred Stock Compensation Accounts for subsequent issuance under the Plan is limited to 300,000 shares, subject to adjustment and substitution as set forth in Section 12 hereof. Shares issued under the Plan may be authorized but unissued shares or shares previously issued and thereafter acquired by the Corporation or partly each, as shall be determined from time to time by the Board. If any stock option or stock appreciation right granted under the Plan is cancelled by mutual consent, forfeited, or terminates or expires for any reason without having been exercised in full, or if any restricted shares awarded under the Plan are forfeited, the number of shares subject thereto, in the case of stock options or stock appreciation rights, or the number of shares forfeited, in the case of restricted shares, shall again be available for all purposes of the Plan. In addition to the number of shares of Common Stock authorized for issuance or crediting by the first sentence of this Section 1(b), the number of shares of Common Stock which are surrendered (or to which ownership has been certified) in full or partial payment to the Corporation of the option price of a stock option granted under the Plan shall be available for all purposes of the Plan.

SECTION 2

Eligibility

Any non-employee Director of the Corporation who is separately compensated in the form of Director Fees or Meeting Fees for services on the Board shall be eligible to participate in the Plan.

SECTION 3

Payment of Director Fees in Cash or Common Stock

(a) Current Payment. Subject to the provisions of Section 3(b) hereof, on the fifteenth (15th) business day following the annual meeting of the shareholders of the Corporation (each such date of payment referred to as a "Payment Date"), each Director as of that date shall receive payment of Director Fees by:

- (i) the payment to the Director of cash of thirty thousand dollars (\$30,000) (eighteen thousand dollars (\$18,000) for Payment Dates before January 1, 2005) and, in the case of the NE Chairperson, an additional forty-five thousand dollars (\$45,000) (or such other amount determined by the Board or by any committee of the Board which the Board authorizes to determine such amount) (the "Retainer Fee Amount"); or
- (ii) the issuance to the Director of a number of whole shares of Common Stock equal to the Retainer Fee Amount divided by the Fair Market Value of one share of the Common Stock, as defined in Section 15 hereof, on such Payment Date (rounded upward to the next whole share).

The Committee shall determine by November 30 of each year whether Director Fees will be paid in cash or in shares of Common Stock to the Directors in the following calendar year. Unless the Committee otherwise determines and communicates such determination to the Directors by November 30 of the year immediately preceding the year of payment, the Directors Fees shall be paid in shares of Common Stock. Notwithstanding the foregoing, if the Director Fees are to be paid in cash, a Director may elect to receive payment of the Director Fees in shares and shall receive a number of shares of Common Stock equal to the Retainer Fee Amount divided by the Fair Market Value of one share of the Common Stock, as defined in Section 15 hereof, on the Payment Date (rounded upward to the next whole share) (a "Current Stock Election"). Such election shall be made by filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation.

(b) Stock Deferral Election. Regardless of whether Director Fees are to be paid in either cash or shares of Common Stock, each Director may elect to defer the receipt of Director Fees in shares of Common Stock for a calendar year (a "Stock Deferral Election") by filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation.

(c) Election Procedures. Both a Current Stock Election and a Stock Deferral Election (collectively, "Director Fee Elections") shall be effective on January 1 of the year following the date on which the Notice of Election is filed. Director Fee Elections shall be effective on the date on which the Notice of Election is filed with respect to Director Fees payable after the time of a person's initial election to the office of Director, or any subsequent re-election if immediately prior thereto such person was not serving as a Director, provided (i) the Director files such Notice of Election within ten (10) business days subsequent to being elected or re-elected as a Director and (ii) a Stock Deferral Election shall only be effective for Director Fees payable for services performed after the Notice of Election is filed. Director Fee Elections shall apply to all Director Fees otherwise payable while such Director Fee Election is effective. Each Director may terminate a Current Stock Election and receive current payment of Director Fees in cash (where the Committee has elected to pay Director Fees in cash) and may terminate a Stock Deferral Election and receive current shares of Common Stock or cash (where the Committee has elected to pay Director Fees in cash) by filing a Notice of Termination with the Secretary of the Corporation in the form prescribed by the Corporation, which shall be effective on January 1 of the year following the date on which a Notice of Termination is filed. A Director Fee Election shall continue in effect until the effective date of any Notice of Termination. Director Fee Elections may be made by a Director even if such Director has not made a Meeting Fee Deferral Election (as defined below).

(d) Share Certificates. As of the date on which the Director Fees are payable in shares of Common Stock pursuant to Section 3(a) hereof or, if a Stock Deferral Election was made, Sections 5 and 6 hereof, the Corporation shall issue share certificates to the Director for the shares of Common Stock received under the Plan and the Director shall be a shareholder of the Corporation with respect to any such shares.

SECTION 4

Payment of Meeting Fees

(a) Current Cash Payment. Subject to the provisions of Sections 4(b) and 4(c) hereof, except as set forth below effective on and after the date of the 2007 annual meeting of the shareholders of the Corporation (the "2007 Annual Meeting Date"), each Director (other than the NE Chairperson) shall receive payment of Meeting Fees in cash in the following amounts (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts):

Board Meeting Fees:	\$1,500 for attendance at each meeting
Committee Meeting Fees:	\$1,000 for attendance at each meeting
Committee Chairperson Retainer Fees:	\$5,000 (or \$7,500 in the case of the Audit Committee Chairperson) for a year of service as a Committee Chairperson

Lead Director Fees (effective after 2006 Annual meeting):	\$5,000 for a year of service as the Lead Director.
Shareholders' Meeting Fees:	\$1,500 for attendance at each meeting

(The amount and payment of Meeting Fees for meetings prior to the 2007 Annual Meeting Date shall be governed by the provisions of this Section 4(a) as in effect prior to 2007.) Except as set forth in Sections 4(b) and 4(c) hereof, each Director shall receive payment of Meeting Fees (other than Committee Chairperson Retainer Fees and Lead Director Fee) within ten (10) business days following the meeting with respect to which such fees are payable. Except as set forth in Sections 4(b) and 4(c) hereof, each Committee Chairperson shall receive payment of Committee Chairperson Retainer Fees and the Lead Director shall receive payment of the Lead Director Fees on the fifteenth (15th) business day following the person's annual election or re-election to such position. The amount and time of payment of Meeting Fees may be changed from time to time by the Board in its sole discretion.

(b) Deferred Payment of Meeting Fees. Each Director may elect to receive all Meeting Fees for a calendar year in shares of Common Stock rather than cash, as set forth in Section 4(c) hereof, provided the Director elects to defer the receipt of such shares of Common Stock (a "Meeting Fee Deferral Election"). A Meeting Fee Deferral Election may be made only by filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation, and shall be effective for meetings, and, if applicable, Committee Chairperson Retainer Fees or Lead Director Fees payable, on and after January 1 of the year following the date on which the Notice of Election is filed; provided, however, that (i) a Meeting Fee Deferral Election made by a Notice of Election filed on or before the close of business on May 14, 1999 shall be effective with regard to meetings on or after May 15, 1999, and (ii) a Meeting Fee Deferral Election shall be effective on the date on which the Notice of Election is filed after the time of a person's initial election, or any subsequent re-election, to the office of Director with respect to Meeting Fees and, if applicable, Committee Chairperson Retainer Fees or Lead Director Fees, payable for services performed after the Meeting Fee Deferral Election is filed if (A) immediately prior thereto such person was not serving as a Director, and (B) such Notice of Election is filed within ten (10) business days subsequent to such person being elected or re-elected as a Director. A Meeting Fee Deferral Election shall apply to all Meeting Fees which would otherwise be payable for meetings held while such Meeting Fee Deferral Election is effective. A Director may terminate a Meeting Fee Deferral Election only by filing a Notice of Termination with the Secretary of the Corporation in the form prescribed by the Corporation, which Notice of Termination shall be effective for meetings and, if applicable, Committee Chairperson Retainer Fees or Lead Director Fees payable on and after January 1 of the year following the date on which a Notice of Termination is filed. A Meeting Fee Deferral Election shall continue in effect until the effective date of any Notice of Termination, after which the Meeting Fees shall be payable in accordance with Section 4(a) hereof. A Meeting Fee Deferral Election may be made by a Director even if such Director has not made a Current Stock Election or a Stock Deferral Election. A Meeting Fee Deferral Election shall apply to all but not less than all Meeting Fees.

(c) Deferred Meeting Fees Credited in Shares of Common Stock. Each Director who has made a Meeting Fee Deferral Election effective for Meeting Fees otherwise payable in cash for a calendar year shall receive a credit to a Deferred Stock Compensation Account (as defined in Section 5(a) hereof) in the name of such Director on the first Payment Date following such calendar year. Such credit shall be a number of shares of Common Stock (including fractional shares to at least two decimal places) equal to (i) the aggregate amount of all Meeting Fees subject to such Meeting Fee Deferral Election otherwise payable during such calendar year to such Director in cash under Section 4(a) hereof if no Meeting Fee Deferral Election had been made, divided by (ii) the Fair Market Value of one share of the Common Stock, as defined in Section 15 hereof, on such Payment Date. No interest or other amount shall be paid or credited to a Director notwithstanding that Meeting Fees which otherwise would have been payable under Section 4(a) hereof in cash are not reflected as a credit to such Deferred Stock Compensation Account until the Payment Date.

(d) Share Certificates. If a Meeting Fee Deferral Election was made, then as of the date on which the Meeting Fees are payable in shares of Common Stock pursuant to Sections 5 and 6 hereof, the Corporation shall issue share certificates to the Director for the shares of Common Stock received under the Plan and the Director shall be a shareholder of the Corporation with respect to any such shares.

SECTION 5

Deferred Stock Compensation Account

(a) General. The amount of any Director Fees or Meeting Fees deferred in accordance with a Stock Deferral Election or a Meeting Fee Deferral Election shall be credited to a deferred stock compensation account maintained by the Corporation in the name of the Director (a "Deferred Stock Compensation Account"). A separate Deferred Stock Compensation Account shall be maintained for each amount of deferred Director Fees or Meeting Fees for which a Director has elected a different number of payment installments or as otherwise determined by the Committee. On each Payment Date that a Stock Deferral Election is effective for a Director or on which a credit to a Deferred Stock Compensation Account is to be made under Section 4(c) hereof pursuant to a Meeting Fee Deferral Election, the Director's Deferred Stock Compensation Account(s) shall be credited on the Payment Date with the number of shares of Common Stock (including fractional shares to at least two decimal places) which (i) otherwise would have been payable to the Director under Section 3(a) hereof on such Payment Date if the Director Fees had been payable to the Director in shares of Common Stock, whether the Director Fees were payable in cash or in shares of Common Stock, and/or (ii) are to be so credited in accordance with Section 4(c) hereof. If a dividend or distribution is paid on the Common Stock in cash or property other than Common Stock, on the date of payment of the dividend or distribution to holders of the Common Stock, each Deferred Stock Compensation Account shall be credited with a number of shares of Common Stock (including fractional shares) equal to the number of shares of Common Stock that had been credited to such Account on the date fixed for determining the shareholders entitled to receive such dividend or distribution multiplied by the amount of the dividend or distribution paid per share of Common Stock divided by the Fair Market Value of one share of the Common Stock, as defined in Section 15 hereof, on the date on which the dividend or distribution is paid. If the dividend or distribution is paid in property other than Common Stock, the amount of the dividend or distribution shall equal the fair market value of the property on the date on which the dividend or distribution is paid. Except as provided in Section 12 hereof, the immediately preceding two sentences shall not apply to dividends or distributions paid on the Common Stock in cash or property other than Common Stock on or after March 14, 1997 with respect to Directors on such date or Directors elected thereafter. Such dividends or distributions shall neither be credited to the Director's Deferred Stock Compensation Account nor paid to the Director. The Deferred Stock Compensation Account of a Director shall be charged

on the date of distribution with any distribution of shares of Common Stock made to the Director from such Account pursuant to Section 5(b) hereof.

(b) **Manner of Payment.** The balance of a Director's Deferred Stock Compensation Account will be paid in shares of Common Stock to the Director or, in the event of the Director's death, to the Director's Beneficiary as defined in Section 5(c) hereof. A Director may elect at the time of filing the Notice of Election for a Stock Deferral Election or a Meeting Fee Deferral Election to receive payment of the shares of Common Stock credited to the Director's Deferred Stock Compensation Account in annual installments rather than a lump sum, provided that (i) the payment period for installment payments shall not exceed ten (10) years following the Payment Commencement Date as described in Section 6 hereof and (ii) payment shall not be made in installments but rather in a lump sum if the Director made a Section 13 Event Election, as defined below, and Section 6(c) hereof applies. The number of shares of Common Stock distributed in each installment shall be determined by multiplying (i) the number of shares of Common Stock in the Deferred Stock Compensation Account on the date of payment of such installment, by (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments, and by rounding such result down to the nearest whole number of shares. The balance of the number of shares of Common Stock in the Deferred Stock Compensation Account shall be appropriately reduced in accordance with Section 5(a) hereof to reflect the installment payments made hereunder. Shares of Common Stock remaining in a Deferred Stock Compensation Account pending distribution pursuant to this Section 5(b) shall be subject to adjustment pursuant to Section 12 hereof and, for former Directors who are not Directors on March 14, 1997 but were Directors prior to that date, shall continue to be credited with respect to dividends or distributions paid on the Common Stock pursuant to Section 5(a) hereof. If a lump sum payment or the final installment payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based on the Fair Market Value of a share of Common Stock, as defined in Section 15 hereof, on the date immediately preceding the date of such payment. The Corporation shall issue share certificates to the Director, or the Director's Beneficiary, for the shares of Common Stock distributed hereunder. As of the date on which the Director is entitled to receive payment of shares of Common Stock pursuant to this Section 5(b) hereof, a Director or the Director's Beneficiary shall be a shareholder of the Corporation with respect to such shares.

(c) **Director's Beneficiary.** The Director's Beneficiary means any beneficiary or beneficiaries (who may be named contingently or successively) named by a Director under the Plan to whom any benefit under the Plan is to be paid in the case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Director, shall be in a form prescribed by the Committee, and will be effective only when filed by the Director in writing with the Secretary of the Corporation during the Director's lifetime. In the absence of such a designation, Director's Beneficiary means the person designated by the Director in the Director's Will, or, if the Director fails to make a testamentary disposition of the shares or dies intestate, to the person entitled to receive the shares pursuant to the laws of descent and distribution of the state of domicile of the Director at the time of death.

SECTION 6

Payment Commencement Date

(a) **General.** Except as otherwise provided in Sections 6(b) and 6(c) hereof, payment of shares in a Deferred Stock Compensation Account shall commence on April 1 (or if April 1 is not a business day, on the immediately preceding business day) of the calendar year following the calendar year in which the Director first separates from service with the Corporation under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor section, upon or after ceasing to be a member of the Board for any reason, including by reason of death or disability. If, in the case of a Meeting Fee Deferral Election, the first amount credited to a particular Deferred Stock Compensation Account with respect to such Director is credited after such April 1 or any amount is credited to such a Deferred Stock Compensation Account after a lump sum payment has been made pursuant to this Section 6(a) from such Deferred Stock Compensation Account, payment of shares credited to such Deferred Stock Compensation Account shall commence on the April 1 (or if April 1 is not a business day, on the immediately preceding business day) following the date on which the shares are so credited.

(b) **Delay in Payment.** Notwithstanding Section 6(a) hereof and except as otherwise provided in Section 6(c) hereof, a Director may irrevocably elect, by filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation, to commence payment on a date later than the date specified in Section 6(a) hereof provided that:

- (i) Such election must be made at least twelve (12) months prior to the date on which payments otherwise would have commenced pursuant to Section 6(a) hereof; and
- (ii) The payment commencement date specified in such election under this Section 6(b) must be not less than five (5) years from the date on which payments otherwise would have commenced pursuant to Section 6(a) hereof.

The provisions of this Section 6(b) are intended to comply with Section 409A(4)(C) of the Code, or any successor section, and shall be interpreted consistently therewith.

(c) **Section 6(c) Event.** Notwithstanding Sections 6(a) and 6(b) hereof, effective for Director Fees and Meeting Fees payable (but for any deferral elections) on and after January 1 of the year following the date on which the Notice of Election is filed (and on and after January 1, 2005), a Director may irrevocably elect, by filing a Notice of Election with the Secretary of the Corporation in a form prescribed by the Corporation, to receive payment of all shares of Common Stock credited to the Director's Deferred Stock Compensation Account with respect to such Director Fees and Meeting Fees, upon the earlier of when payment would be made pursuant to Sections 6(a) or 6(b) hereof or in a lump sum immediately following the occurrence of any Section 6(c) Event, as defined below (a "Section 6(c) Event Election"). A Section 6(c) Event Election shall be effective on the date on which it is filed with respect to Director Fees and Meeting Fees payable (but for any deferral elections) after the time of a person's initial election to the office of Director, or any subsequent re-election if immediately prior thereto such person was not serving as a Director, provided (i) the Director files such Section 6(c) Event

Election within ten (10) business days subsequent to being elected or re-elected as a Director and (ii) a Section 6(c) Event Election shall only be effective for Director Fees and Meeting Fees payable for services performed after the Section 6(c) Event Election is filed. A Director may terminate a Section 6(c) Event Election only by filing a Notice of Termination of Section 6(c) Event Election with the Secretary of the Corporation in the form prescribed by the Corporation, which shall be effective for Director Fees and Meeting Fees payable (but for any deferral elections) on and after January 1 of the year following the date on which such Notice of Termination of Section 6(c) Event Election is filed. If payments from a Director's Deferred Stock Compensation Account have previously commenced at the time of a Section 6(c) Event which results in a permissible lump sum payment pursuant to this Section 6(c), for purposes of applying this Section 6(c) shares previously paid from the Director's Deferred Stock Compensation Account shall be deemed to be from Director Fees and Meeting Fees not subject to a Section 6(c) Event Election, to the extent thereof. A Section 6(c) Event shall mean the date upon which any event occurs which constitutes a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation under Section 409A of the Code or any successor section and Treasury Regulation §1.409A-3(i)(5)(v)-(vii) thereunder or any successor section, provided that:

- (i) The percentage specified in Treasury Regulation §1.409A-3(i)(5)(v) (addressing the percentage change in the ownership of the total fair market value or voting power of the Corporation's stock) shall be 50 percent and not a higher percentage;
- (ii) The percentage specified in Treasury Regulation §1.409-3(i)(5)(vi)(A)(1) (addressing the percentage change in the ownership of the voting power of the Corporation's stock) shall be 30 percent and not a higher percentage;
- (iii) For purposes of Treasury Regulation §1.409A-3(i)(5)(vi)(A)(2) (addressing a change in the effective control of the Corporation by virtue of a change in the composition of the Board), the words "a majority of the members of the corporation's board of directors" shall not be replaced by a higher portion; and
- (iv) The percentage specified in Treasury Regulation §1.409A-3(i)(5)(vii)(A) (addressing the percentage change in the ownership of the Corporation's assets) shall be 40 percent and not a higher percentage.

SECTION 7 **Non-Alienability of Benefits**

Neither the Director nor the Director's Beneficiary shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amounts or shares of Common Stock that are or may be payable hereunder nor shall any such amounts or shares be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Director or the Director's Beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Director or Director's Beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Director or the Director's Beneficiary, or any legal process.

SECTION 8 **Nature of Deferred Stock Compensation Accounts**

Any Deferred Stock Compensation Account shall be established and maintained only on the books and records of the Corporation. No assets or funds of the Corporation, a Subsidiary or the Plan shall be removed from the claims of the Corporation's or a Subsidiary's general or judgment creditors or otherwise made available, and no shares of Common Stock of the Corporation to be issued pursuant to a Deferred Stock Compensation Account shall be issued or outstanding, until such amounts and shares are actually payable to a Director or a Director's Beneficiary as provided herein. The Plan constitutes a mere promise by the Corporation to make payments in the future. Each Director and Director's Beneficiary shall have the status of, and their rights to receive a payment of shares of Common Stock under the Plan shall be no greater than the rights of, general unsecured creditors of the Corporation. No person shall be entitled to any voting rights with respect to shares credited to a Deferred Stock Compensation Account and not yet payable to a Director or the Director's Beneficiary. The Corporation shall not be obligated under any circumstances to fund any financial obligations under the Plan and the Plan is intended to constitute an unfunded plan for tax purposes. However, the Corporation may, in its discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if:

- (a) such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Code;
- (b) any trust created by the Corporation, and any assets held by such trust to assist the Corporation in meeting its obligations under the Plan, will conform to the terms of the model trust, as described in Rev. Proc. 92-64, 1992-2 C.B. 422 or any successor; and
- (c) such set aside of funds is not described in Section 409A(b) of the Code, or any successor provision.

SECTION 9 **Grant of Stock Options and Stock Appreciation Rights** **And Award of Restricted Shares**

The Committee shall have authority, in its discretion, (a) to grant "nonstatutory stock options" (i.e., stock options which do not qualify

under Sections 422 and 423 of the Code), (b) to grant stock appreciation rights, and (c) to award restricted shares. All grants and awards pursuant to this Section 9 shall be made on or to be effective on a Payment Date. On or as of each Payment Date in 2007 and later years, the Committee shall grant or award to each Director on such Payment Date nonstatutory stock options, stock appreciation rights and/or restricted shares with a total value of fifty thousand dollars (\$50,000) (or such other amount determined by the Board or by any committee of the Board which the Board authorizes to determine such amount). The Committee shall determine in its discretion the portion of each grant and/or award to be comprised of nonstatutory stock options, stock appreciation rights and restricted shares and the value of each.

SECTION 10
Terms and Conditions of
Stock Options and Stock Appreciation Rights

Stock options and stock appreciation rights granted under the Plan shall be subject to the following terms and conditions:

- (A) The purchase price at which each stock option may be exercised (the “option price”) and the base price at which each stock appreciation right may be granted (the “Base Price”) shall be such price as the Committee, in its discretion, shall determine but shall not be less than one hundred percent (100%) of the Fair Market Value per share of the Common Stock covered by the stock option or stock appreciation right on the date of grant. For purposes of this Section 10, the Fair Market Value of the Common Stock shall be determined as provided in Section 15 hereof.
- (B) The option price for each stock option shall be paid in full upon exercise and shall be payable in cash in United States dollars (including check, bank draft or money order), which may include cash forwarded through a broker or other agent-sponsored exercise or financing program; provided, however, that in lieu of such cash the person exercising the stock option may if authorized by the Committee pay the option price in whole or in part by delivering to the Corporation shares of the Common Stock having a Fair Market Value on the date of exercise of the stock option, determined as provided in Section 15 hereof, equal to the option price for the shares being purchased; except that (i) any portion of the option price representing a fraction of a share shall in any event be paid in cash and (ii) no shares of the Common Stock which have been held for less than one year may be delivered in payment of the option price of a stock option. If the person exercising a stock option participates in a broker or other agent-sponsored exercise or financing program, the Corporation will cooperate with all reasonable procedures of the broker or other agent to permit participation by the person exercising the stock option in the exercise or financing program. Notwithstanding any procedure of the broker or other agent-sponsored exercise or financing program, if the option price is paid in cash, the exercise of the stock option shall not be deemed to occur and no shares of the Common Stock will be issued until the Corporation has received full payment in cash (including check, bank draft or money order) for the option price from the broker or other agent. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised.
- (C) Upon the exercise of stock appreciation rights the Corporation shall pay to the person exercising the stock appreciation rights a number of shares of the Common Stock with a Fair Market Value, as defined in Section 15 hereof, equal to the difference between the aggregate Fair Market Value, as defined in Section 15 hereof, of the Common Stock on the date of exercise of the stock appreciation rights and the aggregate Base Prices for the stock appreciation rights which are exercised (the “Spread”) (rounded down to the next whole number of shares). No fractional shares of the Common Stock shall be issued nor shall cash in lieu of a fraction of a share of Common Stock be paid. Notwithstanding the foregoing, at the discretion of the Committee, the Corporation may pay to the person exercising the stock appreciation rights an amount of cash, rather than shares of the Common Stock, equal to the Spread if and only if the payment of cash upon exercise of the stock appreciation rights would not cause the stock appreciation rights to provide for a deferral of compensation within the meaning of Section 409A of the Code. The date of exercise of a stock appreciation right shall be determined under procedures established by the Committee.
- (D) Unless the Committee, in its discretion, shall otherwise determine and subject to the terms of Sections 10(F) and 10(G) hereof, stock options and stock appreciation rights shall be exercisable by a Director commencing on the second anniversary of the date of grant. Subject to the terms of Sections 10(F) and 10(G) hereof providing for earlier termination of a stock option or stock appreciation right, no stock option or stock appreciation right shall be exercisable after the expiration of ten years from the date of grant. Unless the Committee, in its discretion, shall otherwise determine, a stock option or stock appreciation right to the extent exercisable at any time may be exercised in whole or in part.
- (E) Unless the Committee, in its discretion, shall otherwise determine:
- (i) no stock option or stock appreciation right shall be transferable or assignable by the grantee otherwise than:
 - (a) by Will; or
 - (b) if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death; or

(c) to the trustee of a trust that is revocable by the grantee alone, both at the time of the transfer or assignment and at all times thereafter prior to such grantee's death; and

(ii) all stock options and stock appreciation rights shall be exercisable during the lifetime of the grantee only by the grantee or by the trustee of a trust described in Section 10(E)(i)(c) hereof.

A transfer or assignment of a stock option or a stock appreciation right by a trustee of a trust described in Section 10(E)(i)(c) to any person other than the grantee shall be permitted only to the extent approved in advance by the Committee in writing, in its discretion. Stock options or stock appreciation rights held by such trustee also shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement with the grantee as if such trustee were a party to such agreement as the grantee. In the event the grantee ceases to be a Director of the Corporation, the provisions set forth in the Plan and in the applicable agreement with the grantee shall continue to be applicable to the stock option or stock appreciation right and shall limit the ability of such trustee to exercise any such transferred stock options or stock appreciation rights to the same extent they would have limited the grantee. The Corporation shall not have any obligation to notify such trustee of any termination of a stock option or stock appreciation right due to the termination of service of the grantee as a Director of the Corporation.

(F) Unless the Committee, in its discretion, shall otherwise determine, if a grantee ceases to be a Director of the Corporation, any outstanding stock options and stock appreciation rights held by the grantee shall vest and be exercisable and shall terminate, according to the following provisions:

(i) Notwithstanding Section 10(D) hereof, if a grantee ceases to be a Director of the Corporation for any reason other than those set forth in Section 10(F)(ii) or (iii) hereof, any then outstanding stock option and stock appreciation right held by such grantee (whether or not vested and exercisable by the grantee immediately prior to such time) shall vest and be exercisable by the grantee (or, in the event of the grantee's death, by the person entitled to do so under the Will of the grantee, or, if the grantee shall fail to make testamentary disposition of the stock option or stock appreciation right or shall die intestate, by the legal representative of the grantee (the "Grantee's Heir or Representative")), at any time prior to the second anniversary of the date on which the grantee ceases to be a Director of the Corporation or the expiration date of the stock option or stock appreciation right, whichever is the shorter period;

(ii) Unless the exercise period of a stock option or stock appreciation right following termination of service as Director has been extended as provided in Section 13(c) hereof, if during his or her term of office as a non-employee Director a grantee is removed from office for cause or resigns without the consent of the Board, any then outstanding stock option and stock appreciation right held by such grantee shall terminate as of the close of business on the last day on which the grantee is a Director of the Corporation; and

(iii) Notwithstanding Section 10(D) hereof, following the death of a grantee during service as a Director of the Corporation, or upon the disability of a Director which requires his or her termination as a Director of the Corporation, any outstanding stock option and stock appreciation right held by the grantee at the time of death or termination as a Director due to disability (whether or not vested and exercisable by the grantee immediately prior to such time) shall vest and be exercisable, in the case of death of the grantee, by the Grantee's Heir or Representative, or, in the case of disability of the grantee, by the grantee at any time prior to the second anniversary of the date on which the grantee ceases to be a Director of the Corporation or the expiration date of the stock option or stock appreciation right, whichever is the shorter period.

Whether a resignation of a Director is with or without the consent of the Board and whether a grantee is disabled shall be determined in each case, in its discretion, by the Committee and such determination by the Committee shall be final and binding.

(G) If a grantee of a stock option or stock appreciation right engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after service as a Director of the Corporation) which is in competition with the Corporation or any of its Subsidiaries, or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, the Committee may immediately terminate all outstanding stock options and stock appreciation rights held by the grantee; provided, however, that this sentence shall not apply if the exercise period of a stock option or stock appreciation right following termination of service as a Director of the Corporation has been extended as provided in Section 13(c) hereof. Whether a grantee has engaged in the operation or management of a business which is in competition with the Corporation or any of its Subsidiaries, or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, shall be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

(H) All stock options and stock appreciation rights shall be confirmed by a written agreement or an amendment thereto in a form prescribed by the Committee, in its discretion. Each agreement or amendment thereto shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The provisions of such agreements need not be identical

- (I) In the event of a Section 13 Event (as defined in Section 13 hereof) in which the Corporation's stockholders receive consideration in exchange for their shares of Common Stock, the Committee shall have the authority to require any outstanding stock option and stock appreciation right to be surrendered for cancellation by the holder thereof in exchange for a cash payment equal to the difference between the Fair Market Value, as defined in Section 15 hereof, of the shares of Common Stock subject to the stock option or stock appreciation rights on the date of the Section 13 Event and their option prices and Base Prices, respectively, provided, however, that this Section 10(I) shall not apply to the extent its application would cause the stock options or stock appreciation rights to provide for a deferral of compensation within the meaning of Section 409A of the Code.

Subject to the foregoing provisions of this Section 10 and the other provisions of the Plan, any stock option or stock appreciation right granted under the Plan may be exercised at such times and in such amounts and be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its discretion, by the Committee and set forth in the agreement referred to in Section 10(H) hereof or an amendment thereto.

SECTION 11

Terms and Conditions of Restricted Share Awards

(a) Restricted Share Awards. Restricted share awards shall be evidenced by a written agreement in a form prescribed by the Committee, in its discretion, which shall set forth the number of shares of the Common Stock awarded, the restrictions imposed thereon (including, without limitation, restrictions on the right of the awardee to sell, assign, transfer or encumber such shares while such shares are subject to the other restrictions imposed under this Section 11), the duration of such restrictions, events (which may, in the discretion of the Committee, include performance-based events) the occurrence of which would cause a forfeiture of the restricted shares and such other terms and conditions as the Committee in its discretion deems appropriate. Restricted share awards shall be effective only upon execution of the applicable restricted share agreement on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President, and by the awardee. The provisions of such agreements need not be identical.

(b) Transfers to Trusts. Neither this Section 11 nor any other provision of the Plan shall preclude an awardee from transferring or assigning restricted shares to (i) the trustee of a trust that is revocable by such awardee alone, both at the time of the transfer or assignment and at all times thereafter prior to such awardee's death or (ii) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of restricted shares from such trustee to any person other than such awardee shall be permitted only to the extent approved in advance by the Committee in writing, and restricted shares held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement as if such trustee were a party to such agreement.

(c) Default Vesting Restrictions. Unless otherwise determined by the Committee, restricted shares awarded to a Director shall be forfeited if the awardee terminates as a Director of the Corporation within two (2) years following the grant of such restricted shares due to the voluntary resignation of the Director without the consent of the Board or the removal of the Director with cause. Any restricted shares which have not previously vested shall vest and the restrictions related to service as a Director shall lapse upon the death of a Director or the disability of a Director which requires his or her termination as a Director of the Corporation.

(d) Share Certificates; Dividends. Following a restricted share award and prior to the lapse or termination of the applicable restrictions, the share certificates representing the restricted shares shall be held by the Corporation in escrow together with related stock powers in blank signed by the awardee. Except as provided in Section 12 hereof, the Committee, in its discretion, may determine that dividends and other distributions on the shares held in escrow shall not be paid to the awardee until the lapse or termination of the applicable restrictions. Unless otherwise provided, in its discretion, by the Committee, any such dividends or other distributions shall not bear interest. Upon the lapse or termination of the applicable restrictions (and not before such time), the share certificates representing the restricted shares and unpaid dividends, if any, shall be delivered to the awardee. From the date a restricted share award is effective, the awardee shall be a shareholder with respect to all of the shares represented by the share certificates for the restricted shares and shall have all the rights of a shareholder with respect to the restricted shares, including the right to vote the restricted shares and to receive all dividends, and other distributions paid with respect to the restricted shares, subject only to the preceding provisions of this Section 11(d) and the other restrictions imposed by the Committee

(e) Competition. If an awardee of restricted shares engages in the operation of management of a business (whether as owner, partner, officer, director, employee or otherwise) which is in competition with the Corporation or any of its Subsidiaries or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, the Committee may immediately declare forfeited all restricted shares held by the awardee as to which the restrictions have not yet lapsed. Whether an awardee has engaged in the operation or management of a business which is in competition with the Corporation or any of its Subsidiaries or has solicited any of the Corporation's customers or employees other than for the benefit of Corporation, shall also be determined, in its discretion, by the Committee, and any such determination by the Committee shall be final and binding.

SECTION 12

Adjustment and Substitution of Shares

(a) Dividends or Distributions in Common Stock. If a dividend or other distribution payable in shares of Common Stock shall be declared upon the Common Stock, the number of shares of Common Stock (i) credited to any Deferred Stock Compensation Account, (ii) then subject to any outstanding stock options and stock appreciation rights and (iii) which may be issued or credited under Section 1 hereof, on the date fixed for determining the stockholders entitled to receive such stock dividend or distribution, shall be adjusted by adding thereto the number of shares of the Common Stock which would have been distributable thereon if such shares had been outstanding on such date. Shares of Common Stock so distributed with respect to any restricted shares held in escrow shall also be held by

the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares on which they were distributed.

(b) Exchanges. If the outstanding shares of the Common Stock shall, in whole or in part, be changed into or exchangeable for a different number, or different kind(s) or class(es) of shares of stock or other securities of the Corporation or another corporation, or cash or other property, whether through reorganization, reclassification, recapitalization, stock split-up, combination of shares, merger, consolidation or otherwise, then (i) there shall be substituted for each share of the Common Stock credited to any Deferred Stock Compensation Account, subject to any then outstanding stock option and stock appreciation right, and which may be issued or credited under Section 1 hereof, the number and kind of shares of stock or other securities or the cash or property into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchangeable, and (ii) the Board shall adopt such amendments to the Plan as it deems necessary or desirable to carry out the purposes of the Plan, including without limitation the continuing deferral of any shares, securities, cash or other property then credited to any Deferred Stock Compensation Accounts. Unless otherwise determined by the Committee, in its discretion, any such stock or securities, as well as any cash or other property, into or for which any restricted shares held in escrow shall be changed or exchangeable in any such transaction, shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares in respect of which such stock, securities, cash or other property was issued or distributed.

(c) Option Price and Base Price. In case of any adjustment or substitution as provided for in this Section 12, the aggregate option price and Base Price for all shares subject to each then outstanding stock option and stock appreciation right, respectively, prior to such adjustment and substitution shall be the aggregate option price and Base Price, respectively, for all shares of stock or other securities (including any fraction) to which such shares have been adjusted or which shall have been substituted for such shares. Any new option price or Base Price per share shall be carried to at least three decimal places with the last decimal place rounded upwards to the nearest whole number.

(d) Other Events. If the outstanding shares of Common Stock shall be changed in value by reason of any spin-off, split-off, or dividend in partial liquidation, dividend in property other than cash or extraordinary distribution to holders of the Common Stock, (i) the Committee shall make any adjustments to the number of shares of Common Stock credited to any Deferred Stock Compensation Account, and any outstanding stock option or stock appreciation right, which it determines are equitably required to prevent dilution or enlargement of the rights of grantees or the value of those shares of Common Stock credited to such Deferred Stock Compensation Account which would otherwise result from any such transaction, and (ii) unless otherwise determined by the Committee, in its discretion, any stock, securities, cash or other property distributed with respect to any restricted shares held in escrow or for which any restricted shares held in escrow shall be exchanged in any such transaction shall also be held by the Corporation in escrow and shall be subject to the same restrictions as are applicable to the restricted shares in respect of which such stock, securities, cash or other property was distributed or exchanged.

(e) Fractional Shares. No adjustment or substitution provided for in this Section 12 shall require the Corporation to issue or sell a fraction of a share or other security. Accordingly, all fractional shares or other securities which result from any such adjustment or substitution shall be eliminated and not carried forward to any subsequent adjustment or substitution. Owners of restricted shares held in escrow shall be treated in the same manner as owners of Common Stock not held in escrow with respect to fractional shares created by an adjustment or substitution of shares, except that, unless otherwise determined by the Committee, in its discretion, any cash or other property paid in lieu of a fractional share shall be subject to restrictions similar to those applicable to the restricted shares exchanged therefor.

(f) Limited Rights. Except as provided in this Section 12, a Director shall have no rights by reason of any issue by the Corporation of stock of any class or securities convertible into stock of any class, any subdivision or consolidation of shares of stock of any class, the payment of any stock dividend or any other increase or decrease in the number of shares of stock of any class.

SECTION 13 **Additional Rights in Certain Events**

(a) Definitions. For purposes of this Section 13, the following terms shall have the following meaning:

- (1) The term "Person" shall be used as that term is used in Sections 13(d) and 14(d) of the 1934 Act.
- (2) "Beneficial Ownership" shall be determined as provided in Rule 13d-3 under the 1934 Act as in effect on the effective date of the Plan.
- (3) "Voting Shares" shall mean all securities of a company entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the Common Stock to elect directors by a separate class vote); and a specified percentage of "Voting Power" of a company shall mean such number of the Voting Shares as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the Common Stock to elect Directors by a separate class vote).
- (4) "Tender Offer" shall mean a tender offer or exchange offer to acquire securities of the Corporation (other than such an offer made by the Corporation or any Subsidiary), whether or not such offer is approved or opposed by the Board.
- (5) "Section 13 Event" shall mean the date upon which any of the following events occurs:

- (i) The Corporation acquires actual knowledge that any Person other than the Corporation, a Subsidiary or any employee benefit plan(s) sponsored by the Corporation has acquired the Beneficial Ownership, directly or indirectly, of securities of the Corporation entitling such Person to 20% or more of the Voting Power of the Corporation;
- (ii) (a) A Tender Offer is made to acquire securities of the Corporation entitling the holders thereof to 20% or more of the Voting Power of the Corporation; or (b) Voting Shares are first purchased pursuant to any other Tender Offer;
- (iii) At any time less than 60% of the members of the Board shall be individuals who were either (a) directors on the effective date of the Plan or (b) individuals whose election, or nomination for election, was approved by a vote (including a vote approving a merger or other agreement providing the membership of such individuals on the Board) of at least two-thirds of the directors then still in office who were directors on the effective date of the Plan or who were so approved;
- (iv) The shareholders of the Corporation shall approve an agreement or plan providing for the Corporation to be merged, consolidated or otherwise combined with, or for all or substantially all its assets or stock to be acquired by, another corporation, as a consequence of which the former shareholders of the Corporation will own, immediately after such merger, consolidation, combination or acquisition, less than a majority of the Voting Power of such surviving or acquiring corporation or the parent thereof; or
- (v) The shareholders of the Corporation shall approve any liquidation of all or substantially all of the assets of the Corporation or any distribution to security holders of assets of the Corporation having a value equal to 10% or more of the total value of all the assets of the Corporation;

provided, however, that (A) if securities beneficially owned by a grantee are included in determining the Beneficial Ownership of a Person referred to in paragraph 5(i) hereof or (B) a grantee is required to be named pursuant to Item 2 of the Schedule 14D-1 (or any similar successor filing requirement) required to be filed by the bidder making a Tender Offer referred to in paragraph 5(ii), then no Section 13 Event with respect to such grantee shall be deemed to have occurred by reason of such event.

(b) Acceleration of the Exercise Date of Stock Options and Stock Appreciation Rights. Unless the agreement referred to in Section 10(H) hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, in case any Section 13 Event occurs all outstanding stock options and stock appreciation rights shall become immediately and fully exercisable whether or not otherwise exercisable by their terms.

(c) Extension of the Expiration Date of Stock Options and Stock Appreciation Rights. Unless the agreement referred to in Section 10(H) hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, all stock options and stock appreciation rights held by a grantee whose service with the Corporation as a Director terminates within one year of any Section 13 Event for any reason shall be exercisable for the longer of (i) a period of three months from the date of such termination of service or (ii) the period specified in Section 10(F) hereof, but in no event after the expiration date of the stock option or stock appreciation right.

(d) Lapse of Restrictions on Restricted Share Awards. Unless the agreement referred to in Section 11 hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any Section 13 Event occurs prior to the scheduled lapse of all restrictions applicable to restricted share awards under the Plan, all such restrictions shall lapse upon the occurrence of any such Section 13 Event regardless of the scheduled lapse of such restrictions.

SECTION 14

Administration of Plan; Hardship Withdrawal

Except where the terms of the Plan specifically grant authority to the Committee of the Board or where the Board delegates authority to the Committee, full power and authority to construe, interpret, and administer the Plan shall be vested in the Board. Decisions of the Committee and the Board shall be final, conclusive, and binding upon all parties. Notwithstanding the terms of a Stock Deferral Election or a Meeting Fee Deferral Election made by a Director hereunder, the Committee may, in its sole discretion, permit the withdrawal of shares credited to a Deferred Stock Compensation Account with respect to Director Fees or Meeting Fees previously payable upon the request of a Director or the Director's representative, or following the death of a Director upon the request of a Director's Beneficiary or such beneficiary's representative, if the Board determines that the Director or the Director's Beneficiary, as the case may be, is confronted with an unforeseeable emergency. For this purpose, an unforeseeable emergency means a severe financial hardship to the Director or the Director's Beneficiary resulting from an illness or accident of the Director or the Director's Beneficiary, the spouse, or a dependent (as defined in Section 152(a) of the Code) of the Director or the Director's Beneficiary, loss of the Director or the Director's Beneficiary's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director or the Director's Beneficiary. The Director or the Director's Beneficiary shall provide to the Committee evidence as the Committee, in its discretion, may require to demonstrate such emergency exists and financial hardship would occur if the

withdrawal were not permitted. The withdrawal shall be limited to the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Director or the Director's Beneficiary's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseeable financial emergency. Payment shall be made, as soon as practicable after the Committee approves the payment and determines the number of shares which shall be withdrawn, in a single lump sum from the portion of the Deferred Stock Compensation Account with the longest number of installment payments first. No Director shall participate in any decision of the Committee regarding such Director's request for a withdrawal under this Section 14.

SECTION 15 **Fair Market Value**

Fair Market Value of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which Fair Market Value is to be determined as quoted in *The Wall Street Journal* (or in any other reliable publication as the Board of the Corporation or its delegate, in its discretion, may determine to rely upon):

- (a) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date;
- (b) if the Common Stock is not listed on such exchange, the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended (the "1934 Act") on which the Common Stock is listed; or
- (c) if the Common Stock is not listed on any such exchange, the highest and lowest sales prices per share of the Common Stock for such date on the National Association of Securities Dealers Automated Quotations System or any successor system then in use ("NASDAQ").

If there are no such sale price quotations for the date as of which Fair Market Value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then Fair Market Value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which Fair Market Value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which Fair Market Value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then Fair Market Value of the Common Stock shall be the mean between the bona fide bid and asked prices per share of Common Stock as so quoted for such date on NASDAQ, or if none, the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which Fair Market Value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this Section 15. If the Fair Market Value of the Common Stock cannot be determined on the basis previously set forth in this Section 15 on the date as of which Fair Market Value is to be determined, the Board or its delegate shall in good faith determine the Fair Market Value of the Common Stock on such date. Fair Market Value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

SECTION 16 **Securities Laws; Issuance of Shares**

The obligation of the Corporation to issue or credit shares of Common Stock under the Plan shall be subject to:

- (i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation;
- (ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed; and
- (iii) all other applicable laws, regulations, rules and orders which may then be in effect.

If, on the date on which any shares of Common Stock would be issued pursuant to a current stock payment under Section 3(a) hereof or credited to a Deferred Stock Compensation Account and after consideration of any shares of Common Stock subject to outstanding stock options and stock appreciation rights and awards of restricted shares, sufficient shares of Common Stock are not available under the Plan or the Corporation is not obligated to issue shares pursuant to this Section 16, then no shares of Common Stock shall be issued or credited but rather, in the case of a current stock payment under Section 3(a) hereof, cash shall be paid in payment of the Director Fees payable, and in the case of a Deferred Stock Compensation Account, Director Fees, Meeting Fees and dividends, if applicable, which would otherwise have been credited in shares of Common Stock, shall be credited in cash to a deferred cash compensation account in the name of the Director. The Board shall adopt appropriate rules and regulations to carry out the intent of the immediately preceding sentence if the need for such rules and regulations arises.

SECTION 17
Governing Law; Integration

The provisions of this Plan shall be interpreted and construed in accordance with the laws of the Commonwealth of Pennsylvania. The Plan contains all of the understandings and representations between the Corporation and any of the Directors and supersedes any prior understandings and agreements entered into between them regarding the subject matter of the Plan. There are no representations, agreements, arrangements or understandings, oral or written, between the Corporation and any of the Directors relating to the subject matter of the Plan which are not fully expressed in the Plan.

SECTION 18
Effect of the Plan on the
Rights of Corporation and Shareholders

Nothing in the Plan or in any stock option, stock appreciation right or restricted share award under the Plan or in any agreement providing for any of the foregoing or any amendment thereto shall confer any right to any person to continue as a Director of the Corporation or interfere in any way with the rights of the shareholders of the Corporation or the Board to elect and remove Directors.

SECTION 19
Amendment and Termination

(a) General. The right to amend the Plan at any time and from time to time and the right to terminate the Plan at any time are hereby specifically reserved to the Board; provided that no amendment of the Plan shall:

(i) be made without shareholder approval if shareholder approval of the amendment is at the time required by the rules of the NASDAQ National Market System or any stock exchange on which the Common Stock may then be listed; or

(ii) otherwise amend the Plan in any manner that would cause the shares of Common Stock issued or credited under the Plan not to qualify for the exemption from Section 16(b) of the 1934 Act provided by Rule 16b-3.

No amendment or termination of the Plan shall, without the written consent of the holder of shares of Common Stock issued or credited under the Plan or the holder of a stock option, stock appreciation right or restricted shares theretofore granted or awarded under the Plan, adversely affect the rights of such holder with respect thereto.

(b) Rule 16b-3. Notwithstanding anything contained in the preceding paragraph or any other provision of the Plan, the Board shall have the power to amend the Plan in any manner deemed necessary or advisable for shares of Common Stock issued or credited under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the 1934 Act), and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding shares of Common Stock theretofore issued or credited under the Plan.

(c) Termination Date. Notwithstanding any other provision of the Plan:

(i) no shares of Common Stock shall be issued or credited on a Payment Date under the Plan after November 15, 2014;

(ii) no shares of Common Stock shall be credited with respect to Meeting Fees payable under the Plan after November 15, 2014;

(iii) no stock option or stock appreciation right shall be granted under the Plan after November 15, 2014; and

(iv) no restricted shares shall be awarded under the Plan after November 15, 2014.

SECTION 20
Effective Date

The effective date and date of adoption of the Plan shall be December 9, 1994, the date of adoption of the Plan by the Board.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
 SUBSIDIARIES OF THE REGISTRANT
 (as of October 31, 2007)

<u>Name</u>	<u>Percentage Ownership</u>
Beijing Kenuohua Electronic Technology Co., Ltd.	60
Cloverleaf Group, Inc.	100
Holjeron Corporation	100
Matthews Canada Ltd.	100
Matthews Holding Company (U.K.) Ltd.	100
The InTouch Group plc	100
InTouch by Design	76
Matthews Industries	100
Matthews Bronze Pty. Ltd.	100
C. Morello, Pty. Ltd.	100
Ashcroft Pty. Ltd.	100
Matthews International GmbH	100
Reproservice Eurodigital GmbH Munchen	100
Repro-Busek GmbH & Co. KG	100
Rudolf Reproflex GmbH & Co. KG	75
Scholler GmbH & Co. KG	100
S+T GmbH & Co. KG	80
Matthews International S.p.A.	100
Caggiati Espana S.A.	100
Caggiati France SARL	100
Matthews Resources, Inc.	100
Matthews Swedot AB	100
Venetian Investment Corporation	100
The York Group, Inc.	100
Milso Industries Corporation	100
York Agency, Inc.	100
York Casket Development Company	100
York Distribution Company	100

**CONSENT OF INDEPENDENT REGISTERED PUBLIC
ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 33-57793, 33-57795, 33-57797, 333-83731 and 333-131496) of Matthews International Corporation of our report dated November 21, 2007 relating to the financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
November 27, 2007

CERTIFICATION
PRINCIPAL EXECUTIVE OFFICER

I, Joseph C. Bartolacci, certify that:

1. I have reviewed this annual report on Form 10-K of Matthews International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2007

/s/Joseph C. Bartolacci

Joseph C. Bartolacci
President and Chief Executive Officer

CERTIFICATION
PRINCIPAL FINANCIAL OFFICER

I, Steven F. Nicola, certify that:

1. I have reviewed this annual report on Form 10-K of Matthews International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 27, 2007

/s/Steven F. Nicola

Steven F. Nicola
Chief Financial Officer,
Secretary and Treasurer

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Matthews International Corporation (the "Company") on Form 10-K for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Bartolacci, President and Chief Executive Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Joseph C. Bartolacci

Joseph C. Bartolacci,
President and Chief Executive Officer

November 27, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Matthews International Corporation (the "Company") on Form 10-K for the period ended September 30, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven F. Nicola, Chief Financial Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Steven F. Nicola

Steven F. Nicola,
Chief Financial Officer

November 27, 2007

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Matthews International Corporation and will be retained by Matthews International Corporation and furnished to the Securities and Exchange Commission or its staff upon request.
