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

Form 10-Q

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For The Quarterly Period Ended June 30, 2001

Commission File Nos. 0-9115 and 0-24494

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

PENNSYLVANIA	25-0644320
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

TWO NORTHSHORE CENTER, PITTSBURGH, PA	15212-5851
(Address of principal executive offices)	(Zip Code)

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

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

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

Yes [X] No [ ]

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class of Common Stock	Outstanding at July 31, 2001
Class A - $1.00 par value	13,412,089 shares
Class B - $1.00 par value	1,742,978 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

<TABLE>
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	June 30, 2001	September 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,879,390	$ 29,150,118
Short-term investments	265,193	1,321,226
Accounts receivable	50,584,775	44,818,961
Inventories: Materials and finished goods	$ 15,824,101	$ 14,927,664

Labor and overhead in process	1,462,714	1,498,130
Supplies	327,331	423,652
	----------	----------
	17,614,146	16,849,446
Other current assets	2,406,984	2,693,039
	-----------	----------
Total current assets	93,750,488	94,832,790
Investments	15,976,555	14,802,809
Property, plant and equipment: Cost	94,547,710	94,107,498
Less accumulated depreciation	(44,670,896)	(45,640,252)
	----------	----------
	49,876,814	48,467,246
Deferred income taxes and other assets	15,983,064	13,850,559
Goodwill, net of accumulated amortization	86,308,392	48,712,046
	-----------	-----------
Total assets	$261,895,313	$220,665,450
	===========	===========
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt, current maturities	4,906,294	3,478,218
Accounts payable	10,956,424	10,075,166
Accrued compensation	13,184,591	16,729,194
Accrued income taxes	4,553,232	270,124
Customer prepayments	5,949,422	5,874,352
Other current liabilities	7,943,984	10,405,088
	----------	----------
Total current liabilities	47,493,947	46,832,142
Long-term debt	40,585,786	13,908,448
Estimated finishing costs	8,014,316	4,071,884
Postretirement benefits	18,647,271	18,991,385
Other liabilities	11,611,965	10,005,882
Shareholders' equity:		
Common stock	18,166,996	18,166,996
Retained earnings	195,793,658	174,689,060
Accumulated other comprehensive income (loss)	(10,826,010)	(9,177,176)
Notes receivable	-	(6,596)
Treasury stock, at cost	(67,592,616)	(56,816,575)
	-----------	-----------
	135,542,028	126,855,709
	-----------	-----------
Total liabilities and shareholders' equity	$261,895,313	$220,665,450
	===========	===========

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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

<TABLE>
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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Sales	$ 71,460,987	$ 69,025,427	$204,356,032	$200,851,343
Cost of sales	(40,071,350)	(37,926,781)	(116,587,934)	(111,088,079)
	----------	----------	-----------	-----------
Gross profit	31,389,637	31,098,646	87,768,098	89,763,264
Selling and administrative expenses	(16,758,457)	(17,768,132)	(50,241,463)	(53,538,417)
Special items	-	-	2,177,292	-
	----------	----------	-----------	-----------
Operating profit	14,631,180	13,330,514	39,703,927	36,224,847

Investment income	524,993	436,266	1,941,716	1,265,253
Interest expense	(390,809)	(369,658)	(1,046,461)	(1,189,305)
Other income (deductions), net	3,863	(138,753)	(553,529)	(172,717)
Minority interest	(503,947)	(566,284)	(1,569,664)	(1,716,144)
	----------	----------	-----------	-----------
Income before income taxes	14,265,280	12,692,085	38,475,989	34,411,934
Income taxes	(5,504,553)	(4,966,728)	(14,849,136)	(13,488,774)
	----------	----------	-----------	-----------
Net income	$ 8,760,727	$ 7,725,357	$ 23,626,853	$ 20,923,160
	==========	==========	===========	===========
Basic earnings per share	$ .58	$ .50	$ 1.54	$ 1.35
	=====	=====	=====	=====
Diluted earnings per share	$ .56	$ .49	$ 1.51	$ 1.32
	=====	=====	=====	=====
Dividends per share	$ .05	$.0475	$ .15	$.1425
	=====	=====	=====	=====

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MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	Nine Months Ended June 30,	
	2001	2000
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 23,626,853	$ 20,923,160
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,001,715	9,228,802
Change in deferred taxes	156,452	1,753
Changes in working capital items	(5,543,146)	(4,946,187)
Increase in other assets	(1,469,401)	(313,344)
Increase in estimated finishing costs	202,507	155,784
Increase in other liabilities	53,000	548,730
Decrease in postretirement benefits	(344,114)	(360,449)
Impairment losses	2,823,661	-
Net (gain) loss on sales of assets	(28,245)	277,802
Gain on sale of subsidiary	(7,098,554)	-
Net (gain) loss on investments	(181,713)	113,701
Effect of exchange rate changes on operations	(239,412)	(674,076)
	----------	----------
Net cash provided by operating activities	20,959,603	24,955,676
	----------	----------
Cash flows from investing activities:		
Capital expenditures	(5,354,578)	(5,714,973)
Proceeds from sales of assets	38,124	467,592
Acquisitions, net of cash acquired	(57,192,958)	(9,520,333)
Proceeds from sale of subsidiary	18,581,528	-
Purchases of investment securities	(11,431,814)	(6,716,970)
Proceeds from disposition of investment securities	10,546,053	2,031,756

Collections on loans to officers and employees	6,596	40,994
	----------	----------
Net cash used in investing activities	(44,807,049)	(19,411,934)
	----------	----------
Cash flows from financing activities:		
Proceeds from long-term debt	32,743,326	4,023,360
Payments on long-term debt	(1,188,505)	(3,779,161)
Proceeds from the sale of treasury stock	219,878	197,457
Purchases of treasury stock	(11,372,862)	(7,672,327)
Dividends	(2,283,312)	(2,204,463)
	----------	----------
Net cash provided by (used in) financing activities	18,118,525	(9,435,134)
	----------	----------
Effect of exchange rate changes on cash	(541,807)	(888,576)
	----------	----------
Net decrease in cash and cash equivalents	$ (6,270,728)	$ (4,779,968)
	==========	==========

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2001

Note 1. Nature of Operations

Matthews International Corporation ("Matthews"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphics Imaging and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorials and other memorialization products, crematories and cremation-related products and is a leading builder of mausoleums in the United States. The Graphics Imaging segment manufactures and provides printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables for identifying various consumer and industrial products, components and packaging containers.

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

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three months and nine months ended June 30, 2001 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2001. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2000.

The consolidated financial statements include all majority-owned foreign and domestic subsidiaries. The consolidated financial statements also include the accounts of the Company's 50%-owned affiliates, Tukaiz Communications, L.L.C. ("Tukaiz"), O.N.E. Color Communications, L.L.C. and S+T GmbH & Co. KG. All intercompany accounts and transactions have been eliminated. On January 19, 2001, the Company sold its 50% interest in Tukaiz (see Note 7).

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. Actual results could differ from those estimates.

Note 2. Basis of Presentation, continued

Sales and cost of goods sold for the three-month and nine-month periods ended June 30, 2000 have been adjusted in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," to reflect the reclassification of shipping costs billed to customers.

Note 3. Income Taxes

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The difference between the estimated effective tax rate of 38.6% and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes and non-deductible goodwill amortization.

Note 4. Earnings Per Share

<TABLE>
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	Three Months Ended June 30,		Nine Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Net income	$ 8,760,727	$ 7,725,357	$23,626,853	$20,923,160
Weighted-average common shares outstanding	15,180,961	15,420,408	15,319,315	15,529,805
Dilutive securities, primarily stock options	419,321	355,757	335,362	354,990
Diluted weighted-average common shares outstanding	15,600,282	15,776,165	15,654,677	15,884,795
Basic earnings per share	$ .58	$ .50	$1.54	$1.35
Diluted earnings per share	$ .56	.49	$1.51	$1.32

</TABLE>

Note 5. Segment Information

The Company is organized into three business segments based on products and services. The segments, which are Bronze, Graphics Imaging and Marking Products, are described under Nature of Operations (Note 1). 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.

Note 5. Segment Information, continued

Information about the Company's segments follows:

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Nine Months Ended June 30, 2001	Nine Months Ended June 30, 2000
Sales to external customers:				
Graphics Imaging	$ 20,492,701	$ 23,393,503	$ 65,726,333	$ 69,258,913
Marking Products	7,209,209	8,390,401	22,661,820	25,258,629
Bronze	43,759,077	37,241,523	115,967,879	106,333,801
	$ 71,460,987	$ 69,025,427	$204,356,032	$200,851,343
Operating profit:				
Graphics Imaging	$ 2,465,974	$ 2,643,102	$ 12,025,761	$ 6,942,903
Marking Products	1,059,962	1,484,213	2,290,192	4,362,272
Bronze	11,105,244	9,203,199	25,387,974	24,919,672
	$ 14,631,180	$ 13,330,514	$ 39,703,927	$ 36,224,847
Operating profit, excluding special items and other one-time charges:				
Graphics Imaging	$ 2,465,974	$ 2,643,102	$ 7,624,522	$ 6,942,903
Marking Products	1,059,962	1,484,213	3,744,506	4,362,272
Bronze	11,105,244	9,203,199	27,326,065	24,919,672
	$ 14,631,180	$ 13,330,514	$ 38,695,093	$ 36,224,847

Note 6. Comprehensive Income

Comprehensive income consists of net income adjusted for changes, net of tax, in cumulative foreign currency translation, unrealized investment gains and losses and minimum pension liability. For the three months ended June 30, 2001 and 2000, comprehensive income was $8,492,278 and $7,430,465, respectively. For the nine months ended June 30, 2001 and 2000, comprehensive income was $21,978,019 and $18,103,516, respectively.

Note 7. Disposition

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz. Proceeds to Matthews from the sale were approximately $18.6 million, which included the repayment of intercompany debt of $8.4 million. All intercompany debt provided by Matthews to Tukaiz, including a $5.5 million Subordinated Convertible Note, was repaid upon the closing of this transaction. The sale resulted in a pre-tax gain of $7.1 million, which has been reported in Special Items on the Consolidated Statement of Income.

Note 8. Special Items

In the second quarter of fiscal 2001, the Company recorded asset impairments, restructuring costs and other special charges totaling $6.6 million. The majority of these charges were classified as Special Items on the Consolidated Statement of Income, except for $1,168,458 classified as selling and administrative expenses, and $500,000 classified as other deductions.

In connection with the restructuring of certain operations within the Graphics Imaging and Marking Products segments, asset impairments of $4.0 million were recorded, primarily reflecting a reduction in the value of goodwill related to various investments. In accordance with the Company's accounting policies, management evaluated the net realizable value of such goodwill and, based on this analysis, goodwill was reduced to reflect estimated fair value on a discounted cash flow basis. Asset impairments also included other write-downs of certain assets to reflect estimated realizable values.

In addition, special items included restructuring costs of $1.2 million for certain operations within the Graphics Imaging and Marking Products segments. These restructuring costs were designed to improve operating efficiency and primarily included consulting fees and personnel reduction costs. Special items also included non-recurring expenses of approximately $1.4 million consisting of costs incurred in connection with a potential acquisition which was not completed, a special contribution to the Company's educational and charitable trust of $500,000 (classified in other income (deductions), net), and other one-time charges. Substantially all of the restructuring costs and non-recurring expenses were incurred as of June 30, 2001, except for the trust contribution and certain other costs which are expected to be completed by the end of the fiscal year.

Note 9. Acquisitions

On May 24, 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York") for $45 million cash. The transaction was completed through the purchase of certain assets (pursuant to an asset purchase agreement) and stock of subsidiaries under the Commemorative Products segment of York (pursuant to a stock purchase agreement). As part of the transaction, Matthews acquired York's manufacturing facilities in Kingwood, West Virginia and Bryan, Texas. The transaction was financed by Matthews through existing cash on hand and a $30 million bank loan under the Company's Revolving Credit and Term Loan Agreement with Mellon Bank, N.A. The loan bears interest at LIBOR plus .75%, which totaled 4.83% at June 30, 2001.

The following unaudited pro forma information presents a summary of the consolidated results of Matthews and the Commemorative Products business of York as if the acquisition had occurred on October 1, 1999:

	Nine Months Ended June 30, 2001	Nine Months Ended June 30, 2000
Sales	$232,000,000	$233,000,000
Net income	24,310,000	22,460,000
Earnings per share, diluted	$1.55	$1.41

Note 9. Acquisitions, continued

These unaudited pro forma results have been prepared for comparative purposes only and include certain adjustments, such as goodwill amortization and 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.

On May 24, 2001, Matthews and York signed a merger agreement whereby Matthews is to acquire 100% of the outstanding common shares of York for $10 cash per share. Matthews also agreed to pay up to an additional $1 cash per share based on the excess cash remaining on York's balance sheet as of October 31, 2001. Completion of this transaction, anticipated to occur in the fourth quarter of 2001, is subject to York achieving earnings before interest, taxes, depreciation and amortization ("EBITDA") from its casket operations greater than the same period of the prior year for the nine months ended September 30, 2001; approval of the merger by the shareholders of York; compliance with applicable legal and regulatory requirements; and standard closing conditions. York, a leading casket manufacturer in the United States, expects to have annual revenues approximating $130 million following the sale of its other operating businesses.

Note 10. Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the purchase method of accounting (instead of pooling-of-interests) for all business combinations initiated after June 30, 2001. SFAS No. 142 addresses the financial statement accounting for goodwill and other intangible assets upon acquisition and the accounting subsequent to their initial recognition in the financial statements. Upon adoption, goodwill related to business combinations on or before June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. Goodwill in connection with acquisitions subsequent to June 30, 2001 will not be amortized and will also be subject to periodic review for impairment. The Company will be required to adopt the provisions of SFAS No. 142 in the first quarter of fiscal 2003, but application as early as the first quarter of fiscal 2002 is permitted. The Company is currently evaluating SFAS No. 142 in order to determine its impact on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company will be required to implement SAB No. 101 in the fourth quarter of fiscal 2001. The provisions of SAB No. 101 are not expected to have a material impact on the Company's consolidated financial statements.

Note 11. Subsequent Event

Effective July 1, 2001, Matthews acquired a 75% interest in Rudolf Reproflex GmbH ("Rudolf"), a German graphics and flexographic printing plate manufacturer. The purchase price was DM 24 million (US$10.5 million) and is payable to the seller by September 30, 2001. Rudolf is headquartered in Goslar, Germany and has annual sales of approximately US$14 million.

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

Cautionary Statement:

The following discussion should be read in conjunction with the consolidated financial statements and footnotes thereto included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended September 30, 2000. Any forward-looking statements contained herein are included pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from management's expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements principally include changes in domestic or international economic conditions, 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 competitive pressures, and technological factors beyond the Company's control.

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.

	Nine months ended June 30,		Years ended September 30,		
	2001	2000	2000	1999	1998
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	42.9	44.7	44.2	42.3	43.2
Operating profit	19.4	18.0	17.9	16.8	16.7
Income before income taxes	18.8	17.1	17.2	17.0	17.2
Net income	11.6	10.4	10.5	10.3	10.4

Note: Prior periods have been adjusted to reflect the reclassification, in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," of shipping costs billed to customers.

Sales for the nine months ended June 30, 2001 were $204.4 million and were $3.5 million, or approximately 1.7%, higher than sales of $200.9 million for the nine months ended June 30, 2000. Bronze segment sales for the first nine months of fiscal 2001 were $116.0 million, which was 9% higher than the same period a year ago, primarily reflecting an increase in mausoleum construction revenues and the acquisition of the Commemorative Products business of The York Group, Inc. (see "Acquisitions"). Year-to-date sales for the Graphics Imaging segment as of June 30, 2001 were $65.7 million, representing a decrease of 5% from the same period a year ago. The decline reflected the sale of Tukaiz Communications, L.L.C. ("Tukaiz") on January 19, 2001 (see "Disposition"). Fiscal 2001 revenues for Tukaiz up to the disposition date were $6.5 million, compared to $17.8 million for the nine months ended June 30, 2000. The decline from the divestiture of Tukaiz was partially offset by the Company's recent acquisitions of Repro-Busek GmbH ("Busek") in August 2000, Press Ready Plate, Inc. in November 2000 and Klischeewerkstatt Scholler GmbH ("Scholler") in January 2001 (see "Acquisitions").

Results of Operations, continued:

Marking Products segment sales for the nine months ended June 30, 2001 were $22.7 million compared to $25.3 million for the first nine months of fiscal 2000. The decline was mainly due to lower exports coupled with a slow-down in capital goods purchases domestically. For the nine months ended June 30, 2001, declines in foreign currency values against the U.S. dollar had an unfavorable impact of approximately $4.6 million on the Company's consolidated sales for the nine months ended June 30, 2001 compared to the same period a year ago.

Gross profit for the nine months ended June 30, 2001 was $87.8 million, compared to $89.8 million for the first nine months of fiscal 2000. The reduction in consolidated gross profit for the period reflected the impact of the divesture of Tukaiz, a decline in sales for the Marking Products segment and a change in product mix in the Bronze segment. Fiscal 2001 reflected higher mausoleum construction revenues, which generally have lower margins than the segment's memorial products. Consolidated gross profit as a percent of sales for the nine months ended June 30, 2001 declined to 42.9%, compared to 44.7% for the same period a year ago, primarily reflecting the change in product mix within the Bronze segment.

Selling and administrative expenses for the nine months ended June 30, 2001 were $50.2 million, representing a decrease of $3.3 million, or 6.2%, compared to the same period a year ago. Fiscal 2001 selling and administrative expenses included special charges of $1.2 million (see "Special Items"). Excluding the special charges, selling and administrative expenses declined $4.5 million, or 8.3%, from the same period last year reflecting the divestiture of Tukaiz, internal cost control initiatives and lower employee benefit costs. Employee benefit costs were favorably impacted by an increase in the Company's pension fund assets compared to the prior year, which was partially offset by an increase in health care costs. Excluding special charges, consolidated selling and administrative expenses as a percent of sales was 24.0% for the first nine months of fiscal 2001 compared to 26.7% for the same period a year ago.

Operating profit for the nine months ended June 30, 2001 was $39.7 million, representing an increase of $3.5 million, or 9.6%, over operating profit of $36.2 million for the first nine months of fiscal 2000. Fiscal 2001 operating profit was favorably impacted by special items (including special charges classified as selling and administrative expenses) of $1.0 million. Excluding these special items, consolidated operating profit for the first nine months of fiscal 2001 was $38.7 million.

Excluding special items, operating profit for the Graphics imaging segment for the first nine months of fiscal 2001 was $7.6 million, representing an increase of 10% over the same period last year. The increase was due to a combination of factors including cost control initiatives implemented in fiscal years 2000 and 2001, contributions from the segment's recent acquisitions and higher profitability of the Company's 50%-owned affiliate, O.N.E. Color Communications L.L.C. These increases were partially offset by the divestiture of Tukaiz. Fiscal 2001 operating profit for Tukaiz up to the disposition date was $700,000, compared to $1.8 million for the nine months ended June 30, 2000. Bronze segment operating profit, excluding special items, for the first nine months of fiscal 2001 was $27.3 million, compared to $24.9 million for the same period a year ago. Fiscal 2001 reflected the benefits of the acquisition of the Commemorative Products business of the York Group, Inc. (see "Acquisitions"), higher mausoleum construction revenues, cost control initiatives and lower employee benefit costs.

Results of Operations, continued:

Operating profit, excluding special items, for the Marking Products segment for the nine months ended June 30, 2001 was $3.7 million, compared to operating profit of $4.4 million for the same period a year ago. The decrease in operating profit reflected a decline in sales for the period, which was partially offset by lower selling and administrative costs. Declines in foreign currency values against the U.S. dollar had an unfavorable impact of approximately $900,000 on the Company's consolidated operating profit for the nine months ended June 30, 2001 compared to the same period last year.

Investment income for the first nine months of fiscal 2001 was $1.9 million compared to $1.3 million for the first nine months of fiscal 2000. The increase reflected higher average cash and investment balances and a higher average rate of return on the Company's invested funds. Interest expense for the nine months ended June 30, 2001 was $1.0 million, compared to $1.2 million for the first nine months of fiscal 2000. The decline in interest expense compared to the same period last year principally reflected the divestiture of Tukaiz, which was partially offset by new borrowings in connection with the acquisition of the Commemorative Products business of the York Group, Inc. (see "Acquisitions").

Other income (deductions), net, for the first nine months of fiscal 2001 represented a reduction to pre-tax income of $554,000, compared to a reduction of $173,000 for the first nine months of fiscal 2000. Fiscal 2001 other deductions included a special contribution of $500,000 to the Jas. H. Matthews Educational and Charitable Trust. Minority interest for the first nine months of fiscal 2001 was $1.6 million compared to $1.7 million for the same period a year ago. The lower minority interest deduction for the current period resulted from the divestiture of Tukaiz, offset by the recent acquisitions of Busek and Scholler.

The Company's effective tax rate for the first nine months of fiscal 2001 was 38.6%, compared to 39.2% for the year ended September 30, 2000. The reduction reflects a lower projected effective state income tax rate for fiscal 2001. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes and non-deductible goodwill amortization.

Special Items:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz (see "Disposition"). The sale resulted in a pre-tax gain of $7.1 million, which has been reported in Special Items on the Consolidated Statement of Income. In the second quarter of fiscal 2001, the Company recorded asset impairments, restructuring costs and other special charges totaling $6.6 million. The majority of these charges have been classified as Special Items on the Consolidated Statement of Income, except for $1,168,458 classified as selling and administrative expenses and $500,000 classified as other deductions.

In connection with the restructuring of certain operations within the Graphics Imaging and Marking Products segments, asset impairments of $4.0 million were recorded, primarily reflecting a reduction in the value of goodwill related to various investments. In accordance with the Company's accounting policies, management evaluated the net realizable value of such goodwill and, based on this analysis, goodwill was reduced to reflect estimated fair value on a discounted cash flow basis. Asset impairments also included other write-downs of certain assets to reflect estimated realizable values.

Special Items, continued:

In addition, special items included restructuring costs of $1.2 million for certain operations within the Graphics Imaging and Marking Products segments. These restructuring costs were designed to improve operating efficiency and primarily included consulting fees and personnel reduction costs. Special items also included non-recurring expenses of approximately $1.4 million consisting of costs incurred in connection with a potential acquisition which was not completed, a special contribution to the Company's educational and charitable trust of $500,000 (classified in other income (deductions), net), and other one-time charges. Substantially all of the restructuring costs and non-recurring expenses were incurred as of June 30, 2001, except for the trust contribution and certain other costs which are expected to be completed by the end of the fiscal year.

Liquidity and Capital Resources:

Net cash provided by operating activities was $21.0 million for the nine months ended June 30, 2001, compared to $25.0 million for the first nine months of fiscal 2000. For the nine months ended June 30, 2001, operating cash flow reflected net income, excluding the gain on the sale of Tukaiz, adjusted for depreciation, amortization and impairment losses (non-cash items) in connection with the special charges recorded in the fiscal 2001 second quarter. Operating cash flow for the first nine months of fiscal 2000 primarily reflected net income adjusted for depreciation and amortization.

Cash used in investing activities was $44.8 million for the nine months ended June 30, 2001, compared to $19.4 million for the first nine months of fiscal 2000. Investing activities for the current period primarily reflected the acquisitions of the Commemorative Products business of York ($45.0 million), The SLN Group, Inc., Press Ready Plate, Inc., and Scholler (see "Acquisitions"). Fiscal 2001 investing activities also included proceeds of $18.6 million from the sale of Tukaiz, capital expenditures of $5.4 million and the final payment of Lit. 7.2 billion (US$3.2 million) in connection with the acquisition of Caggiati S.p.A. Investing activities for the first nine months of fiscal 2000 included capital expenditures of $5.7 million, payments of $9.5 million in connection with acquisitions and net purchases of investment securities of $4.7 million.

Capital spending for property, plant and equipment has averaged $9.4 million for the last three fiscal years. The capital budget of the Company for fiscal 2001 is $11.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash provided by financing activities for the nine months ended June 30, 2001 was $18.1 million, consisting of proceeds from long-term debt of $32.7 million offset partially by net treasury stock purchases of $11.1 million, net repayments of $1.2 million on long-term debt, and dividends of $2.3 million to the Company's shareholders. Cash used in financing activities was $9.4 million for the nine months ended June 30, 2000 consisting principally of net treasury stock purchases of $7.4 million, repayments of $3.8 million on long-term debt, and dividends of $2.2 million offset partially by proceeds from long-term debt of $4.0 million.

Liquidity and Capital Resources:

At June 30, 2001 and September 30, 2000 and 1999, the Company's current ratio was 2.0, 2.0 and 1.6, respectively. The Company had cash and cash equivalents at June 30, 2001 and September 30, 2000 of $22.9 million and $29.2 million, respectively. Net working capital at June 30, 2001 and September 30, 2000 was $46.3 million and $48.0 million, respectively. The Company believes that its current liquidity sources, combined with its operating cash flow and additional borrowing capacity, will be sufficient to meet its capital needs for the next 12 months.

Acquisitions:

On May 24, 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York") for $45 million cash. The transaction was completed through the purchase of certain assets (pursuant to an asset purchase agreement) and stock of subsidiaries under the Commemorative Products segment of York (pursuant to a stock purchase agreement). As part of the transaction, Matthews acquired York's manufacturing facilities in Kingwood, West Virginia and Bryan, Texas. The transaction was financed by Matthews through existing cash on hand and a $30 million bank loan under the Company's Revolving Credit and Term Loan Agreement with Mellon Bank, N.A. The loan bears interest at LIBOR plus .75%, which totaled 4.83% at June 30, 2001.

On May 24, 2001, Matthews and York signed a merger agreement whereby Matthews is to acquire 100% of the outstanding common shares of York for $10 cash per share. Matthews also agreed to pay up to an additional $1 cash per share based on the excess cash remaining on York's balance sheet as of October 31, 2001. Completion of this transaction, anticipated to occur in the fourth quarter of 2001, is subject to York achieving earnings before interest, taxes, depreciation and amortization ("EBITDA") from its casket operations greater than the same period of the prior year for the nine months ended September 30, 2001; approval of the merger by the shareholders of York; compliance with applicable legal and regulatory requirements; and standard closing conditions. York believes that the interim period prior to closing will permit York to increase the per share value received by shareholders in the merger through the disposition of non-casket operations and other non-operating assets. York, a leading casket manufacturer in the United States, expects to have annual revenues approximating $130 million following the sale of its other operating businesses. The acquisition is expected to be accretive to Matthews' earnings in its first year.

In October 2000, Matthews acquired certain assets and liabilities of The SLN Group, Inc. ("SLN"). SLN, located in Nanuet, New York, is a manufacturer and marketer of photo-etched metal plaques and water-jet cut letters and logos. The acquisition of SLN is intended to broaden Matthews' offerings for identification and recognition products. In November 2000, Matthews acquired Press Ready Plate, Inc. ("Press Ready"). Press Ready, located in Kansas City, Missouri, provides pre-press services and printing plates to the flexible packaging industry. The acquisition of Press Ready is designed to increase Matthews' presence in the market for pre-press services used by the flexible packaging industry. In January 2001, Matthews acquired a 75% interest in Klischeewerkstatt Scholler GmbH ("Scholler"). Scholler, located in Nuremberg, Germany, is a graphics and flexographic printing plate manufacturer. The acquisition of Scholler is an important part of the Matthews strategy to become a worldwide leader in the graphics industry and serve existing multinational customers on a global basis.

Disposition:

On January 19, 2001, Matthews sold its fifty percent interest in Tukaiz.

Proceeds to Matthews from the sale were approximately $18.6 million, which included the repayment of intercompany debt of $8.4 million. All intercompany debt provided by Matthews to Tukaiz, including a $5.5 million Subordinated Convertible Note, was repaid upon the closing of this transaction. The transaction resulted in a pre-tax gain of $7.1 million, which has been reported in Special Items on the Consolidated Statement of Income.

Accounting Pronouncements:

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires the purchase method of accounting (instead of pooling-of-interests) for all business combinations initiated after June 30, 2001. SFAS No. 142 addresses the financial statement accounting for goodwill and other intangible assets upon acquisition and the accounting subsequent to their initial recognition in the financial statements. Upon adoption, goodwill related to business combinations on or before June 30, 2001 will no longer be amortized and will be subject to periodic review for impairment. Goodwill in connection with acquisitions subsequent to June 30, 2001 will not be amortized and will also be subject to periodic review for impairment. The Company will be required to adopt the provisions of SFAS No. 142 in the first quarter of fiscal 2003, but application as early as the first quarter of fiscal 2002 is permitted. The Company is currently evaluating SFAS No. 142 in order to determine its impact on the consolidated financial statements.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements. SAB No. 101 outlines basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies. The Company will be required to implement SAB No. 101 in the fourth quarter of fiscal 2001. The provisions of SAB No. 101 are not expected to have a material impact on the Company's consolidated financial statements.

Sales and cost of goods sold for the three-month and nine-month periods ended June 30, 2000 have been adjusted in accordance with Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs," to reflect the reclassification of shipping costs billed to customers.

Subsequent Event

Effective July 1, 2001, Matthews acquired a 75% interest in Rudolf Reproflex GmbH ("Rudolf"), a German graphics and flexographic printing plate manufacturer. The purchase price was DM 24 million (US$10.5 million) and is payable to the seller by September 30, 2001. Rudolf is headquartered in Goslar, Germany and has annual sales of approximately US$14 million.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following Exhibits to this report are incorporated by reference from the Registrant's Current Report on Form 8-K, dated May 24, 2001:

Exhibit No.	Description
10.1	Matthews International Corporation, Empire Stock Corp., and The York Group, Inc., Stock Purchase Agreement, dated as of May 24, 2001
10.2	Matthews International Corporation, Empire Stock Corp., The York Group, Inc., York Bronze Company and OMC Industries, Inc., Asset Purchase Agreement, dated as of May 24, 2001

10.3 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

(b) Report on Form 8-K

On June 8, 2001, Matthews filed a Current Report on Form 8-K, dated May 24, 2001, under Item 2 in connection with the purchase by Matthews of the Commemorative Products business of The York Group, Inc. ("York") and Item 5 in connection with a merger agreement between Matthews and York whereby Matthews is to acquire 100% of the outstanding common shares of York. See "Acquisitions" under Management's Discussion and Analysis of Financial Condition and Results of Operations.

SIGNATURES

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

MATTHEWS INTERNATIONAL CORPORATION
(Registrant)

Date 8/10/01 D.M. Kelly
------------ ---
D.M. Kelly, Chairman of the Board,
President and Chief Executive Officer

Date 8/10/01 E.J. Boyle
------------ ---
E.J. Boyle, Vice President, Accounting &
Finance, Treasurer and Secretary