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

Form 10-Q

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

For The Quarterly Period Ended June 30, 2010

Commission File No. 0-9115

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

PENNSYLVANIA (State or other jurisdiction of Incorporation or organization)	25-0644320 (I.R.S. Employer Identification No.)
TWO NORTHSHORE CENTER, PITTSBURGH, PA (Address of principal executive offices)	15212-5851 (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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit an post such files.

Yes ☒ No ☐

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 ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 31, 2010, shares of common stock outstanding were:

Class A Common Stock 29,778,189 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except per share data)

	June 30, 2010 (unaudited)		September 30, 2009	
ASSETS				
Current assets:				
Cash and cash equivalents		$ 55,974		$ 57,732
Short-term investments		1,396		62
Accounts receivable, net		142,633		138,927
Inventories		99,462		94,455
Deferred income taxes		1,183		1,816
Other current assets		14,070		12,430
Total current assets		314,718		305,422
Investments		13,062		13,389
Property, plant and equipment: Cost	292,485		305,098	
Less accumulated depreciation	(168,574)		(167,038)	
		123,911		138,060
Deferred income taxes		35,518		32,563
Other assets		23,618		19,999
Goodwill		380,848		385,219
Other intangible assets, net		55,911		55,001
Total assets		$ 947,586		$ 949,653
LIABILITIES				
Current liabilities:				
Long-term debt, current maturities		$ 12,379		$ 14,188
Accounts payable		38,110		28,604
Accrued compensation		34,797		35,592
Accrued income taxes		15,211		8,120
Other current liabilities		46,149		45,836
Total current liabilities		146,646		132,340
Long-term debt		219,951		237,530
Accrued pension		56,884		53,734
Postretirement benefits		25,364		24,599
Deferred income taxes		11,267		13,464
Environmental reserve		6,067		6,482
Other liabilities		20,842		15,489
Total liabilities		487,021		483,638
Arrangement with noncontrolling interest		-		27,121
SHAREHOLDERS’ EQUITY				
Shareholders' equity-Matthews:				
Common stock	36,334		36,334	
Additional paid-in capital	46,509		47,436	
Retained earnings	604,557		559,786	
Accumulated other comprehensive loss	(60,595)		(29,884)	
Treasury stock, at cost	(193,724)		(179,454)	
Total shareholders’ equity-Matthews		433,081		434,218
Noncontrolling interests		27,484		4,676
Total shareholders’ equity		460,565		438,894
Total liabilities and shareholders' equity		$ 947,586		$ 949,653

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Sales	$ 213,329	$ 192,047	$ 607,168	$ 580,695
Cost of sales	(128,360)	(116,581)	(371,028)	(364,260)
Gross profit	84,969	75,466	236,140	216,435
Selling and administrative expenses	(50,455)	(45,656)	(152,332)	(143,107)
Operating profit	34,514	29,810	83,808	73,328
Investment income (loss)	(96)	1,324	1,908	629
Interest expense	(1,869)	(2,759)	(5,620)	(9,053)
Other income (deductions), net	(329)	80	(1,060)	83
Income before income taxes	32,220	28,455	79,036	64,987
Income taxes	(11,011)	(9,645)	(27,876)	(22,069)
Net income	21,209	18,810	51,160	42,918
Less: net income attributable to noncontrolling interests	(798)	(742)	(1,822)	(819)
Net income attributable to Matthews' shareholders	$ 20,411	$ 18,068	$ 49,338	$ 42,099
Earnings per share attributable to Matthews' shareholders:				
Basic	$.68	$.60	$1.65	$1.39
Diluted	$.68	$.60	$1.64	$1.38

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Nine Months Ended June 30, 2010 and 2009
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity – Matthews						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of tax)	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2009	$ 36,334	$ 47,436	$ 559,786	$ (29,884)	$ (179,454)	$ 4,676	$ 438,894
Net income	-	-	49,338	-	-	1,822	51,160
Minimum pension liability	-	-	-	2,367	-	-	2,367
Translation adjustment	-	-	-	(33,653)	-	(58)	(33,711)
Fair value of derivatives	-	-	-	575	-	-	575
Total comprehensive income							20,391
Stock-based compensation	-	4,926	-	-	-	-	4,926
Purchase of 634,300 shares treasury stock	-	-	-	-	(20,942)	-	(20,942)
Issuance of 32,090 shares treasury stock under stock plans	-	(5,853)	-	-	6,672	-	819
Dividends, $.14 per share	-	-	(6,336)	-	-	-	(6,336)
Distributions to noncontrolling interests						(234)	(234)
Adjustment for arrangement with noncontrolling interest			1,769			21,278	23,047
Balance, June 30, 2010	$ 36,334	$ 46,509	$ 604,557	$ (60,595)	$ (193,724)	$ 27,484	$ 460,565

	Shareholders' Equity - Matthews						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss) (net of tax)	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2008	$ 36,334	$ 47,250	$ 511,130	$ (2,979)	$ (157,780)	$ 4,963	$ 438,918
Net income	-	-	42,099	-	-	819	42,918
Minimum pension liability	-			388	-	-	388
Translation adjustment	-			(5,873)	-	(282)	(6,155)
Fair value of derivatives	-			(2,558)	-	-	(2,558)
Total comprehensive income							34,593
Stock-based compensation	-	4,358	-	-	-	-	4,358
Pension liability adjustment	-	-	(702)	-	-	-	(702)
Arrangement with noncontrolling interest	-	-	(175)	-	-	-	(175)
Purchase of 756,896 shares							

treasury stock	-	-	-	-	(27,348)	-	(27,348)
Issuance of 59,611 shares treasury stock under stock plans	-	(5,621)	-	-	6,997	-	1,376
Dividends, $.13 per share	-	-	(6,078)	-	-	-	(6,078)
Distributions to noncontrolling interests						(2,291)	(2,291)
Balance, June 30, 2009	$ 36,334	$ 45,987	$ 546,274	$ (11,022)	$ (178,131)	$ 3,209	$ 442,651

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollar amounts in thousands, except per share data)

	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
Cash flows from operating activities:		
Net income	$ 51,160	$ 42,918
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,021	23,118
(Gain) loss on investments	(226)	354
Loss on sale of assets	131	39
Stock-based compensation expense	4,926	4,358
Change in deferred taxes	(4,473)	(1,757)
Changes in working capital items	7,618	(837)
Increase in other assets	(2,543)	(1,426)
Decrease in other liabilities	(871)	(833)
Increase in pension and postretirement benefits	7,795	3,561
Net cash provided by operating activities	83,538	69,495
Cash flows from investing activities:		
Capital expenditures	(11,050)	(11,556)
Proceeds from sale of assets	172	311
Acquisitions, net of cash acquired	(28,249)	(4,843)
Proceeds from sale of investments	756	-
Purchases of investments	(1,616)	(2,615)
Net cash used in investing activities	(39,987)	(18,703)
Cash flows from financing activities:		
Proceeds from long-term debt	38,465	45,156
Payments on long-term debt	(46,790)	(56,309)
Proceeds from the sale of treasury stock	749	1,143
Purchases of treasury stock	(20,942)	(27,348)
Tax benefit of exercised stock options	70	98
Dividends	(6,336)	(6,078)
Distributions to noncontrolling interests	(234)	(2,291)
Net cash used in financing activities	(35,018)	(45,629)
Effect of exchange rate changes on cash	(10,291)	(3,937)
Net (decrease) increase in cash and cash equivalents	$ (1,758)	$ 1,226
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	$ -	$ 5,130

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

Note 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, granite memorials and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer and distributor 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 (primarily in North America and Europe) and cremation caskets (primarily in North America). The Graphics Imaging segment manufactures and provides brand management, printing plates, gravure cylinders, 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 Asia.

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) 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 nine months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2010. 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, 2009. 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.

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.

(Dollar amounts in thousands, except per share data)

Note 3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three level fair value hierarchy prioritizes the inputs used in valuations, as defined below:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

As of June 30, 2010, the fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Short term investments	$ 1,396	-	-	$ 1,396
Trading securities	11,280	-	-	11,280
Total assets at fair value	$ 12,676	-	-	$ 12,676
Liabilities:				
Derivatives (1)	-	$ 4,765	-	$ 4,765
Total liabilities at fair value	-	$ 4,765	-	$ 4,765

(1) Interest rate swaps are valued based on observable market swap rates and are classified within Level 2 of the fair value hierarchy.

Note 4. Inventories

Inventories consisted of the following:

	June 30, 2010	September 30, 2009
Materials and finished goods	$ 85,992	$ 80,692
Labor and overhead in process	13,470	13,763
	$ 99,462	$ 94,455

(Dollar amounts in thousands, except per share data)

Note 5. Debt

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the facility is $225,000 and the facility's maturity is September 2012. Borrowings under the 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 requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $20,000) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility as of June 30, 2010 and September 30, 2009 were $183,000 and $177,500, respectively. The weighted-average interest rate on outstanding borrowings at June 30, 2010 and 2009 was 2.94% and 3.95%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at June 30, 2010	Maturity Date
September 2007	$ 25,000	4.77%	.60%	September 2012
May 2008	40,000	3.72%	.60%	September 2012
October 2008	20,000	3.21%	.60%	October 2010
October 2008	20,000	3.46%	.60%	October 2011

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 of 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 loss of $4,765 ($2,907 after tax) at June 30, 2010 that is included in shareholders' equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at June 30, 2010, approximately $1,566 of the $2,907 loss included in accumulated other comprehensive income is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

On January 1, 2009, the Company adopted guidance issued by the FASB regarding disclosures about derivative instruments and hedging activities. This guidance amends and expands the disclosure requirements of previous guidance to require qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit risk-related contingent features in derivative agreements.

At June 30, 2010 and September 30, 2009, the interest rate swap contracts were reflected as a liability on the balance sheets. The following derivatives are designated as hedging instruments:

Liability Derivatives

Balance Sheet Location:	June 30, 2010	September 30, 2009
Current liabilities:		
Other current liabilities	$ 2,567	$ 2,441
Long-term liabilities:		
Other liabilities	2,198	3,267
Total derivatives	$ 4,765	$ 5,708

(Dollar amounts in thousands, except per share data)

Note 5. Debt (continued)

The loss recognized on derivatives was as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivatives		Amount of Loss Recognized in Income on Derivatives	
		Three Months ended June 30,		Nine Months ended June 30,	
		2010	2009	2010	2009
Interest rate swaps	Interest expense	$ (926)	$ (1,110)	$ (2,819)	$ (2,555)

The Company recognized the following losses in accumulated other comprehensive loss ("OCL"):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCL on Derivatives		Location of Loss Reclassified from Accumulated OCL into Income (Effective Portion*)	Amount of Loss Reclassified from Accumulated OCL into Income (Effective Portion*)	
	June 30, 2010	September 30, 2009		June 30, 2010	September 30, 2009
Interest rate swaps	$ (2,907)	$ (3,482)	Interest expense	$ (1,720)	$ (2,134)

*There is no ineffective portion or amount excluded from effectiveness testing.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank. The maximum amount of borrowings available under this facility was 25.0 million Euros ($30,573). Outstanding borrowings under the credit facility totaled 12.5 million Euros ($15,286) and 18.0 million Euros ($26,341) at June 30, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings under this facility at June 30, 2010 and 2009 was 1.58% and 2.74%, respectively.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 8.7 million Euros ($10,674) and 10.0 million Euros ($14,717) at June 30, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at June 30, 2010 and 2009 was 6.05% and 5.84%, 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 10.0 million Euros ($12,251) and 12.2 million Euros ($17,962) at June 30, 2010 and September 30, 2009, respectively. Matthews International S.p.A. also has three lines of credit totaling 8.4 million Euros ($10,236) with the same Italian banks. Outstanding borrowings on these lines were 3.2 million Euros ($3,879) and 2.0 million Euros ($2,855) at June 30, 2010 and September 30, 2009, respectively.

(Dollar amounts in thousands, except per share data)

Note 5. Debt (continued)

The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at June 30, 2010 and 2009 was 3.61% and 3.80%, respectively.

As of June 30, 2010 and September 30, 2009, the fair value of the Company's long-term debt, including current maturities, was as follows:

	Carrying Value included in the Balance Sheet		Fair Value	
	June 30, 2010	September 30, 2009	June 30, 2010	September 30, 2009
Long-term debt, including current maturities	$ 232,331	$ 251,718	$ 217,944	$ 230,482

Note 6. Share-Based Payments

The Company maintains a stock incentive plan (the "1992 Incentive Stock Plan") that provided for grants of stock options, restricted shares and certain other types of stock-based awards. In February 2008, the Company's shareholders approved the adoption of a new plan, the 2007 Equity Incentive Plan (the "2007 Plan"), that provides for the grants of stock options, restricted shares, stock-based performance units and certain other types of stock-based awards. Under the 2007 Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 2,200,000. There will be no further grants under the 1992 Incentive Stock Plan. At June 30, 2010, there were 1,534,764 shares reserved for future issuance under the 2007 Plan. Both plans are administered by the Compensation Committee of the Board of Directors.

The option price for each stock option granted under either 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 generally exercisable in one-third increments upon the attainment of 10%, 33% and 60% appreciation in the market value of the Company's 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 the market value thresholds). 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 with treasury shares. With respect to outstanding restricted share grants, generally one-half of the shares vest on the third anniversary of the grant. The remaining one-half of the shares vest in one-third increments upon attainment of 10%, 25% and 40% appreciation in the market value of the Company's Class A Common Stock. Additionally, beginning in fiscal 2009, restricted shares cannot vest until the first anniversary of the grant date. Unvested restricted shares generally expire on the earlier of five 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 issues restricted shares from treasury shares.

For the three-month periods ended June 30, 2010 and 2009, total stock-based compensation cost totaled $1,633 and $1,500, respectively. For the nine-month periods ended June 30, 2010 and 2009, total stock-based compensation cost totaled $4,926 and $4,358, respectively. The associated future income tax benefit recognized was $636 and $585 for the three-month periods ended June 30, 2010 and 2009, respectively, and $1,921 and $1,700 for the nine-month periods ended June 30, 2010 and 2009, respectively.

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

For the three-month period ended June 30, 2010, the amount of cash received from the exercise of stock options was $23. There was no cash received from the exercise of stock options for the three months ended June 30, 2009. For the nine-month periods ended June 30, 2010 and 2009, the amount of cash received from the exercise of stock options was $749 and $1,143, respectively. In connection with these exercises, the tax benefits realized by the Company were $8 for the three-month period ended June 30, 2010, and $159 and $242 for the nine-month periods ended June 30, 2010 and 2009, respectively.

Changes to restricted stock for the nine months ended June 30, 2010 were as follows:

	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2009	271,656	$ 37.61
Granted	178,009	33.65
Vested	-	-
Expired or forfeited	(1,110)	34.28
Non-vested at June 30, 2010	448,555	36.05

As of June 30, 2010, the total unrecognized compensation cost related to unvested restricted stock was $5,516 and is expected to be recognized over a weighted average period of 1.6 years.

The transactions for shares under options for the nine months ended June 30, 2010 were as follows:

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2009	1,224,909	$ 35.94		
Granted	-	-		
Exercised	(32,900)	22.76		
Expired or forfeited	(205,484)	37.79		
Outstanding, June 30, 2010	986,525	35.99	5.0	$ -
Exercisable, June 30, 2010	683,524	34.48	4.6	$ -

The fair value of shares earned during the three-month period ended June 30, 2009 was $77. There were no shares earned during the three-month period ended June 30, 2010. During the nine-month periods ended June 30, 2010 and 2009, the fair value of shares earned was $3,120 and $2,722, 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 nine-month periods ended June 30, 2010 and 2009 was $479 and $657, respectively.

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

The transactions for non-vested options for the nine months ended June 30, 2010 were as follows:

Non-vested shares	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2009	673,035	$ 12.17
Granted	-	-
Vested	(283,018)	11.03
Expired or forfeited	(87,016)	9.79
Non-vested at June 30, 2010	303,001	13.92

As of June 30, 2010, the total unrecognized compensation cost related to non-vested stock options was approximately $522. This cost is expected to be recognized over a weighted-average period of 1.2 years in accordance with the vesting periods of the options.

The fair value of each restricted stock grant is estimated on the date of grant using a binomial lattice valuation model. The following table indicates the assumptions used in estimating fair value of restricted stock for the periods ended June 30, 2010 and 2009.

	Nine Months Ended June 30,	
	2010	2009
Expected volatility	30.0%	27.0%
Dividend yield	.8%	.6%
Average risk free interest rate	2.3%	2.4%
Average expected term (years)	2.2	2.3

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 average period of time for restricted shares to vest. The option characteristics for each grant are considered separately for valuation purposes.

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 $60. An additional annual retainer fee of $70 is paid to a non-employee Chairman of the Board. 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. The value of deferred shares is recorded in other liabilities. A total of 25,013 shares had been deferred under the Director Fee Plan at June 30, 2010. Additionally, directors who are not also officers of the Company each receive an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of $70. A total of 22,300 stock options have been granted under the plan. At June 30, 2010, 17,800 options were outstanding and vested. Additionally, 51,525 shares of restricted stock have been granted under the plan, 27,695 of which were unvested at June 30, 2010. A total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

(Dollar amounts in thousands, except per share data)

Note 7. Earnings Per Share Attributable to Matthews' Shareholders

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Net income attributable to Matthews' shareholders	$ 20,411	$ 18,068	$ 49,338	$ 42,099
Weighted-average common shares outstanding	29,640,501	30,117,360	29,816,009	30,311,529
Dilutive securities, stock options and restricted shares	196,960	104,750	231,048	192,229
Diluted weighted-average common shares outstanding	29,837,461	30,222,110	30,047,057	30,503,758
Basic earnings per share	$.68	$.60	$1.65	$1.39
Diluted earnings per share	$.68	$.60	$1.64	$1.38

Options to purchase 616,783 and 805,671 shares of common stock were not included in the computation of diluted earnings per share for the three months and nine months ended June 30, 2010, respectively, because the inclusion of these options would be anti-dilutive. Options to purchase 1,009,421 and 764,650 shares of common stock were not included in the computation of diluted earnings per share for the three months and nine months ended June 30, 2009, respectively, because the inclusion of these options would be anti-dilutive.

Note 8. Pension and Other Postretirement Benefit Plans

The Company provides defined benefit pension and other postretirement benefit plans to certain employees. Net periodic pension and other postretirement benefit cost for the plans included the following:

	Pension		Other Postretirement	
Three months ended June 30,	2010	2009	2010	2009
Service cost	$ 1,078	$ 856	$ 173	$ 143
Interest cost	1,853	1,868	346	386
Expected return on plan assets	(1,717)	(1,900)	-	-
Amortization:				
Prior service cost	(10)	(9)	(181)	(322)
Net actuarial loss	1,338	456	130	71
Net benefit cost	$ 2,542	$ 1,271	$ 468	$ 278

(Dollar amounts in thousands, except per share data)

Note 8. Pension and Other Postretirement Benefit Plans (continued)

	Pension		Other Postretirement	
Nine months ended June 30,	2010	2009	2010	2009
Service cost	$ 3,234	$ 2,568	$ 519	$ 429
Interest cost	5,559	5,604	1,038	1,158
Expected return on plan assets	(5,151)	(5,700)	-	-
Amortization:				
Prior service cost	(30)	(27)	(543)	(966)
Net actuarial loss	4,014	1,368	390	213
Net benefit cost	$ 7,626	$ 3,813	$ 1,404	$ 834

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and the postretirement benefit plan are made from the Company's operating funds. Under IRS regulations, the Company is not required to make any significant contributions to its principal retirement plan in fiscal year 2010. During the nine months ended June 30, 2010, contributions of $579 and $672 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $193 and $379 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2010.

On October 1, 2008, the Company adopted the FASB guidance on accounting for defined benefit pension and other postretirement benefit plans. The measurement date for the Company's pension and postretirement plans was changed from July 31 to September 30. Accordingly, an additional pension liability of $577 and postretirement liability of $125, net of tax, was recorded as of December 31, 2008 to recognize the additional expense through September 30, 2008, with a corresponding adjustment to retained earnings.

Note 9. 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 Company's effective tax rate for the nine months ended June 30, 2010 was 35.3%, compared to 34.0% for the first nine months of fiscal 2009. The tax rate for the first nine months of fiscal 2010 reflected the favorable impact of adjustments totaling $656 in income tax expense related to changes in the estimated tax accruals for the closure of open tax periods. The nine-month period ended June 30, 2009 included the favorable impact of adjustments totaling $1.2 million in income tax expense related to the Company's ability to utilize a tax loss carryover in Europe and changes in the estimated tax accrual for open tax periods. 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.

The Company had unrecognized tax benefits (excluding penalties and interest) of $3,335 and $3,575 at June 30, 2010 and September 30, 2009, respectively, all of which, if recorded, would impact the fiscal 2010 annual effective tax rate. It is reasonably possible that the amount of unrecognized tax benefits could change by approximately $438 in the next 12 months primarily due to tax examinations and the expiration of statutes related to specific tax positions.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. The Company included a credit of $475 in interest and penalties in the provision for income taxes for the first nine months of fiscal 2010. Total penalties and interest accrued were $2,363 and $2,838 at June 30, 2010 and September 30, 2009, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

(Dollar amounts in thousands, except per share data)

The Company is currently under examination in several tax jurisdictions and remains subject to examination until the statute of limitations expires for those tax jurisdictions. As of June 30, 2010, the tax years that remain subject to examination by major jurisdiction generally are:

United States – Federal	2007 and forward
United States – State	2006 and forward
Canada	2004 and forward
Europe	2002 and forward
United Kingdom	2008 and forward
Australia	2005 and forward
Asia	2004 and forward

Note 10. 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 net income attributable to noncontrolling interests.

Information about the Company's segments follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Sales to external customers:				
Memorialization:				
Bronze	$ 62,001	$ 56,678	$ 164,979	$ 159,123
Casket	52,358	48,159	158,270	155,730
Cremation	10,906	7,698	28,397	21,992
	125,265	112,535	351,646	336,845
Brand Solutions:				
Graphics Imaging	57,993	57,768	178,134	170,589
Marking Products	13,223	9,870	36,656	30,972
Merchandising Solutions	16,848	11,874	40,732	42,289
	88,064	79,512	255,522	243,850
	$ 213,329	$ 192,047	$ 607,168	$ 580,695

(Dollar amounts in thousands, except per share data)

Note 10. Segment Information (continued)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Operating profit:				
Memorialization:				
Bronze	$ 18,464	$ 18,531	$ 41,024	$ 40,066
Casket	5,472	3,848	20,020	15,663
Cremation	1,265	1,464	3,348	3,574
	25,201	23,843	64,392	59,303
Brand Solutions:				
Graphics Imaging	5,533	5,336	14,099	11,073
Marking Products	2,118	445	3,997	1,490
Merchandising Solutions	1,662	186	1,320	1,462
	9,313	5,967	19,416	14,025
	$ 34,514	$ 29,810	$ 83,808	$ 73,328

Note 11. Acquisitions

Acquisition spending, net of cash acquired, during the nine months ended June 30, 2010 totaled $28,249, and primarily included the following:

In April 2010, the Company acquired Reynoldsville Casket Company ("Reynoldsville"), a manufacturer and distributor of caskets primarily in the Northeast region of the United States. The acquisition was structured as an asset purchase and was intended to expand the Company's casket distribution capabilities in the Northeastern United States. The purchase price for the acquisition was $13,600, plus additional consideration up to $3,500 contingent on operating performance over the next three years. Reynoldsville reported sales of approximately $13,000 in calendar 2009.

In March 2010, the Company acquired an 80% interest in Furnace Construction Cremators Limited ("FCC"), a manufacturer of cremation equipment located in the United Kingdom. The acquisition was designed to expand the Company's global presence in the European cremation markets.

In February 2010, the Company acquired A.J. Distribution, Inc. ("A.J. Distribution"), a distributor of primarily York brand caskets in the Northwest region of the United States. The transaction was structured as an asset purchase and was intended to expand the Company's casket distribution capabilities in the Northwestern United States.

In December 2009, the Company acquired United Memorial Products, Inc. ("UMP"), primarily a supplier of granite memorial products and caskets in the West region of the United States. UMP reported sales of approximately $11,000 in calendar 2009. The transaction was structured as an asset purchase and was designed to extend Matthews' presence in the broad granite market. The purchase price for the acquisition was $10,000, plus additional consideration of up to $3,500 payable over five years.

(Dollar amounts in thousands, except per share data)

Note 11. Acquisitions (continued)

In connection with its May 2008 acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest in Saueressig. The option agreement contained certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. During the third fiscal quarter of 2010, the Company reached an agreement to purchase the remaining 22% interest in Saueressig for 17.4 million Euros in October 2011. The Company has included the purchase price of 17.4 million Euros ($21,300) as a part of noncontrolling interests in the shareholders' equity section of the Condensed Consolidated Balance Sheet as of June 30, 2010.

Note 12. Goodwill and Other Intangible Assets

Goodwill related to business combinations 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 discounted cash flow technique. 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 review in the second fiscal quarter of 2010 and determined that no additional adjustments to the carrying values of goodwill or indefinite-lived intangible assets were necessary.

A summary of the carrying amount of goodwill attributable to each segment as well as the changes in such amounts are as follows:

	Bronze	Casket	Cremation	Graphics Imaging	Marking Products	Merchandising Solutions	Consolidated
Goodwill	$ 79,707	$ 122,896	$ 13,887	$ 158,863	$ 9,980	$ 9,138	$ 394,471
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at September 30, 2009	79,295	122,896	8,887	155,023	9,980	9,138	385,219
Additions during period	7,399	12,275	2,968	(1,449)	36	-	21,229
Translation and other adjustments	(4,583)		(431)	(20,548)	(38)	-	(25,600)
Goodwill	82,523	135,171	16,424	136,866	9,978	9,138	390,100
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at June 30, 2010	$ 82,111	$ 135,171	$ 11,424	$ 133,026	$ 9,978	$ 9,138	$ 380,848

The addition to Bronze goodwill represents the acquisition of UMP; the addition to Casket goodwill primarily represents the acquisition of A.J. Distribution and Reynoldsville; the addition to Cremation goodwill represents the acquisition of FCC; and the change in Graphics goodwill represents the effect of an adjustment to the purchase price for the Saueressig acquisition.

(Dollar amounts in thousands, except per share data)

Note 12. Goodwill and Other Intangible Assets (continued)

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of June 30, 2010 and September 30, 2009, respectively.

	Carrying Amount	Accumulated Amortization	Net
June 30, 2010:			
Trade names	$ 24,017	$ -*	$ 24,017
Trade names	1,535	(621)	914
Customer relationships	38,069	(9,743)	28,326
Copyrights/patents/other	8,526	(5,872)	2,654
	$ 72,147	$ (16,236)	$ 55,911
September 30, 2009:			
Trade names	$ 24,418	$ -*	$ 24,418
Trade names	1,598	(458)	1,140
Customer relationships	35,568	(8,232)	27,336
Copyrights/patents/other	7,777	(5,670)	2,107
	$ 69,361	$ (14,360)	$ 55,001

* Not subject to amortization

The net change in intangible assets during fiscal 2010 included an increase for the acquisition of UMP, A.J. Distribution, and Reynoldsville offset by the impact of changes in foreign currency exchange rates and additional amortization.

Amortization expense on intangible assets was $954 and $1,067 for the three-month periods ended June 30, 2010 and 2009, respectively. For the nine-month periods ended June 30, 2010 and 2009, amortization expense was $2,741 and $3,178, respectively. Amortization expense is estimated to be $926 for the remainder of 2010, $3,429 in 2011, $2,977 in 2012, $2,644 in 2013 and $2,464 in 2014.

Note 13. Accounting Pronouncements

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of GAAP. These changes establish the FASB Accounting Standards Codification ™ (“Codification”) as the source of authoritative accounting principles recognized by the FASB to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the U.S. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption had no material impact on the Company’s consolidated results of operations or financial condition.

In December 2007, the FASB issued new guidance regarding business combinations. This guidance requires recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in a business combination, goodwill acquired or a gain from a bargain purchase. It is effective for fiscal years beginning on or after December 15, 2008. The Company adopted the new guidance effective October 1, 2009. See Note 12.

Note 13. Accounting Pronouncements (continued)

In December 2007, the FASB issued new guidance regarding noncontrolling interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. It requires that consolidated net income reflect the amounts attributable to both the parent and the noncontrolling interest, and also includes additional disclosure requirements. It was effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the guidance is initially applied, except for the presentation and disclosure requirements which shall be applied retrospectively for all periods presented. The Company adopted the new guidance effective October 1, 2009, as reflected in the Condensed Consolidated Balance Sheets, the Consolidated Statements of Income and the Consolidated Statements of Changes in Shareholders' Equity.

In December 2008, the FASB issued changes to employers' disclosures about postretirement benefit plan assets. These changes require enhanced disclosures regarding assets in defined benefit pension or other postretirement plans. It is effective for fiscal years ending after December 31, 2009. Earlier application is permitted. The Company is currently evaluating the impact of adopting these changes, which is effective for the Company's Annual Report on Form 10-K for fiscal 2010.

In April 2009, the FASB issued changes to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also requires those disclosures in summarized financial information at interim reporting periods. These changes are effective for interim reporting periods ending after June 15, 2009 and were adopted by the Company as of June 30, 2009. See Notes 3 and 5.

Effective September 30, 2007, the Company adopted the recognition and related disclosure provisions of guidance on employers' accounting for defined benefit pension and other postretirement plans which amended earlier guidance. In the first quarter of fiscal 2009, the Company adopted the provision requiring 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. Adoption of this provision did not have a material effect on the Company's consolidated results of operations or financial condition. See Note 8.

In May 2009, the FASB issued new guidance regarding subsequent events, which was subsequently revised in February 2010. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this guidance had no material impact on the Company's consolidated results of operations or financial condition. See Note 14.

In June 2008, the FASB issued guidance regarding instruments granted in share-based payments. The guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and therefore included in the computation of earnings per share pursuant to the two-class method. This guidance is effective for years beginning after December 31, 2008. The Company adopted the provisions of this guidance effective October 1, 2009, which did not have a material effect on the Company's financial statements.

Note 14. Subsequent Events:

Management has evaluated subsequent events and has concluded that all events that would require recognition or disclosure are appropriately reflected in the consolidated financial statements.

Cautionary Statement:

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation ("Matthews" or the "Company") and related notes 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, 2009. 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 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.

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,	
	2010	2009	2009	2008
Sales	100.0%	100.0%	100.0%	100.0%
Gross profit	38.9%	37.3%	37.7%	39.5%
Operating profit	13.8%	12.6%	12.9%	16.2%
Net income attributable to Matthews' shareholders	8.1%	7.3%	7.4%	9.7%

Sales for the nine months ended June 30, 2010 were $607.2 million, compared to $580.7 million for the nine months ended June 30, 2009. The increase principally reflected higher sales in five of the Company's six segments. The increase mainly reflected higher unit volume in several segments, the impact of recent acquisitions, and a favorable impact of changes in foreign currency values against the U.S. dollar. These increases were partially offset by the effects of a decline in the estimated number of U.S. casketed deaths on bronze memorial and casket unit volume. For the nine months ended June 30, 2010, changes in foreign currency values against the U.S. dollar had a favorable impact of approximately $8.3 million on the Company's consolidated sales compared to the nine months ended June 30, 2009.

In the Memorialization businesses, Bronze segment sales for the first nine months of fiscal 2010 were $165.0 million compared to $159.1 million for the first nine months of fiscal 2009. The increase primarily reflected the acquisition of United Memorial Products, Inc. ("UMP"), primarily a supplier of granite memorial products and caskets in the West region of the United States, and increases in the value of foreign currencies against the U.S. dollar, partially offset by a decline in bronze memorial unit volume on a year-to-date basis. For the fiscal 2010 third quarter, bronze memorial unit volume was higher than a year ago. Sales for the Casket segment were $158.3 million for the first nine months of fiscal 2010 compared to $155.7 million for the same period in fiscal 2009. The increase resulted principally from the acquisition of several casket businesses, partially offset by lower unit volume and an unfavorable change in product mix. The decline in unit sales for both the Bronze and Casket segments (excluding acquisitions) reflects a decline in the estimated number of U. S. casketed deaths compared to the prior year. Based on available published data, U.S. deaths for the nine months ended June 30, 2010 were estimated to have declined approximately 2%. "Casketed deaths" (non-cremation) were estimated to have declined over 4% from the same period last year. Sales for the Cremation segment were $28.4 million for the nine months ended June 30, 2010, compared to $22.0 million for the same period a year ago. The increase principally reflected the acquisition of a small manufacturer of cremation equipment in the U.K. and higher sales in the U.S. and European markets. In the Company's Brand Solutions businesses, sales for the Graphics Imaging segment in the first nine months of fiscal 2010 were $178.1 million, compared to $170.6 million for the same period a year ago. The increase resulted principally from higher sales by Saueressig GmbH KG & Co ("Saueressig"), the impact of the acquisition of a small graphics operation headquartered in Hong Kong in the fiscal 2009 fourth quarter and an increase of the value of foreign currencies against the U.S. dollar. These increases were partially offset by lower sales in the U.S. and U.K. markets. Marking Products segment sales for the nine months ended June 30, 2010 were $36.7 million, compared to $31.0 million for the first nine months of fiscal 2009. The increase was principally due to higher unit sales of consumables, the acquisition of a small European distributor and the favorable impact of an increase in the value of foreign currencies against the U.S. dollar. Sales for the Merchandising Solutions segment were $40.7 million for the first nine months of fiscal 2010, compared to $42.3 million for the same period a year ago. The decrease is attributable to lower project volume in the first and second quarters of fiscal 2010, including a large project in the second fiscal quarter of 2009 that did not repeat in fiscal 2010. However, sales for the three months ended June 30, 2010 were higher than in the same period last year as a result of increased project volume compared to the fiscal 2009 third quarter.

Gross profit for the nine months ended June 30, 2010 was $236.1 million, compared to $216.4 million for the nine months ended June 30, 2009. Consolidated gross profit as a percent of sales increased from 37.3% for the first nine months of fiscal 2009 to 38.9% for the first nine months of fiscal 2010. Gross profit for the first nine months of fiscal 2009 included the impact of unusual charges totaling approximately $7.1 million. The unusual charges related to the consolidation of certain Bronze segment production facilities and cost structure initiatives in several of the Company's other segments. The increase in fiscal 2010 consolidated gross profit and gross profit percentage compared to fiscal 2009 also reflected the current year benefits of the fiscal 2009 cost structure changes, particularly in the Saueressig operation and the Casket and Marking Products segments.

Selling and administrative expenses for the nine months ended June 30, 2010 were $152.3 million, compared to $143.1 million for the first nine months of fiscal 2009. Consolidated selling and administrative expenses as a percent of sales were 25.1% for the nine months ended June 30, 2010, compared to 24.7% for the same period last year. The increase in selling and administrative expenses primarily resulted from higher pension expense and the impact of recent acquisitions. Unusual charges included in selling and administrative expenses totaled $5.7 million of the first nine months of fiscal 2009, and consisted primarily of Saueressig integration costs, increased bad debt expense, termination-related expenses and costs related to operational and systems improvements. These unusual charges included consulting fees incurred for assistance in the operational and financial integration of Saueressig into Matthews. Bad debt expense, particularly in the Casket segment, was significantly higher in fiscal 2009, reflecting economic conditions. The increase resulted from the deterioration in the aging of outstanding accounts receivable. Employee termination-related and the other costs in connection with operational and systems improvements primarily reflected the Company's initiatives as a result of the recession. The principal objectives of these initiatives were to better align the cost structures of the Company's businesses with their respective revenue run rates.

Operating profit for the nine months ended June 30, 2010 was $83.8 million, compared to $73.3 million for the nine months ended June 30, 2009. Operating profit for the first nine months of fiscal 2010 included an increase of approximately $3.9 million in pension cost. Operating profit for the nine months ended June 30, 2009 included unusual charges of approximately $12.8 million. In addition, changes in the values of foreign currencies against the U.S. dollar had a favorable impact of approximately $891,000 on consolidated operating profit for the current year-to-date period, compared to a year ago.

Bronze segment operating profit for the first nine months of fiscal 2010 was $41.0 million, compared to $40.1 million for the same period in fiscal 2009. Bronze segment operating profit for the first nine months of fiscal 2009 included unusual charges of $6.7 million, principally related to facilities consolidations. Excluding these unusual charges, operating profit was lower in the first nine months of fiscal 2010 than the same period in fiscal 2009, primarily reflecting the impact of lower sales volume and higher pension cost. Operating profit for the Casket segment for the first nine months of fiscal 2010 was $20.0 million, compared to $15.7 million for the first nine months of fiscal 2009. The first nine months of fiscal 2009 included unusual charges of approximately $2.6 million which were principally related to an increase in bad debt expense and severance expenses. Excluding the impact of the unusual charges in fiscal 2009, Casket segment operating profit in the first nine months of fiscal 2010 increased by $1.7 million. The increase reflected the benefit of cost structure changes initiated in fiscal 2009 and the impact of recent acquisitions. Cremation segment operating profit was $3.3 million for the nine months ended June 30, 2010, compared to $3.6 million for the same period in fiscal 2009. Fiscal 2010 operating profit reflected higher sales and the impact of the recent acquisition of a small cremation equipment manufacturer in the U.K., offset by the impact of an unfavorable change in product mix and higher pension cost. Graphics Imaging segment operating profit for the nine months ended June 30, 2010 was $14.1 million, compared to $11.1 million for the nine months ended June 30, 2009. Operating profit in the first nine months of fiscal 2009 included unusual charges of approximately $2.3 million. Excluding the effect of the unusual charges, operating profit increased approximately $700,000 in the first nine months of fiscal 2010 compared to the same period in fiscal 2009. The increase resulted primarily from higher operating profit from Saueressig, the favorable effect of foreign currency exchange rate changes and the acquisition of a small graphics business headquartered in Hong Kong. These increases were partially offset by a decline in operating profit for the U.S. operations. Operating profit for the Marking Products segment for the first nine months of fiscal 2010 was $4.0 million, compared to $1.5 million for the same period a year ago. Operating profit for the first nine months of fiscal 2009 included unusual charges of approximately $665,000. The increase in year-over-year operating profit, excluding unusual charges, primarily reflected higher sales and the favorable impact of fiscal 2009 cost structure initiatives. The Merchandising Solutions segment operating profit was $1.3 million for the nine months ended June 30, 2010, compared to $1.5 million for the same period in fiscal 2009. The decrease principally reflected lower sales. In addition, unusual charges for this segment approximated $300,000 for the first nine months of fiscal 2009.

Investment income for the nine months ended June 30, 2010 was $1.9 million, compared to $629,000 for the nine months ended June 30, 2009. The increase primarily reflected improved investment performance. Interest expense for the first nine months of fiscal 2010 was $5.6 million, compared to $9.1 million for the same period last year. The decrease in interest expense primarily reflected declines in average borrowing rates during the first nine months of fiscal 2010, compared to the same period a year ago.

Other income (deductions), net for the nine months ended June 30, 2010 was a reduction of income of $1.1 million, compared to an increase in income of $83,000 for the same period last year. The fiscal 2010 reduction in income primarily reflected foreign currency exchange losses on intercompany loans.

The Company's effective tax rate for the first nine months of fiscal 2010 was 35.3%, compared to 34.0% for the same period last year. The tax rate for the first nine months of fiscal 2010 reflected the favorable impact of adjustments totaling $656,000 in income tax expense related to changes in the estimated tax accruals for the closure of open tax periods. The nine-month period ended June 30, 2009 included the favorable impact of a $1.2 million reduction in income tax expense related to the Company's ability to utilize a tax loss carryover in Europe and changes in the estimated tax accruals for open tax periods. Excluding these adjustments in fiscal 2010 and 2009, the effective tax rate for the first nine months of fiscal 2010 was 36.1%, compared to 35.9% for the fiscal year ended September 30, 2009. 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.

Net income attributable to noncontrolling interests in the first nine months of fiscal 2010 was $1.8 million, compared to $819,000 for the same period in fiscal 2009. The increase primarily related to the improvement in operating results for Saueressig.

Goodwill:

Goodwill related to business combinations 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 discounted cash flow technique. The Company performed its annual impairment review in the second quarter of fiscal 2010 and determined that no additional adjustments to the carrying values of goodwill were necessary.

Liquidity and Capital Resources:

Net cash provided by operating activities was $83.5 million for the nine months ended June 30, 2010, compared to $69.5 million for the first nine months of fiscal 2009. Operating cash flow for both periods primarily reflected net income adjusted for depreciation, amortization and stock-based compensation expense, partially offset by decreases in deferred taxes.

Cash used in investing activities was $40.0 million for the nine months ended June 30, 2010, compared to $18.7 million for the nine months ended June 30, 2009. Investing activities for the first nine months of fiscal 2010 primarily included capital expenditures of $11.1 million, payments (net of cash acquired) of $28.2 million for acquisitions and net purchases of investments of $860,000. Investing activities for the first nine months of fiscal 2009 primarily included capital expenditures of $11.6 million, acquisition-related payments of $4.8 million, purchases of investments of $2.6 million and proceeds from the disposal of assets of $311,000.

Capital expenditures 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 $17.4 million for the last three fiscal years. The capital budget for fiscal 2010 is $25.8 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the nine months ended June 30, 2010 was $35.0 million, primarily reflecting net repayments of long-term debt of $8.3 million, purchases of treasury stock of $20.9 million, proceeds of $749,000 from the sale of treasury stock (stock option exercises), payment of dividends of $6.3 million to the Company's shareholders and distributions of $234,000 to noncontrolling interests. Cash used in financing activities for the nine months ended June 30, 2009 was $45.6 million, reflecting net repayments of long-term debt of $11.2 million, purchases of treasury stock of $27.3 million, proceeds of $1.1 million from the sale of treasury stock (stock option exercises), payment of dividends of $6.1 million to the Company's shareholders and distributions of $2.3 million to minority interests.

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the facility is $225.0 million and the facility's maturity is September 2012. Borrowings under the 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 requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $20.0 million) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at June 30, 2010 and September 30, 2009 were $183.0 million and $177.5 million, respectively. The weighted-average interest rate on outstanding borrowings at June 30, 2010 and 2009 was 2.94% and 3.95%, respectively.

The Company has entered into the following interest rate swaps:

Date	Initial Amount	Fixed Interest Rate	Interest Rate Spread at June 30, 2010	Maturity Date
September 2007	$25 million	4.77%	.60%	September 2012
May 2008	40 million	3.72%	.60%	September 2012
October 2008	20 million	3.21%	.60%	October 2010
October 2008	20 million	3.46%	.60%	October 2011

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 loss of $4.8 million ($2.9 million after tax) at June 30, 2010 that is included in shareholders' equity as part of accumulated other comprehensive income. Assuming market rates remain constant with the rates at June 30, 2010, approximately $1.6 million of the $2.9 million loss included in accumulated other comprehensive income is expected to be recognized in earnings as interest expense over the next twelve months.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank for borrowings up to 25.0 million Euros ($30.6 million). Outstanding borrowings under the credit facility totaled 12.5 million Euros ($15.3 million) and 18.0 million Euros ($26.3 million) at June 30, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings under this facility at June 30, 2010 and 2009 was 1.58% and 2.74%, respectively.

The Company, through its German subsidiary, Saueressig, has several loans with various European banks. Outstanding borrowings under these loans totaled 8.7 million Euros ($10.7 million) and 10.0 million Euros ($14.7 million) at June 30, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at June 30, 2010 and 2009 was 6.05% and 5.84%, 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 10.0 million Euros ($12.3 million) and 12.2 million Euros ($18.0 million) at June 30, 2010 and September 30, 2009, respectively. Matthews International S.p.A. also has three lines of credit totaling approximately 8.4 million Euros ($10.2 million) with the same Italian banks. Outstanding borrowings on these lines were 3.2 million Euros ($3.9 million) and 2.0 million Euros ($2.9 million) at June 30, 2010 and September 30, 2009, respectively. The weighted-average interest rate on outstanding borrowings of Matthews International S.p.A. at June 30, 2010 and 2009 was 3.61% and 3.80%, respectively.

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors had authorized the repurchase of a total of 12,500,000 shares of Matthews common stock. On January 22, 2010, the Company announced that its Board of Directors approved an additional 2,500,000 shares to the Company's repurchase authorization, increasing the total authorization to 15,000,000 shares. As of June 30, 2010, 2,085,778 shares remained to be purchased under the current authorization. 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 Articles of Incorporation.

Consolidated working capital of the Company was $168.1 million at June 30, 2010, compared to $173.1 million at September 30, 2009. Cash and cash equivalents were $56.0 million at June 30, 2010, compared to $57.7 million at September 30, 2009. The Company's current ratio was 2.1 at June 30, 2010, compared to 2.3 at September 30, 2009.

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"), a wholly-owned subsidiary of the Company, 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 June 30, 2010, an accrual of approximately $6.9 million had been recorded for environmental remediation (of which $836,000 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:

Acquisition spending, net of cash acquired, during the nine months ended June 30, 2010 totaled $28.2 million, and primarily included the following:

In April 2010, the Company acquired Reynoldsville Casket Company, a manufacturer and distributor of caskets primarily in the Northeast region of the United States. The purchase price for the acquisition was $13.6 million plus additional consideration up to $3.5 million contingent on operating performance over the next three years. Reynoldsville reported sales of approximately $13.0 million in calendar 2009.

In March 2010, the Company acquired an 80% interest in Furnace Construction Cremators Limited, ("FCC"), a manufacturer of cremation equipment located in the United Kingdom. The acquisition was designed to expand the Company's global presence in the European cremation markets.

In February 2010, the Company acquired A.J. Distribution, Inc. ("A.J. Distribution"), a distributor of primarily York brand caskets in the Northwest region of the United States. The transaction was structured as an asset purchase and was intended to expand the Company's casket distribution capabilities in the Northwestern United States.

In December 2009, the Company acquired UMP, primarily a supplier of granite memorial products and caskets in the West region of the United States. UMP reported sales of approximately $11.0 million in calendar 2009. The transaction was structured as an asset purchase and was designed to extend Matthews' presence in the broad granite market. The purchase price for the acquisition is $10.0 million, plus additional consideration of up to $3.5 million payable over five years.

In connection with its acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest. The option agreement contained certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. During the third fiscal quarter of 2010, the Company reached an agreement to purchase the remaining 22% interest in Saueressig for 17.4 million Euros in October 2011. The Company has included the purchase price of 17.4 million Euros ($21.3 million) as a part of noncontrolling interests in the shareholders' equity section of the Consolidated Balance Sheet as of June 30, 2010.

Forward-Looking Information:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. 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"). For the past ten fiscal years, the Company has achieved an average annual increase in earnings per share of 11.1%.

One of the most significant factors affecting fiscal 2010 results is the condition of the domestic and global economies, including the recent volatility of foreign currency exchange rates. Additionally, pension expense will increase by approximately $5.2 million in fiscal 2010 compared to fiscal 2009 as a result of the market's impact on plan assets and the valuation of the pension obligation as of September 30, 2009. With these challenges, each of the Company's segments continues to emphasize the importance of cost structure relative to revenue run rates.

In November 2009, the Company indicated that, despite the increase in fiscal 2010 pension expense, fiscal 2010 earnings were expected to be relatively consistent with fiscal 2009 earnings, excluding unusual items. Based on the Company's year-to-date results through June 30, 2010 and current projections for the remainder of the fiscal year, the Company is now projecting its earnings for fiscal 2010 to be slightly ahead of its original estimates. The Company continues to remain cautious given the continued decline in casketed death rates, uncertain economic conditions and the recent volatility in the value of the Euro.

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 "Quantitative and Qualitative Disclosures about Market Risk" in this Quarterly Report on Form 10-Q.

A summary of the Company's significant accounting policies are included in the Notes to Consolidated Financial Statements and in the critical accounting policies in Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended September 30, 2009. 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.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at June 30, 2010, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Payments due in fiscal year:				
	Total	2010 Remainder	2011 to 2012	2013 to 2014	After 2014
Contractual Cash Obligations:	(Dollar amounts in thousands)				
Revolving credit facilities	$ 198,286	$ -	$ 198,286	$ -	$ -
Notes payable to banks	24,863	1,214	11,149	8,260	4,240
Short-term borrowings	3,879	3,879	-	-	-
Capital lease obligations	4,478	804	3,319	355	-
Non-cancelable operating leases	18,970	2,412	11,582	4,197	779
Other	1,163	1,163	-	-	-
Total contractual cash obligations	$ 251,639	$ 9,472	$ 224,336	$ 12,812	$ 5,019

A significant portion of the loans included in the table above bear interest at variable rates. At June 30, 2010, the weighted-average interest rate was 2.94% on the Company's domestic Revolving Credit Facility, 1.58% on the credit facility through the Company's German subsidiaries, 3.61% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A, and 6.05% on bank loans to the Company's subsidiary, Saueressig.

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. The Company is not required to make any significant contributions to its principal retirement plan in fiscal 2010. During the nine months ended June 30, 2010, contributions of $579,000 and $672,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $193,000 and $379,000 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2010.

In connection with its acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest. The option agreement contained certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. During the third fiscal quarter of 2010, the Company reached an agreement to purchase the remaining 22% interest in Saueressig for 17.4 million Euros in October 2011.

Unrecognized tax benefits are positions taken, or expected to be taken, on an income tax return that may result in additional payments to tax authorities. If a tax authority agrees with the tax position taken, or expected to be taken, or the applicable statute of limitations expires, then additional payments will not be necessary. The Company had unrecognized tax benefits, excluding penalties and interest, of approximately $3.3 million and $3.6 million at June 30, 2010 and September 30, 2009, respectively. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable.

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.

Accounting Pronouncements:

On September 30, 2009, the Company adopted changes issued by the FASB to the authoritative hierarchy of generally accepted accounting principles (“GAAP”). These changes establish the FASB Accounting Standards Codification ™ (“Codification”) as the source of authoritative accounting principles recognized by the FASB to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the U.S. The Codification was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption had no material impact on the Company’s consolidated results of operations or financial condition.

In December 2007, the FASB issued new guidance regarding business combinations. This guidance requires recognition and measurement of the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in a business combination, goodwill acquired or a gain from a bargain purchase. It is effective for fiscal years beginning on or after December 15, 2008. The Company adopted the new guidance effective October 1, 2009.

In December 2007, the FASB issued new guidance regarding noncontrolling interests in consolidated financial statements. This guidance establishes accounting and reporting standards for the noncontrolling interest in a subsidiary. It requires that consolidated net income reflect the amounts attributable to both the parent and the noncontrolling interest, and also includes additional disclosure requirements. It was effective for fiscal years beginning on or after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the guidance is initially applied, except for the presentation and disclosure requirements which shall be applied retrospectively for all periods presented. The Company adopted the new guidance effective October 1, 2009.

In December 2008, the FASB issued changes to employers’ disclosures about postretirement benefit plan assets. These changes require enhanced disclosures regarding assets in defined benefit pension or other postretirement plans. It is effective for fiscal years ending after December 31, 2009. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of these changes, which is effective for the Company’s Annual Report on Form 10-K for fiscal 2010.

In April 2009, the FASB issued changes to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. It also requires those disclosures in summarized financial information at interim reporting periods. These changes are effective for interim reporting periods ending after June 15, 2009 and were adopted by the Company as of June 30, 2009.

On September 30, 2007, the Company adopted the recognition and related disclosure provisions of guidance on employers' accounting for defined benefit pension and other postretirement plans which amended earlier guidance. In the first quarter of fiscal 2009, the Company adopted the provision requiring 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. Adoption of this provision did not have a material effect on the Company's consolidated results of operations or financial condition.

In May 2009, the FASB issued new guidance regarding subsequent events, which was subsequently revised in February 2010. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of this guidance had no material impact on the Company's consolidated results of operations or financial condition.

In June 2008, the FASB issued guidance regarding instruments granted in share-based payments. The guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and therefore included in the computation of earnings per share pursuant to the two-class method. This guidance is effective for years beginning after December 31, 2008. The Company adopted the provisions of this guidance effective October 1, 2009, which did not have a material effect on the Company's financial statements.

Item 3. 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, foreign currency exchange rates and actuarial assumptions for pension and other postretirement plans. 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 interest rate swaps as listed under "Liquidity and Capital Resources". 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 loss of $4.8 million ($2.9 million after tax) at June 30, 2010 that is included in equity as part of accumulated other comprehensive income. A decrease of 10% in market interest rates (e.g. a decrease from 5.0% to 4.5%) would result in an increase of approximately $521,000 in the fair value liability 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, wood and photopolymers) used in its manufacturing operations. The Company obtains competitive prices for materials and supplies when available. In addition, based on competitive market conditions and to the extent that the Company has established pricing terms with customers through contract or similar arrangements, the Company's ability to immediately increase the price of its products to offset the increased costs may be limited.

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, Chinese Yuan, Hong Kong dollar and Polish Zloty, 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. A strengthening of the U. S. dollar of 10% would have resulted in a decrease in reported sales of $22.7 million and a decrease in reported operating income of $2.7 million for the nine months ended June 30, 2010.

Actuarial Assumptions – The most significant actuarial assumptions affecting pension expense and pension obligations include the valuation of retirement plan assets, the discount rate and the estimated return on plan assets. The estimated return on plan assets is currently based upon projections provided by the Company's independent investment advisor, considering the investment policy of the plan and the plan's asset allocation. The fair value of plan assets and discount rate are "point-in-time" measures, and the recent volatility of the debt and equity markets makes estimating future changes in fair value of plan assets and discount rates more challenging. The following table summarizes the impact on the September 30, 2009 actuarial valuations of changes in the primary assumptions affecting the Company's principal retirement plan and supplemental retirement plan.

	Impact of Changes in Actuarial Assumptions					
	Change in Discount Rate		Change in Expected Return		Change in Market Value of Assets	
	+1%	-1%	+1%	-1%	+5%	-5%
	(Dollar amounts in thousands)					
Increase (decrease) in net benefit cost	$ (1,909)	$ 2,287	$ (766)	$ 766	$ (692)	$ 692
Increase (decrease) in projected benefit obligation	(16,440)	20,566	-	-	-	-
Increase (decrease) in funded status	16,440	(20,566)	-	-	3,940	(3,940)

Item 4. Controls and Procedures

The Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) are designed to provide reasonable assurance that information required to be disclosed in our reports filed under that Act (the "Exchange Act"), such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported within the time periods specified in the rules of the Securities and Exchange Commission. These disclosure controls and procedures also are designed to provide reasonable assurance that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures.

Management, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures in effect as of June 30, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2010, the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, and that such information is recorded, summarized and properly reported within the appropriate time period, relating to the Company and its consolidated subsidiaries, required to be included in the Exchange Act reports, including this Quarterly Report on Form 10-Q.

There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Matthews is subject to various legal proceedings and claims arising in the ordinary course of business. Management does not expect that the results of any of these legal proceedings will have a material adverse effect on Matthews' financial condition, results of operations or cash flows.

Item 2. **Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities**

Stock Repurchase Plan

The Company has a stock repurchase program, which was initiated in 1996. Under the program, the Company's Board of Directors had authorized the repurchase of a total of 12,500,000 shares of Matthews common stock. On January 22, 2010, the Company announced that its Board of Directors approved the continuation of its stock repurchase program and increased the total authorization for stock repurchases by an additional 2,500,000 shares, increasing the total authorization to 15,000,000 shares. As of June 30, 2010, 2,085,778 shares remained to be purchased under the current authorization. All purchases of the Company's common stock during the first nine months of fiscal 2010 were part of the repurchase program.

The following table shows the monthly fiscal 2010 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
October 2009	-	$ -	-	220,078
November 2009	65,000	35.50	65,000	155,078
December 2009	81,636	34.73	81,636	73,442
January 2010	6,475	34.05	6,475	2,566,967
February 2010	66,708	32.42	66,708	2,500,259
March 2010	52,056	35.73	52,056	2,448,203
April 2010	45,000	35.66	45,000	2,403,203
May 2010	97,200	33.15	97,200	2,306,003
June 2010	220,225	30.55	220,225	2,085,778
Total	634,300	$33.01	634,300	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit	
10.1	Sale and Purchase and Transfer Agreement Regarding the Sale and Purchase and Transfer of a Partnership Interest in Saueressig GMBH + Co. KG
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci
31.2	Certification of Principal Financial Officer for Steven F. Nicola
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Joseph C. Bartolacci
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Steven F. Nicola

(b) Reports on Form 8-K

On April 23, 2010, Matthews filed a Current Report on Form 8-K under Item 2.02 in connection with a press release announcing its earnings for the second fiscal quarter of 2010.

On April 12, 2010, Matthews filed a Current Report on Form 8-K under Item 7.01 in connection with a press release announcing its acquisition of Reynoldsville Casket Company.

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: August 4, 2010

/s/ Joseph C. Bartolacci
Joseph C. Bartolacci, President
and Chief Executive Officer

Date: August 4, 2010

/s/ Steven F. Nicola
Steven F. Nicola, Chief Financial Officer,
Secretary and Treasurer

SALE AND PURCHASE AND TRANSFER AGREEMENT

REGARDING THE SALE AND PURCHASE AND TRANSFER OF A PARTNERSHIP INTEREST IN SAUERESSIG GMBH + CO. KG

JUNE 2, 2010

[Missing Graphic Reference]

Allen & Overy LLP

0088098-0000002 FR:6323097.3

SALE AND PURCHASE AND TRANSFER AGREEMENT

by and among

Mr. Kilian Saueressig,

Lünten Nork 123, 48691 Vreden, Germany,

(hereinafter referred to as the "**Seller**"),

Matthews International Holding GmbH,

Rudolf-Diesel-Straße 16, 52428 Jülich, Germany,

(hereinafter referred to as the "**Purchaser** "),

and

Matthews International Corporation,

2 North Shore Center, Pittsburgh, USA,

(hereinafter referred to as the "**Guarantor**").

The Seller, the Purchaser and the Guarantor hereinafter collectively referred to as the " **Parties**" and each of them as a "**Party**".

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PREAMBLE

WHEREAS, the Seller and the Purchaser are registered with the Commercial Register of the Lower Court (*Amtsgericht*) at Coesfeld as sole limited partners (*Kommanditisten*) of Saueressig GmbH + Co. KG (hereinafter referred to as the "**Company**"), with the Seller holding 22 per cent and with the Purchaser holding 78 per cent of the fixed partnership interests (*Kommanditanteile*) in the registered partnership capital of the Company, and the Company is the sole shareholder of its sole general partner (*Komplementär*) Saueressig Geschäftsführungsgesellschaft mbH (hereinafter referred to as the "**General Partner**") which has no fixed partnership interest in the registered partnership capital of the Company;

WHEREAS, the Seller is also engaged as managing director of the General Partner and therefore of the Company;

WHEREAS, the Purchaser, a limited liability company duly organized under the laws of Germany, is a wholly-owned subsidiary of the Guarantor, a company duly organized under the laws of Pennsylvania;

WHEREAS, on February 25, 2008, the Seller and the Guarantor agreed upon an option agreement as amended on May 7, 2008 (hereinafter referred to as the "**Option Agreement**") concerning the sale and purchase and transfer of all of the partnership interests of the Seller in the Company to the Guarantor or to one of its subsidiaries (like the Purchaser) under certain conditions;

WHEREAS, in accordance with the Option Agreement, the Guarantor has provided to the Seller an irrevocable standby letter of credit issued by Citizens Bank of Pennsylvania in the amount of EUR 8,500,000.00 (hereinafter - together with all amendments thereto - referred to as "**Bank Guarantee**") and the Guarantor (respectively the Purchaser) has transferred and assigned the Purchaser's Partnership Interest (as defined in Clause 1.2(b)) to the Seller by way of security (*Sicherungsabtretung*), both as security for the payment of the purchase price due to the exercise of the option rights by the Seller under the Option Agreement;

WHEREAS, now the Parties have determined to execute the Option Agreement in amended form waiving any rights and obligations that could have been constituted so far under the terms of the Option Agreement; the Seller wishes to sell and transfer all of his partnership interests in the Company and all of his Seller's Loan and Private Accounts (as defined in Clause 1.3(a)) to the Purchaser with commercial effect (*mit wirtschaftlicher Wirkung*) as of October 1, 2011, and the Purchaser wishes to acquire these partnership interests and these Seller's Loan and Private Accounts from the Seller;

NOW, THEREFORE, the Parties hereto agree as follows:

1. CORPORATE OWNERSHIP / STRUCTURE OF THE ACQUISITION

1.1 Particulars of the Company

Saueressig GmbH + Co. KG (hereinafter referred to as the "**Company**") is a limited partnership (*Kommanditgesellschaft*) duly organized under the laws of Germany with registered office at Vreden/Germany and registered with the Commercial Register of the Lower Court (*Amtsgericht*) at Coesfeld under HRA 2299. The sole general partner (*Komplementär*) of the Company is Saueressig Geschäftsführungsgesellschaft mbH (hereinafter referred to as the "**General Partner**"), a limited liability company (*Gesellschaft mit beschränkter Haftung*) duly organized under the laws of Germany with registered office at Vreden/Germany and registered with the Commercial Register of the Lower Court at Coesfeld under HRB 3919.

1.2 Partnership Capital of the Company

The registered partnership capital (*Kommanditkapital*) of the Company amounts to EUR 3,000,000.00 (in words: three million Euros) (hereinafter referred to as the "**Partnership Capital**"). The Partnership Capital is divided into the following fixed partnership interests (*Kommanditanteile*), registered in the Commercial Register, held by the Seller and the Purchaser as sole limited partners (*Kommanditisten*) of the Company as follows:

(a) one fixed partnership interest in the amount of EUR 660,000.00 (in words: six hundred sixty thousand Euros), corresponding to 22 per cent of the fixed partnership interests in the Partnership Capital, held by the Seller and

(b) one fixed partnership interest in the amount of EUR 2,340,000.00 (in words: two million three hundred forty thousand Euros), corresponding to 78 per cent of the fixed partnership interests in the Partnership Capital, held by the Purchaser (hereinafter referred to as the "**Purchaser's Partnership Interest**").

The fixed partnership interest held by the Seller as set forth in Clause 1.2(a) above, together with any and all rights pertaining thereto pursuant to Clause 2.1 (hereinafter referred to as the "**Partnership Interest**"), shall be sold and transferred to the Purchaser as set forth in Clause 2.1 and Clause 2.3(a). The General Partner has no fixed partnership interest in the Partnership Capital.

1.3 Seller's Accounts

(a) The Company keeps for the Seller the following accounts: a fixed capital account (*Festkapitalkonto*) and a reserve account (*Rücklagenkonto*) (hereinafter collectively referred to as the "**Seller's Capital and Reserve Accounts**") as well as a loan account (*Darlehenskonto*) for loans granted by the Seller to the Company and a private account (*Privatkonto*) as well as a separate loss carry forward account (*Verlustvortragskonto*) (hereinafter collectively referred to as the "**Seller's Loan and Private Accounts**"). The Seller's Loan and Private Accounts include all profits and losses of the Company pertaining to the Seller.

(b) The Seller's Capital and Reserve Accounts as of the Effective Date (as defined in Clause 1.4) shall be sold and transferred to the Purchaser together with the Partnership Interest as set forth in Clause 2.1 and Clause 2.3(a). The Seller's Loan and Private Accounts as of the Effective Date shall be sold and transferred to the Purchaser in accordance with Clause 2.2 and Clause 2.3(b).

1.4 Signing Date; Effective Date

For the purposes of this agreement (hereinafter referred to as the "**Agreement**") the "Signing Date" shall mean the date this Agreement is signed (hereinafter referred to as the "**Signing Date**"), and the "Effective Date" shall mean October 1, 2011, 00:00 hours (German time) (herein referred to as the "**Effective Date**").

2. SALE AND PURCHASE AND TRANSFER OF THE PARTNERSHIP INTEREST AND OF THE SELLER'S LOAN AND PRIVATE ACCOUNTS

2.1 Sale and Purchase of the Partnership Interest

The Seller hereby sells, and the Purchaser hereby purchases from the Seller, upon the terms and conditions of this Agreement, the Partnership Interest in the Company with commercial effect (*mit wirtschaftlicher Wirkung*) as of the Effective Date. The sale and purchase of the Partnership Interest hereunder shall include any and all rights pertaining to the Partnership Interest, including, without limitation, the rights to receive profits and the obligations to bear losses generated from the Effective Date, and the accounts balances in the Seller’s Capital and Reserve Accounts as of the Effective Date, including any and all rights in the relation of the Company and the Seller reflected in and pertaining to the Seller’s Capital and Reserve Accounts. The Seller is entitled to his proportional share in all profits and losses of the Company that are generated up to, but not including the Effective Date.

2.2 Sale and Purchase of the Seller's Loan and Private Accounts

The Seller hereby sells, and the Purchaser hereby purchases from the Seller, upon the terms and conditions of this Agreement, any and all rights in the relation of the Company and the Seller reflected in and pertaining to the Seller's Loan and Private Accounts as of the Effective Date with commercial effect (*mit wirtschaftlicher Wirkung*) as of the Effective Date.

2.3 Transfer of Partnership Interest and of Seller's Loan and Private Accounts

(a) Subject to the Transfer Conditions set forth in Clause 2.3(c), the Seller hereby transfers and assigns (*abtreten*), and the Purchaser hereby accepts the transfer and assignment, upon the terms and conditions of this Agreement, of the Partnership Interest in the Company with commercial effect (*mit wirtschaftlicher Wirkung*) as of the Effective Date.

Such assignment of the Partnership Interest to the Purchaser by way of singular succession (*Sonderrechtsnachfolge*) shall be, (i) as regards the internal relations between the Seller and the Purchaser, effective as of the Effective Date and (ii) with effect vis-à-vis any third party, effective with the registration of the Purchaser as sole limited partner of the Company in the Commercial Register. In view of the period between the date of payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price by the Purchaser and the date of registration of the Purchaser as sole limited partner of the Company in the Commercial Register (hereinafter referred to as the "**Interim Period**"), the Seller shall hold the Partnership Interest for the Purchaser in trust (*treuhänderisch*) without any additional consideration. The Seller furthermore empowers (*bevollmächtigt*) the Purchaser to execute any an all rights pertaining to the Partnership Interest during the Interim Period. Apart from that, the Parties expressly agree that the Seller shall solely be entitled to execute his respective rights as limited partner of the Company as far as instructed by the Purchaser.

The Parties shall make sure that the Seller, the Purchaser and the managing directors (*Geschäftsführer*) of the General Partner of the Company shall sign the filing for the assignment of the Partnership Interest in the Company to the Purchaser with the Commercial Register, attached hereto as Annex 2.3(a), on the Signing Date before the notary, make the notary notarize (*beglaubigen*) the signatures and instruct the notary to forward this filing to the Commercial Register without undue delay (*unverzüglich*) after the receipt of a joint confirmation of payment to be issued jointly by the Seller and the Purchaser as set forth in Clause 2.3(d). In the event that signatories of the filing signed and notarized on the Signing Date have changed until the date the filing is to be effected by the notary or in the event that the Commercial Register rejects the registration of the assignment of the Partnership Interest in the Company to the Purchaser with the Commercial Register on the basis of the filing signed and notarized on the Signing Date, the Parties shall make sure that the Seller, the Purchaser and the managing directors (*Geschäftsführer*) of the General Partner of the Company shall update and/or amend the filing accordingly without undue delay (*unverzüglich*) and to forward this filing to the Commercial Register without undue delay (*unverzüglich*) afterwards.

(b) Subject to the Transfer Conditions set forth in Clause 2.3(c), the Seller hereby transfers and assigns (*abtreten*), and the Purchaser hereby accepts the transfer and assignment, upon the terms and conditions of this Agreement, any and all rights in the relation of the Company and the Seller reflected in and pertaining to the Seller's Loan and Private Accounts as of the Effective Date.

(c) The transfer of the Partnership Interest and the transfer of the Seller's Loan and Private Accounts to the Purchaser shall be subject to the satisfaction of the following conditions precedent (hereinafter collectively referred to as the "**Transfer Conditions**"):

(i) The payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price by the Purchaser has been effected in accordance with Clauses 3.1 and 3.2.

(ii) The assignment of the Partnership Interest in the Company to the Purchaser as set forth in Clause 2.3(a) has been recorded in the Commercial Register.

(d) After the effectuation of the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price by the Purchaser in accordance with Clauses 3.1 and 3.2, the Seller is obliged to issue, together with the Purchaser, a joint confirmation of payment to the notary in order to enable the notary to forward the filing to the Commercial Register as set forth in Clause 2.3(a).

2.4 Approval of Shareholders

The Seller, the Purchaser and the General Partner have approved the sale and transfer of the Partnership Interest and of the Seller's Loan and Private Accounts to the Purchaser according to Art. 12 para. 2 and Art. 10 para. 3 second sentence of the Company's partnership agreement. A copy of the resolution is attached to this Agreement as Annex 2.4.

3. PURCHASE PRICE; SELLER'S LOAN AND PRIVATE ACCOUNTS PURCHASE PRICE; PRELIMINARY SELLER'S LOAN AND PRIVATE ACCOUNTS PURCHASE PRICE; CONDITIONS OF PAYMENT; BANK GUARANTEE

3.1 Purchase Price; Seller's Loan and Private Accounts Purchase Price; Preliminary Seller's Loan and Private Accounts Purchase Price; Seller's Loan and Private Accounts Purchase Price Adjustment

(a) The purchase price to be paid by the Purchaser for the Partnership Interest as sold and purchased in accordance with Clause 2.1 shall be equal to

EUR 17,400,000.00

(in words: seventeen million four hundred thousand Euros)

(hereinafter referred to as the "**Purchase Price**").

(b) The purchase price to be paid by the Purchaser for the Seller's Loan and Private Accounts as sold and purchased in accordance with Clause 2.2 shall be an amount equal to the aggregate of the accounts balances of the Seller's Loan and Private Accounts, in each case as of the Effective Date and as determined on the basis of the Financial Statements 2010/2011 (as defined in Clause 4), including up to, but not including the Effective Date (i) the Seller's proportionate share in the profits and losses of the Company and (ii) accrued interest thereon. This amount is hereinafter referred to as the "**Seller's Loan and Private Accounts Purchase Price**" and shall not be part of the Purchase Price pursuant to Clause 3.1(a).

(c) The Parties have agreed that the preliminary Seller's Loan and Private Accounts Purchase Price shall be calculated on the basis of an appropriate excerpt from the Company's accounting system as of the Effective Date. For this purpose, the Parties shall ensure that by October 11, 2011, the Company prepares such an appropriate excerpt from its accounting system as of the Effective Date consistent with the Company's past accounting procedures and in accordance with the applicable statutory accounting provisions of Clauses 264 et seq. of the German Commercial Code (*HGB*) to be used by the Parties as calculation basis for the preliminary Seller's Loan and Private Accounts Purchase Price (hereinafter referred to as the "**Preliminary Seller's Loan and Private Accounts Purchase Price**").

(d) If, on the basis of the Financial Statements 2010/2011 (as defined in Clause 4),

(i) the Seller's Loan and Private Accounts Purchase Price is by more than EUR 10,000.00 (in words: ten thousand Euros) higher than the Preliminary Seller's Loan and Private Accounts Purchase Price, the Purchaser shall pay to the Seller an amount equal to the amount by which the Seller's Loan and Private Accounts Purchase Price exceeds the Preliminary Seller's Loan and Private Accounts Purchase Price,

(ii) the Preliminary Seller's Loan and Private Accounts Purchase Price is by more than EUR 10,000.00 (in words: ten thousand Euros) higher than the Seller's Loan and Private Accounts Purchase Price, the Seller shall pay to the Purchaser an amount equal to the amount by which the Preliminary Seller's Loan and Private Accounts Purchase Price exceeds the Seller's Loan and Private Accounts Purchase Price.

Any such amount to be paid by either the Purchaser or the Seller is hereinafter referred to as the "**Seller's Loan and Private Accounts Purchase Price Adjustment**".

(e) In the event that the aggregate balance of the Seller's Loan and Private Accounts as of the Effective Date is negative, the Seller is obligated to pay to the Purchaser an amount equal to the negative balance of the Seller's Loan and Private Accounts and the same procedure as set forth in Clauses 3.1 (c) and (d) shall apply *mutatis mutandis*, but in any event the amount to be paid by the Seller hereunder shall not exceed an amount of EUR 2,573,171.00 (in words: two million five hundred seventy three thousand one hundred seventy one Euros).

3.2 Due Date; Seller's Account; Company's Account

(a) On October 14, 2011 (hereinafter referred to as the "**Due Date**"), the Purchase Price shall become due and payable and the Purchaser shall pay the Purchase Price as follows:

(i) **EUR 15,983,764.80** (in words: fifteen million nine hundred eighty three thousand seven hundred sixty four point eighty Euros) to the following bank account of the Seller (hereinafter referred to as "**Seller's Account**"):

bank:	Sparkasse Hamburg
account number:	1265422848
sort code (*Bankleitzahl*):	20050550
IBAN:	IBAN DE86 2005 0550 1265 4228 48
SWIFT:	HASP DE HH XXX

or any other account to be nominated by the Seller to the Purchaser in writing at least ten (10) Business Days prior to the Due Date,

(ii) **EUR 1,416,235.20** (in words: one million four hundred sixteen hundred thousand two hundred thirty five point twenty Euros) to the following bank account of the Company (hereinafter referred to as "**Company's Account**"):

bank:	Sparkasse Westmünsterland
account number:	51010247
sort code (*Bankleitzahl*):	40154530
IBAN:	DE74 4015 4530 0051 0102 47
SWIFT:	WELADE3WXXX.

The Purchaser is entitled to set off any claims for payments owed by the Seller to the Purchaser as specifically contemplated in Clause 3.1(e) against the claims of the Seller for payment of the Purchase Price pursuant to Clause 3.2(a)(i).

(b) The Preliminary Seller's Loan and Private Accounts Purchase Price shall become due and payable and the Purchaser shall pay the Preliminary Seller's Loan and Private Accounts Purchase Price to the Seller’s Account on the Due Date. The same shall apply *mutatis mutandis* in case of the Seller's payment obligation pursuant to Clause 3.1(e).

(c) Any Seller's Loan and Private Accounts Purchase Price Adjustment owed by one of the Parties shall be paid fifteen (15) Business Days after the Seller's Loan and Private Accounts Purchase Price Adjustment has become final and binding upon the Parties in accordance with Clause 4.

(d) All payments owed by one of the Parties under this Agreement shall be paid by way of irrevocable wire transfer – to be credited on the same day – free of any costs and fees.

3.3 Default Interest

If one of the Parties is in default of any payment owed under this Agreement, the respective overdue amount shall bear interest at a fixed rate of 12 per cent p. a. after the respective Party is in default of payment for the time the Party is in default. Interest shall be calculated on the basis of actual days elapsed and a calendar year with 360 days.

3.4 No Right to Set-Off or to Withhold

Except as set forth in Clause 3.2(a), any right of the Purchaser to set-off and/or to withhold any payments due under this Agreement is hereby expressly waived and excluded except for claims which are undisputed or *res iudicatae*.

3.5 Bank Guarantee and Assignment by way of Security

(a) The Parties agree that the Bank Guarantee provided by the Guarantor to the Seller under the Option Agreement shall now serve for the benefit of the Seller as security for the timely and duly fulfilment of the payment of the Purchase Price and the Sellers' Loan and Private Accounts Purchase Price in accordance with Clauses 3.1 and 3.2 of this Agreement. The issuing bank, Citizens Bank of Pennsylvania, has amended the Bank Guarantee accordingly and the Guarantor has delivered the original of this amendment to the Bank Guarantee to the Seller on the Signing Date, a copy attached hereto as Annex 3.5(a).

(b) The Guarantor shall ensure that the Bank Guarantee remains effective until the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price is effected in accordance with Clauses 3.1 and 3.2 above. After the Bank Guarantee having become ineffective, the Seller shall return the original of the Bank Guarantee back to the Guarantor without undue delay (*unverzüglich*).

(c) The Parties agree that the Purchaser's Partnership Interest assigned by way of security (*Sicherungsabtretung*) to the Seller in accordance with the Option Agreement (hereinafter - together with the confirmation relating thereto - referred to as "**Assignment by way of Security**") shall now serve for the benefit of the Seller as additional security for the timely and duly fulfilment of the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price in accordance with Clauses 3.1 and 3.2 of this Agreement. For reasons of precaution, the Purchaser hereby confirms this Assignment by way of Security. Thus, the Purchaser hereby transfers and assigns and the Seller hereby accepts the transfer and assignment of the Purchaser's Partnership Interest by way of security with immediate effect.

(d) If the Purchase Price and the Seller's Loan and Private Accounts Purchase Price are not timely and fully paid by the Purchaser in accordance with Clauses 3.1 and 3.2, the Seller shall be entitled firstly to draw on the Bank Guarantee after prior written notification, and in case the Bank Guarantee is insufficient for the satisfaction of Seller's claims pursuant to Clause 3, the Seller shall be entitled to sell the Purchaser's Partnership Interest assigned to the Seller by way of security pursuant to Clause 3.5(c) without holding on (*freihändig*) or to utilize it otherwise, whereas the Purchaser shall be entitled to any excess proceeds resulting out of this utilization. Up to this date the Purchaser shall be entitled to exercise any and all rights and obligations pertaining to the Purchaser's Partnership Interest. In particular, without limitation, the Purchaser shall be entitled to participate in all profits and losses pertaining to the Purchaser's Partnership Interest.

(e) The Parties agree that the Assignment by way of Security shall be terminated on the date on which the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price is effected in accordance with Clauses 3.1 and 3.2 above. The Seller hereby reassigns to the Purchaser, and the Purchaser hereby accepts the reassignment of the Purchaser's Partnership Interest together with any and all rights pertaining thereto to the Purchaser under the precondition that the Purchase Price and the Seller's Loan and Private Accounts Purchase Price have been fully paid in accordance with Clauses 3.1 and 3.2 above.

4. FINANCIAL STATEMENTS 2010/2011

4.1 Preparation and Audit of the Financial Statements 2010/2011

(a) Any Seller's Loan and Private Accounts Purchase Price Adjustment shall be determined on the basis of the audited financial statements of the Company for the year ended September 30, 2011 (hereinafter referred to as the "**Financial Statements 2010/2011**").

(b) The Financial Statements 2010/2011 shall be prepared by the Company in accordance with the applicable statutory accounting provisions of Clauses 264 et seqq. of the German Commercial Code (*HGB*), taking into account the generally accepted accounting principles (*Grundsätze ordnungsmäßiger Buchführung*) and the principles of formal and material balance sheet continuity (*formelle und materielle Bilanzkontinuität*), a true and fair view, within the meaning of Clause 264 para. 2 HGB, of the assets and liabilities, financial condition and results of operation (*Vermögens-, Finanz- und Ertragslage*) of the Company for the period referenced therein as well as in accordance with the accounting and valuation principles applied for previous fiscal years, in particular under identical utilization of any election rights and continuation of the valuation and consolidation principles and methods.

(c) The Financial Statements 2010/2011 shall be audited with the intention of an unqualified opinion by PricewaterhouseCoopers AG (hereinafter referred to as the "**Company's Auditor**").

4.2 Review and Delivery of the Financial Statements 2010/2011 to the Seller

The Purchaser shall make sure that the Financial Statements 2010/2011 prepared by the Company and audited by the Company's Auditor shall be delivered to the Seller without delay. The Purchaser shall use its best efforts, to the extent permissible under applicable law, that the Seller receives access by the management of the Company to all relevant documentation necessary for reviewing a possible Seller's Loan and Private Accounts Purchase Price Adjustment resulting out of the Financial Statements 2010/2011.

4.3 Objections; Arbitration Proceedings

(a) Any Seller's Loan and Private Accounts Purchase Price Adjustment shall be carried out bindingly on the basis of the Financial Statements 2010/2011 to the extent the Seller does not within forty five (45) days after the receipt of the Financial Statements 2010/2011 raise any written objections vis-à-vis the Purchaser, together with explanations of these objections. If, after objections having been raised in time and due form (hereinafter referred to as the "**Objections**"), the Seller and the Purchaser cannot agree on any Seller's Loan and Private Accounts Purchase Price Adjustment, within thirty (30) days following the delivery of the Objections, the Seller and the Purchaser shall be entitled to request the *"Institut der Wirtschaftsprüfer in Deutschland e.V."* , Duesseldorf, to appoint an acknowledged auditing expert to act as an arbitrator (*Schiedsgutachter*) (hereinafter referred to as the "**Arbitrator**") to determine the Seller's Loan and Private Accounts Purchase Price Adjustment, to the extent permissible under applicable law, within the positions in dispute between the Seller and the Purchaser. The Arbitrator shall aim to decide on the Seller's Loan and Private Accounts Purchase Price Adjustment within thirty (30) Business Days after being appointed. The Arbitrator shall give the Seller and the Purchaser adequate opportunity to present their views in writing and at a hearing or hearings to be held in the presence of the Seller and the Purchaser and their advisors. The Arbitrator shall provide his decision in writing, give reasons for it and on all issues which are in dispute between the Seller and the Purchaser. The Seller's Loan and Private Accounts Purchase Price Adjustment as determined by the Arbitrator shall be final and binding on the Parties.

4.4 Costs

In case of arbitration proceedings referred to in Clause 4.3, the Arbitrator shall also decide upon the allocation of his costs and expenses according to Section 92 of the German Code of Civil Procedure. Each Party shall bear its own costs and expenses and those of its advisors.

5. SELLER'S GUARANTEES

(a) The Seller hereby guarantees to the Purchaser by way of an independent promise of guarantee pursuant to Clause 311 para. 1 BGB (*selbständiges Garantieversprechen im Sinne des § 311 Abs. 1 BGB*) that the statements in Clause 1 hereof regarding the Partnership Interest and the Seller's accounts are complete and correct. The Partnership Interest has been validly issued, is fully paid-up, has not been reduced by losses or withdrawals and is not encumbered by any obligatory or in rem third-party rights, in particular there are no rights of pre-emption, rights of use, trust relationships, typical or atypical subparticipations, other options, voting agreements or other third-party rights effecting the assignment of the Partnership Interest.

(b) The Purchaser shall not be entitled to further warranty rights.

6. COVENANTS

6.1 Signing Covenants

The Purchaser and the Seller shall ensure that the following agreements will be concluded on the Signing Date:

(a) the sale and purchase and transfer agreement between the Company (as seller) and the Seller (as purchaser) regarding the sale and purchase and transfer of a partnership interest in Devine GmbH & Co. KG, attached hereto as Annex 6.1(a),

(b) the amendment agreement to the service agreement of the Seller as managing director of the General Partner between the General Partner and the Seller, attached hereto as Annex 6.1(b), and

(c) the commission agreement between the Seller and the Company relating to McAirlaids' potential purchase orders, attached hereto as Annex 6.1(c).

6.2 After-Signing Covenants

(a) Between the Signing Date and the Effective Date, the Purchaser and the Guarantor shall refrain from and they have to ensure that the Company refrains from any measures in order to manipulate the profits of the Company and/or the distribution of the profits amongst the shareholders of the Company to Seller's disadvantage.

(b) The Seller intends, in his function as shareholder of the Company, to reward certain employees of the Company with bonus payments in the total gross amount of EUR 170,000.00 (in words: one hundred seventy thousand Euros) (hereinafter referred to as "**Bonus Payment Amount**") prior to the Effective Date. For this purpose, the Seller intends to instruct the Company prior to the Effective Date to pay on his behalf and on his account bonus payments to certain employees to be nominated by the Seller by withdrawing the Bonus Payment Amount from his Seller's Loan and Private Accounts. The Purchaser herewith explicitly and irrevocably grants his consent to this employee reward procedure.

6.3 Covenant not to Compete

(a) For the Seller, the statutory prohibition of competition pursuant to Section 112 subsection 1 of the German Commercial Code (*Handelsgesetzbuch (HGB)*) shall apply correspondingly, with the addition that the Seller may not act either independently or dependently or in an advisory capacity, not even occasionally or indirectly, outside of the Company and/or its subsidiaries (*Tochtergesellschaften*) in their fields of activity as of the Signing Date, no matter whether or not these activities will be continued thereafter. Likewise, holding an equity interest in competitive businesses - except for participations in form of stock and convertibles - also as silent partner or subpartner shall be inadmissible. The territorial scope of application of this prohibition of competition comprises the European Union and EFTA.

(b) The Seller is obligated to observe the non-competition clause pursuant to Clause 6.3(a) until September 30, 2013.

(c) The Seller hereby irrevocably declares that he waives any compensation payments which may arise for his benefit due to his retirement as a limited partner from the Company or due to his retirement from the management of the Company or of a Company's affiliate. The Parties agree that the postcontractual prohibition of competition set forth in this Clause 6.3 shall be compensated by the Purchase Price to be paid under this Agreement.

(d) Notwithstanding the generality of Clause 6.3(a), the Seller shall be entitled to be engaged in the business of Devine GmbH & Co. KG as limited partner or its legal successor, as managing director of Devine Verwaltungs-GmbH (its general partner) or its legal successor and representative of Devine GmbH & Co. KG or its legal successor, provided however, neither the Seller nor Devine Verwaltungs-GmbH nor Devine GmbH & Co. KG nor their respective legal successors nor an affiliate of these companies compete with the Company and/or its subsidiaries in their fields of activity as of the Signing Date in terms of Clauses 6.3(a) and 6.3(b). For the avoidance of doubt, the Parties agree that the engagement of the Seller in the following businesses shall not be deemed a competitive business of the Company and/or its subsidiaries in terms of Clauses 6.3(a) and 6.3(b): the production and processing of tools or components with free-form surfaces, their distribution and marketing, separately or together with shaped or grained foils as well as all other steps required for their manufacture or sale.

7. GUARANTOR'S GUARANTEE

The Guarantor hereby guarantees by way of an independent promise of guarantee pursuant to Clause 311 para. 1 BGB the proper fulfilment of all of the obligations of the Purchaser pursuant to this Agreement, in particular, but not limited to, the payment of the Purchase Price and the Sellers' Loan and Private Accounts Purchase Price to the Seller.

8. TAXES AND COSTS

8.1 Taxes on Earnings

(a) All taxes on earnings (*Ertragsteuern*) which result from this Agreement and its execution shall be borne by those persons at which these taxes statutorily arise.

(b) As far as taxes on earnings, in particular, but not limited to, trade income tax (*Gewerbeertragsteuer*) resulting from any and all sales and/or transfers of partnership interests in the Company by the Seller to the Purchaser on the level of the Company, the Seller shall reimburse the amount corresponding to these taxes on earnings to the Company.

(c) Claims of the Purchaser under this Clause 8.1 shall be time-barred six months after the final and binding assessment of the relevant taxes.

8.2 Transfer Taxes

All transfer taxes (including real estate transfer taxes) and any other charges and costs which result from this Agreement and its execution shall be borne by the Purchaser.

8.3 Value Added Tax

In case that supplies under this Agreement are subject to value added tax, the respective amounts shall be increased by the amount corresponding to the value added tax.

8.4 Costs and Fees

Each Party shall bear the costs and fees of its own advisors.

9. NOTICES

9.1 Form of Notice

All declarations, notices or other communications hereunder (hereinafter referred to as the "**Notices**") shall be done in writing - as far as no notarization or other specific form is required under statutory law - in the English or German language and delivered by hand or by courier or by facsimile to the person at the addresses set forth below, or such other addresses as may be designated by the respective Party to the other Parties in the same manner.

9.2 Notices to Seller

Any Notice to be given to the Seller hereunder shall be addressed as follows:

Kilian Saueressig,
Lünten Nork 123
48691 Vreden
Germany

with a copy to:

Allen & Overy LLP

Attn.: Thomas Austmann

Rheinisches Palais

Breite Strasse 27

40213 Duesseldorf

Germany

Fax: +49 211 28 06 7601.

9.3 Notices to Purchaser

Any Notice to be given to the Purchaser hereunder shall be addressed as follows:

Matthews International Corporation

Attn.: Brain D. Walters, Esq. (Legal Counsel)

Two North Shore Center

Pittsburgh

Pennsylvania 15222 (USA)

Fax: +1 412 442-8290

with a copy to:

Matthews International Holding GmbH
Attn.: Franz-Josef Schwarz
Rudolf-Diesel-Straße 16
52428 Jülich
Germany
Fax: +49 2461 93 53 20

and a copy to:

Streck Mack Schwedhelm
Attn.: Dr. Heinz-Willi Kamps
Wilhelm-Schlombs-Allee 7-11
50858 Köln (Junkersdorf)
Germany
Fax: +49 221 49 29 299

9.4 Notices to Guarantor

Any Notice to be given to the Guarantor hereunder shall be addressed as follows:

Matthews International Corporation

Attn.: Brain D. Walters, Esq. (Legal Counsel)

Two North Shore Center

Pittsburgh

Pennsylvania 15222 (USA)

Fax: +1 412 442-8290

with a copy to:

Streck Mack Schwedhelm

Attn.: Dr. Heinz-Willi Kamps

Wilhelm-Schlombs-Allee 7-11

50858 Köln (Junkersdorf)

Germany

Fax: +49 221 49 29 299

9.5 Change of Address

The Parties are to, without being legally obliged to, communicate any change of their respective addresses set forth in Clauses 9.2 through 9.4 as soon as possible in writing to the respective other Parties. Until such communication, the address as hitherto shall be relevant.

9.6 Copies to Advisors

(a) The receipt of copies of Notices by the Parties' advisors shall not constitute or substitute the receipt of such Notices by the Parties themselves.

(b) Any Notice shall be deemed received by a Party regardless of whether any copy of such Notice has been sent to or received by an advisor of such Party, irrespective of whether the delivery of such copy was mandated by this Agreement.

10. MISCELLANEOUS

10.1 Governing Law

This Agreement shall be governed by, and construed in accordance with, the laws of Germany, excluding the German conflicts of laws rules and further excluding the United Nations Convention on Contracts for the International Sale of Goods (CISG).

10.2 Arbitration

(a) Any dispute, disagreement, controversy or claim arising out of or in connection with this Agreement or its Annexes or the transactions contemplated hereby or thereby shall be finally and exclusively settled in accordance with the Rules of Arbitration of the German Institution of Arbitration e.V. (*Deutsche Institution für Schiedsgerichtswesen, DIS*) without recourse to the ordinary courts of law. The arbitral tribunal shall consist of three (3) arbitrators. The arbitration shall take place in Duesseldorf. The arbitration shall be conducted in English or German and written evidence (*Beweismittel*) may be submitted in English or German.

(b) In the event that applicable mandatory law requires any matter arising out of or in connection with this Agreement and its implementation to be decided by an ordinary court of law, the competent courts in Duesseldorf shall have the exclusive jurisdiction.

10.3 Business Day

In this Agreement, "**Business Day**" means a day (other than a Saturday or Sunday) on which banks are generally open for business in Frankfurt am Main, Germany.

10.4 Amendments, Supplementations

Any amendment or supplementation of this Agreement, including of this provision, shall be valid only if made in writing, except where a stricter form (e.g. notarization) is required under applicable law. Clause 9.1 shall apply *mutatis mutandis*.

10.5 Language

(a) This Agreement is written in the English language (except that Annexes may be partly in the German language). Terms to which a German translation has been added shall be interpreted throughout this Agreement in the meaning assigned to them by the German translation.

(b) Any reference made in this Agreement to any types of companies or participations, proceedings, authorities or other bodies, rights, institutions, regulations or legal relationships (hereinafter collectively referred to as the "**Legal Terms**") under German law shall extend to any corresponding or identical Legal Terms under foreign law to the extent that relevant facts and circumstances must be assessed under such foreign law. Where no corresponding or identical Legal Terms under foreign law exist, such Legal Terms shall be introduced as - functionally - come closest to the Legal Terms under German law.

10.6 Headings

The headings and sub-headings of the Clauses contained herein are for convenience and reference purposes only and shall not affect the meaning or construction of any of the provisions hereof.

10.7 Annexes

All Annexes attached hereto form an integral part of this Agreement.

10.8 Entire Agreement; Termination of Option Agreement

(a) This Agreement constitutes the full understanding of the Parties and the complete and exclusive statements of the terms and conditions of the Parties' agreements relating to the subject matter hereof and supersedes any and all prior agreements and understandings, whether written or oral, that may exist between the Parties with respect to the subject matter of this Agreement. Side agreements to this Agreement do not exist.

(b) The Parties expressly agree that the Option Agreement shall be terminated upon the signing of this Agreement. This Agreement shall fully and finally settle any rights and obligations that could have been constituted so far under the Option Agreement and especially all potential rights and obligations under any declaration of the Seller in accordance with the Option Agreement.

10.9 Severability

Should any provision of this Agreement be or become invalid, ineffective or unenforceable as a whole or in part, the validity, effectiveness and enforceability of the remaining provisions shall not be affected thereby. Any such invalid, ineffective or unenforceable provision shall be deemed replaced by such valid, effective and enforceable provision as comes closest to the economic intent and the purpose of such invalid, ineffective or unenforceable provision as regards subject-matter, amount, time, place and extent. The aforesaid shall apply *mutatis mutandis* to any gap in this Agreement.

Duesseldorf/Germany, June 2, 2010

Seller **Purchaser**

_____________________________ _____________________________

Kilian Saueressig Matthews International Holding GmbH

Name: Joseph Bartolacci

Function: Managing Director

Guarantor

____

Matthews International Corporation

Name: Joseph Bartolacci

Function: Chief Executive Officer

Exhibit 31.1

CERTIFICATION
PRINCIPAL EXECUTIVE OFFICER

I, Joseph C. Bartolacci, certify that:
1. I have reviewed this quarterly report on Form 10-Q 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: August 4, 2010

Joseph C. Bartolacci

Joseph C. Bartolacci
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PRINCIPAL FINANCIAL OFFICER

I, Steven F. Nicola, certify that:
1. I have reviewed this quarterly report on Form 10-Q 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: August 4, 2010

Steven F. Nicola

Steven F. Nicola
Chief Financial Officer,
Secretary and Treasurer

Exhibit 32.1

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 Quarterly Report of Matthews International Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joseph C. Bartolacci, 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.

Joseph C. Bartolacci

Joseph C. Bartolacci,
President and Chief Executive Officer

August 4, 2010

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.

Exhibit 32.2

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 Quarterly Report of Matthews International Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2010 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.

Steven F. Nicola

Steven F. Nicola,
Chief Financial Officer

August 4, 2010

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.