

MATTHEWS INTERNATIONAL CORP
Form 10-K
November 22, 2011

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

FORM 10-K

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

For the fiscal year ended September 30, 2011
Commission File Number 0-09115

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

COMMONWEALTH OF PENNSYLVANIA
(State or other jurisdiction of
incorporation or organization)

25-0644320
(I.R.S. Employer
Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA
(Address of principal executive offices)

15212-5851
(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Class A Common Stock, \$1.00 par value	NASDAQ Global Select Market System

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

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

Yes No

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

Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405a of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant 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 and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer”, and “smaller reporting company” 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

The aggregate market value of the Class A Common Stock outstanding and held by non-affiliates of the registrant, based upon the closing sale price of the Class A Common Stock on the NASDAQ Global Select Market System on March 31, 2011, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately \$1.1 billion.

As of October 31, 2011, shares of common stock outstanding were: Class A Common Stock 28,439,802 shares

Documents incorporated by reference: Specified portions of the Proxy Statement for the 2012 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

The index to exhibits is on pages 75-76.

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Any forward-looking statements contained in this Annual Report on Form 10-K (specifically those contained in Item 1, "Business", Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations") are included in this report pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the actual results of Matthews International Corporation ("Matthews" or the "Company") 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.

ITEM 1. BUSINESS.

Matthews, founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze and granite 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 and granite memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer 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 in North America and Europe. The Graphics Imaging segment manufactures and provides brand solutions, 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, industrial automation products and order fulfillment systems that are used for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

At October 31, 2011, the Company and its majority-owned subsidiaries had approximately 5,300 employees. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212, its telephone number is (412) 442-8200 and its internet website is www.matw.com. The Company files all required reports with the Securities and Exchange Commission ("SEC") in accordance with the Exchange Act. These reports are available free of charge on the Company's website as soon as practicable after being filed or furnished to the SEC. The reports filed with the SEC are also available to read and copy at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by contacting the SEC at 1-800-732-0330. All reports filed with the SEC can be found on its website at www.sec.gov.

The following table sets forth reported sales and operating profit for the Company's business segments for the past three fiscal years. Detailed financial information relating to business segments and to domestic and international operations is presented in Note 16 ("Segment Information") to the Consolidated Financial Statements included in Part II of this Annual Report on Form 10-K.

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ITEM 1.

BUSINESS, (continued)

MEMORIALIZATION PRODUCTS AND MARKETS:

Bronze:

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

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

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

The Bronze segment manufactures a full line of memorial products for cremation, including urns in a variety of sizes, styles and shapes as well as standard and custom designed granite cremation pedestals and benches. The segment also manufactures bronze and granite niche units, which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. In addition, the Company also markets turnkey cremation gardens, which include the design and all related products for a cremation memorial garden. As part of the Memorialization group, the segment works with the Casket and Cremation segments to provide a total solution to customers that own and operate businesses in both the cemetery and funeral home markets.

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

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

Competition from other cemetery product manufacturers is on the basis of reputation, product quality, delivery, price, and design availability. The Company believes that its superior quality, broad product lines, innovative designs, delivery capability, customer responsiveness, experienced personnel and consumer-oriented merchandising systems are competitive advantages in its markets. Competition in the mausoleum construction industry includes various construction companies throughout North America and is on the basis of design, quality and price. Competitors in the architectural market are numerous and include companies that manufacture cast and painted signs, plastic materials, sand-blasted wood and other fabricated products.

ITEM 1. BUSINESS, (continued)

Casket:

The Casket segment is a leading manufacturer and distributor of caskets and other funeral home products in North America. The segment produces and markets metal and wood caskets. The Casket segment also manufactures and distributes cremation caskets. Caskets can be customized with many different options such as color, interior design, handles and trim in order to accommodate specific religious, ethnic or other personal preferences. The segment also markets other funeral home products such as urns, jewelry, stationery and other funeral home products and supplies. The segment offers individually personalized caskets and urns through the Company-owned distribution network.

Metal caskets are made from various gauges of cold-rolled steel, stainless steel, copper and bronze. Metal caskets are generally categorized by whether the casket is non-gasketed or gasketed, and by material (i.e., bronze, copper, or steel) and in the case of steel, by the gauge (thickness) of the metal. Cremation caskets are made primarily from wood or cardboard covered with cloth or veneer. These caskets appeal primarily to cremation consumers, the environmentally concerned, and value buyers.

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

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

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

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

The segment markets its casket products in the United States through a combination of Company-owned and independent casket distribution facilities. The Company operates approximately 60 distribution centers in the United States. Over 70% of the segment's casket products are currently sold through Company-owned distribution centers. As part of the Memorialization group, the segment works with the Bronze and Cremation segments to provide a total solution to customers that own and operate businesses in both the cemetery and funeral home markets.

The casket business is highly competitive. The segment competes with other manufacturers on the basis of product quality, price, service, design availability and breadth of product line. The segment provides a line of casket products

that it believes is as comprehensive as any of its major competitors. There are a large number of casket industry participants operating in North America, and the industry has recently seen a few new foreign casket manufacturers, primarily from China, enter the North American market. The Casket segment and its two largest competitors account for a substantial portion of the finished caskets produced and sold in North America.

ITEM 1.

BUSINESS, (continued)

Cremation:

The Cremation segment provides six distinct, complementary, groups of products and services:

- Cremation Equipment
- Service and Supplies
- Environmental Systems
- Crematory Management/Operations
- Cremation Columbarium and Niche Units
- Cremation Urns and Memorial Products

Servicing both the human and pet markets, the segment's primary market areas are North America and Europe. The segment also sells into Latin America and the Caribbean, Australia and Asia.

Cremation equipment includes both traditional flame-based and water-based bio-cremation systems for cremation of humans and pets, as well as equipment for processing the cremated remains and other related equipment such as handling equipment (ventilated work stations, tables, cooler racks, vacuums). The principal markets for these products are funeral homes, cemeteries, crematories, pet crematories, animal disposers and veterinarians. These products are marketed mostly direct by segment personnel.

Crematory service and supplies consist of preventative maintenance and "at need" service work performed on various makes and models of cremation equipment. This work can be as simple as replacing defective bulbs or as complex as complete reconstruction and upgrading or retro-fitting on site. The principal markets for these services are the owners and operators of cremation equipment. Cremation supplies are consumable items associated with the cremation operations. Supplies could include operator safety equipment, identification discs, combustible roller tubes, as well as products such as plastic temporary cremation containers, pans and brushes used in the process.

Environmental systems include emissions filtration units, waste heat recovery equipment, waste gas treatment products, as well as waste reduction equipment and bio-mass incinerators. The principal markets are the cremation industry, waste to energy and other industries which utilize incinerators for waste reduction and energy production.

Crematory management/operations represents the actual operation and management of client-owned crematories.

Cremation columbarium and niche units are produced by the segment for the placement/display of urns and other containers of cremated remains. The principal markets targeted by the segment include church and university markets, affinity groups and other emerging memorialization markets.

Cremation urns and memorialization products include urns which support various forms of memorialization (burial, niche, scattering, and home décor). Merchandise includes any other family-related products such as cremation jewelry, mementos, remembrance products and other assorted at-need merchandise.

Raw materials used by the Cremation segment consist principally of structural steel, sheet metal, electrical components, combustion devices and refractory materials. These are generally available in adequate supply from numerous suppliers.

The Company competes with several manufacturers in the cremation and accessory equipment market principally on the basis of product design, quality and price. The Cremation segment and its three largest global competitors account

for a substantial portion of the U.S. and European cremation equipment market.

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ITEM 1.

BUSINESS, (continued)

BRAND SOLUTIONS PRODUCTS AND MARKETS:

Graphics Imaging:

The Graphics Imaging segment provides brand management, pre-press services, printing plates and cylinders, embossing tools, and creative design services principally to the primary packaging and corrugated industries. The primary packaging industry consists of manufacturers of printed packaging materials such as boxes, flexible packaging, folding cartons and bags commonly seen at retailers of consumer goods. The corrugated packaging industry consists of manufacturers of printed corrugated containers. Other major industries served include the wallpaper, flooring, automotive, and textile industries.

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

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

The Company works closely with manufacturers to provide the proper printing forms and tooling used to print the packaging to the user's specifications. The segment's printing plate products are made principally from photopolymer resin and sheet materials. Upon customer request, plates can be pre-mounted press-ready in a variety of configurations that maximize print quality and minimize press set-up time. Gravure cylinders, manufactured from steel, copper and chrome, can be custom engineered for multiple print processes.

The Graphics Imaging segment customer base consists primarily of brand owners and packaging industry converters. Brand owners are generally large, well-known consumer products companies and retailers with a national or global presence. These types of companies tend to purchase their graphics needs directly and supply the printing forms, or the electronic files to make the printing plates and gravure cylinders, to the packaging printer for their products. The Graphics Imaging segment serves customers primarily in Europe, the United States and Asia.

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

The Graphics Imaging segment is one of several manufacturers of printing plates and cylinders and providers of pre-press services with an international presence. The segment competes in a fragmented industry consisting of a few multi-plant regional printing form suppliers and a large number of local single-facility companies located across Europe and the United States. The combination of the Company's Graphics Imaging business in Europe, the United States and Asia is an important part of Matthews' strategy to become a worldwide leader in the graphics industry and

service multinational customers on a global basis. Competition is on the basis of product quality, timeliness of delivery and price. The Company differentiates itself from the competition by consistently meeting these customer demands, its ability to service customers both nationally and globally, and its ability to provide value-added services.

ITEM 1.

BUSINESS, (continued)

Marking Products:

The Marking Products segment designs, manufactures and distributes a wide range of equipment and related consumables used by manufacturers and suppliers to identify, track, and brand their products. Marking products can range from a mechanical marking solution to microprocessor-based ink-jet printing systems that can integrate into the customer's manufacturing, inventory tracking and material handling control systems. The Company manufactures and markets products and systems that employ different marking technologies including contact printing, indenting, etching, laser, and ink-jet printing. Customers will often use a combination of these methods in order to achieve an appropriate mark. These methods apply product information required for identification and traceability as well as to facilitate inventory and quality control, regulatory compliance and brand name communication.

Other solutions provided by the Company complement the tracking and distribution of customer's products and include order fulfillment systems, motor-driven rollers and controls for material handling systems, and other innovative custom solutions that address specific customer requirements. Some of the industries for which custom products are produced include oil exploration, material handling and security scanning. Material handling industry customers include some of the largest automated assembly, distribution and mail sorting companies in the United States.

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

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

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

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

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

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

ITEM 1.

BUSINESS, (continued)

Merchandising Solutions:

The Merchandising Solutions segment provides merchandising and printing solutions for brand owners and retailers. The segment designs, manufactures and installs merchandising and display systems, and provides total turnkey project management services. The segment also provides creative merchandising and marketing solutions services.

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

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

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

PATENTS, TRADEMARKS AND LICENSES:

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

BACKLOG:

Because the nature of the Company's Bronze, Graphics Imaging and Merchandising Solutions businesses are primarily custom products made to order with short lead times, backlogs are not generally material except for mausoleums in the Bronze segment. Backlogs vary in a range of approximately one year of sales for mausoleums. Backlogs for the Casket segment and the cremation casket businesses are not material. Cremation equipment sales backlogs vary in a range of eight to ten months of sales. Backlogs generally vary in a range of up to four weeks of sales in the Marking Products segment. The Company's backlog is expected to be substantially filled in fiscal 2012.

REGULATORY MATTERS:

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

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

ITEM 1.

BUSINESS, (continued)

At September 30, 2011, an accrual of approximately \$6.2 million had been recorded for environmental remediation (of which \$788,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

ITEM 1A. RISK FACTORS.

There are inherent risks and uncertainties associated with the Company's businesses that could adversely affect its operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that the Company currently believes to be material. Additional risks not currently known or deemed immaterial may also result in adverse effects on the Company.

Changes in Economic Conditions. Generally, changes in domestic and international economic conditions affect the industries in which the Company and its customers and suppliers operate. These changes include changes in the rate of consumption or use of the Company's products due to economic downturns, volatility in currency exchange rates, and changes in raw material prices resulting from supply and/or demand conditions.

Uncertainty about current global economic conditions poses a risk, as consumers and businesses may continue to postpone or cancel spending. Other factors that could influence customer spending include energy costs, conditions in the credit markets, consumer confidence and other factors affecting consumer spending behavior. These and other economic factors could have an effect on demand for the Company's products and services and negatively impact the Company's financial condition and results of operations.

Changes in Foreign Currency Exchange Rates. Manufacturing and sales of a significant portion of the Company's products are outside the United States, and accordingly, the Company holds assets, incurs liabilities, earns revenue and pays expenses in a variety of currencies. The Company's consolidated financial statements are presented in U.S. dollars, and therefore, the Company must translate the reported values of its foreign assets, liabilities, revenue and expenses into U.S. dollars. Increases or decreases in the value of the U.S. dollar compared to foreign currencies may negatively affect the value of these items in the Company's consolidated financial statements, even though their value has not changed in local currency.

Increased Prices for Raw Materials. The Company's profitability is affected by the prices of the raw materials used in the manufacture of its products. These prices may fluctuate based on a number of factors, including changes in supply and demand, domestic and global economic conditions, and volatility in commodity markets, currency exchange rates, labor costs and fuel-related costs. If suppliers increase the price of critical raw materials, alternative sources of supply, or an alternative material, may not exist.

The Company has standard selling price structures (i.e., list prices) in several of its segments, which are reviewed for adjustment generally on an annual basis. In addition, the Company has established pricing terms with several of its customers through contracts or similar arrangements. Based on competitive market conditions and to the extent that the Company has established pricing terms with customers, the Company's ability to immediately increase the price of its products to offset the increased costs may be limited. Significant raw material price increases that cannot be mitigated by selling price increases or productivity improvements will negatively affect the Company's results of operations.

ITEM 1A. RISK FACTORS, (continued)

Changes in Mortality and Cremation Rates. Generally, life expectancy in the United States and other countries in which the Company's Memorialization businesses operate has increased steadily for several decades and is expected to continue to do so in the future. The increase in life expectancy is also expected to impact the number of deaths in the future. Additionally, cremations have steadily grown as a percentage of total deaths in the United States since the 1960's, and are expected to continue to increase in the future. The Company expects that these trends will continue in the future, and the result may affect the volume of bronze memorialization products and burial caskets sold in the United States. However, sales of the Company's Cremation segment may benefit from the growth in cremations.

Changes in Product Demand or Pricing. The Company's businesses have and will continue to operate in competitive markets. Changes in product demand or pricing are affected by domestic and foreign competition and an increase in consolidated purchasing by large customers operating in both domestic and global markets. The Memorialization businesses generally operate in markets with ample supply capacity and demand which is correlated to death rates. The Brand Solutions businesses serve global customers that are requiring their suppliers to be global in scope and price competitive. Additionally, in recent years the Company has witnessed an increase in products manufactured offshore, primarily in China, and imported into the Company's U.S. markets. It is expected that these trends will continue and may affect the Company's future results of operations.

Risks in Connection with Acquisitions. The Company has grown in part through acquisitions, and continues to evaluate acquisition opportunities that have the potential to support and strengthen its businesses. There is no assurance however that future acquisition opportunities will arise, or that if they do, that they will be consummated. In addition, acquisitions involve inherent risks that the businesses acquired will not perform in accordance with expectations, or that synergies expected from the integration of the acquisitions will not be achieved as rapidly as expected, if at all. Failure to effectively integrate acquired businesses could prevent the realization of expected rates of return on the acquisition investment and could have a negative effect on the Company's results of operations and financial condition.

Technological Factors Beyond the Company's Control. The Company operates in certain markets in which technological product development contributes to its ability to compete effectively. There can be no assurance that the Company will be able to develop new products, that new products can be manufactured and marketed profitably, or that new products will successfully meet the expectations of customers.

Changes in the Distribution of the Company's Products or the Loss of a Large Customer. Although the Company does not have any customer that is considered individually significant to consolidated sales, it does have contracts with several large customers in both the Memorialization and Brand Solutions businesses. While these contracts provide important access to large purchasers of the Company's products, they can obligate the Company to sell products at contracted prices for extended periods of time. Additionally, any significant divestiture of business properties or operations by current customers could result in a loss of business if the Company is not able to maintain the business with the subsequent owners of the properties.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. PROPERTIES.

Principal properties of the Company and its majority-owned subsidiaries as of October 31, 2011 were as follows (properties are owned by the Company except as noted):

Location	Description of Property	
Bronze:		
Pittsburgh, PA	Manufacturing / Division Offices	
Kingwood, WV	Manufacturing	
Melbourne, Australia	Manufacturing	(1)
Monterrey, Mexico	Manufacturing	(1)
Parma, Italy	Manufacturing / Warehouse	(1)
Searcy, AR	Manufacturing	
Whittier, CA	Manufacturing	(1)
Casket (2):		
Monterrey, Mexico	Manufacturing	(1)
Richmond, IN	Manufacturing	(1)
Richmond, IN	Manufacturing / Metal Stamping	
Richmond, IN	Injection Molding	(1)
York, PA	Manufacturing	
Cremation:		
Apopka, FL	Manufacturing / Division Offices	
Richmond, IN	Manufacturing	(1)
Manchester, England	Manufacturing	(1)
Udine, Italy	Manufacturing	(1)
Graphics Imaging:		
Pittsburgh, PA	Manufacturing / Division Offices	
Julich, Germany	Manufacturing / Division Offices	
Atlanta, GA	Manufacturing	
Woburn, MA	Manufacturing	(1)
Bristol, England	Manufacturing	
Goslar, Germany	Manufacturing	(1)
Leeds, England	Manufacturing	(1)
Monchengladbach, Germany	Manufacturing	
Munich, Germany	Manufacturing	(1)
Nuremberg, Germany	Manufacturing	(1)
Oakland, CA	Manufacturing	(1)
Poznan, Poland	Manufacturing	
St. Louis, MO	Manufacturing	
Shenzhen, China	Manufacturing	(1)
Vienna, Austria	Manufacturing	(1)

Vreden, Germany	Manufacturing	
Wan Chai, Hong Kong	Manufacturing	(1)
Izmir, Turkey	Manufacturing	

OFFICERS AND EXECUTIVE MANAGEMENT OF THE REGISTRANT

The following information is furnished with respect to officers and executive management as of October 31, 2011:

Name	Age	Positions with Registrant
Joseph C. Bartolacci	51	President and Chief Executive Officer
David F. Beck	59	Vice President and Controller
Jennifer A. Ciccone	44	Vice President, Human Resources
Brian J. Dunn	54	Group President, Brand Solutions
Steven D. Gackenbach	48	Group President, Memorialization
Steven F. Nicola	51	Chief Financial Officer, Secretary and Treasurer
Paul F. Rahill	54	President, Cremation Division
Brian D. Walters	42	Vice President and General Counsel

Joseph C. Bartolacci was appointed President and Chief Executive Officer effective October 1, 2006.

David F. Beck was appointed Vice President and Controller effective February 18, 2010. Prior thereto he had been Controller since September 15, 2003.

Jennifer A. Ciccone was appointed Vice President, Human Resources effective February 19, 2009. Prior thereto, Ms. Ciccone had been Director, Corporate Human Resources since 2006.

Brian J. Dunn was appointed Group President, Brand Solutions effective February 18, 2010. Prior thereto, he was appointed Group President, Graphics and Marking Products effective September 1, 2007 and had been President, Marking Products Division prior thereto.

Steven D. Gackenbach was appointed Group President, Memorialization effective October 31, 2011. Prior thereto he had been Chief Commercial Officer, Memorialization since January 3, 2011 when he joined the Company. Prior to joining the Company, Mr. Gackenbach served as the Senior Director of Strategy for Kraft Foods' Cheese and Dairy Division from 2002 to 2010.

Steven F. Nicola was appointed Chief Financial Officer, Secretary and Treasurer effective December 1, 2003.

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

Brian D. Walters was appointed Vice President and General Counsel effective February 19, 2009. Mr. Walters joined the Company as Legal Counsel in 2005.

PART II

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

Market Information:

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

		High	Low	Close
Fiscal 2011:				
Quarter ended:	September 30, 2011	\$41.08	\$28.57	\$30.73
	June 30, 2011	40.49	35.60	40.17
	March 31, 2011	38.65	33.56	38.55
	December 31, 2010	36.00	31.62	34.98
Fiscal 2010:				
Quarter ended:	September 30, 2010	\$36.92	\$28.29	\$35.36
	June 30, 2010	36.58	28.91	29.28
	March 31, 2010	37.00	31.33	35.50
	December 31, 2009	39.81	33.23	35.43

The Company has a stock repurchase program. Under the current authorization, the Company's Board of Directors has authorized the repurchase of a total of 2,500,000 shares of Matthews' common stock under the program, of which 2,169,470 shares had been repurchased as of September 30, 2011. In November 2011, the Company's 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. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

All purchases of the Company's common stock during fiscal 2011 were part of this repurchase program.

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

The following table shows the monthly fiscal 2011 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 2010	760	\$33.44	760	1,649,145
November 2010	11,735	33.31	11,735	1,637,410
December 2010	69,048	33.69	69,048	1,568,362
January 2011	20,347	34.14	20,347	1,548,015
February 2011	35,000	36.16	35,000	1,513,015
March 2011	75,000	35.96	75,000	1,438,015
April 2011	3,085	39.44	3,085	1,434,930
May 2011	126,113	38.21	126,113	1,308,817
June 2011	53,120	37.71	53,120	1,255,697
July 2011	142,184	36.92	142,184	1,113,513
August 2011	529,271	32.32	529,271	584,242
September 2011	253,712	31.01	253,712	330,530
Total	1,319,375	\$33.78	1,319,375	

Holders:

Based on records available to the Company, the number of registered holders of the Company's common stock was 504 at October 31, 2011.

Dividends:

A quarterly dividend of \$.09 per share was paid for the fourth quarter of fiscal 2011 to shareholders of record on October 31, 2011. The Company paid quarterly dividends of \$.08 per share for the first three quarters of fiscal 2011 and the fourth quarter of fiscal 2010. The Company paid quarterly dividends of \$.07 per share for the first three quarters of fiscal 2010 and the fourth quarter of fiscal 2009. The Company paid quarterly dividends of \$.065 per share for the first three quarters of fiscal 2009 and the fourth quarter of fiscal 2008.

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

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

PERFORMANCE GRAPH

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

* Total return assumes dividend reinvestment

** Fiscal year ended September 30

Note: Performance graph assumes \$100 invested on October 1, 2006 in Matthews International Corporation Common Stock, Standard & Poor's (S&P) 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index. The results are not necessarily indicative of future performance.

Industries acquisition and pre-tax charges related to severance costs incurred in several of the Company's segments, partially offset by a pre-tax gain on the sale of the marketing consultancy business of the Merchandising Solutions segment and favorable legal settlements, net of related legal costs, in the Casket segment.

foreign currency values. Sales for the Merchandising Solutions segment were \$60.6 million for fiscal 2011, compared to \$56.9 million a year ago. The improvement was attributable to an increase in project volume to several large global customers in fiscal 2011, compared to fiscal 2010.

cost structure changes, particularly in the Saueressig operation and the Casket and Marking Products segments.

Other income (deductions), net, for the year ended September 30, 2010 represented a reduction in pre-tax income of \$1.3 million, compared to a reduction in pre-tax income of \$12,000 in 2009. The fiscal 2010 reduction in income primarily reflected foreign currency exchange losses on intercompany loans.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

The Company's effective tax rate for fiscal 2010 was 35.0%, compared to 34.4% for fiscal 2009. Fiscal 2010 included the favorable impact of adjustments totaling \$838,000 in income tax expense primarily related to changes in the estimated tax accruals for open tax periods. Fiscal 2009 included the favorable impact of adjustments totaling \$1.3 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 accruals for open tax periods. Excluding the one-time adjustments in both periods, the Company's effective tax rate was 35.8% for fiscal years 2010 and 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 interest was \$2.7 million for fiscal 2010, compared to \$1.9 million in fiscal 2009. The increase primarily related to the improvement in operating results for Saueressig.

LIQUIDITY AND CAPITAL RESOURCES:

Net cash provided by operating activities was \$95.6 million for the year ended September 30, 2011, compared to \$106.5 million and \$90.9 million for fiscal 2010 and 2009, respectively. Operating cash flow for fiscal 2011 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense, and an increase in deferred taxes, partially offset by a net increase in working capital items. In addition the Company made a cash contribution of \$9.0 million to its principal pension plan. Operating cash flow for fiscal 2010 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense, and an increase in deferred taxes, partially offset by a cash contribution of \$9.0 million to the Company's principal pension plan. Operating cash flow for fiscal 2009 primarily reflected net income adjusted for depreciation and amortization, stock-based compensation expense, and an increase in deferred taxes, partially offset by a cash contribution of \$12.0 million to the Company's principal pension plan.

Cash used in investing activities was \$106.8 million for the year ended September 30, 2011, compared to \$54.3 million and \$32.7 million for fiscal years 2010 and 2009, respectively. Investing activities for fiscal 2011 primarily reflected payments (net of cash acquired) of \$84.4 million for acquisitions and capital expenditures of \$22.4 million. Investing activities for fiscal 2010 primarily reflected payments (net of cash acquired) of \$32.3 million for acquisitions, capital expenditures of \$21.4 million and purchases of investment securities, net of proceeds from dispositions of \$690,000. Investing activities for fiscal 2009 primarily reflected payments (net of cash acquired) of \$11.0 million for acquisitions, capital expenditures of \$19.4 million and purchases of investment securities of \$2.6 million.

Capital expenditures were \$22.4 million for the year ended September 30, 2011, compared to \$21.4 million and \$19.4 million for fiscal 2010 and 2009, respectively. Capital expenditures in each of the last three fiscal years reflected reinvestment in the Company's business segments and were made primarily for the purchase of new manufacturing machinery, equipment and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. Capital expenditures for the last three fiscal years were primarily financed through operating cash.

Capital spending for property, plant and equipment has averaged \$21.1 million for the last three fiscal years. Capital spending for fiscal 2012 is currently expected to be approximately \$30.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash provided by financing activities for the year ended September 30, 2011 was \$10.4 million, reflecting proceeds, net of repayments, on long-term debt of \$68.9 million, purchases of treasury stock of \$44.6 million, proceeds from the

sale of treasury stock (stock option exercises) of \$1.9 million, payment of dividends to the Company's shareholders of \$9.6 million (\$0.33 per share) and distributions of \$6.2 million to noncontrolling interests. Cash used in financing activities for the year ended September 30, 2010 was \$51.5 million, reflecting repayments, net of proceeds, on long-term debt of \$8.8 million, purchases of treasury stock of \$35.3 million, proceeds from the sale of treasury stock (stock option exercises) of \$1.5 million, payment of dividends to the Company's shareholders of \$8.7 million (\$0.29 per share) and distributions of \$234,000 to noncontrolling interests. Cash used in financing activities for the year ended September 30, 2009 was \$53.6 million, reflecting repayments, net of proceeds, on long-term debt of \$15.7 million, purchases of treasury stock of \$28.8 million, proceeds from the sale of treasury stock (stock option exercises) of \$1.2 million, payment of dividends to the Company's shareholders of \$8.2 million (\$0.265 per share) and distributions of \$2.3 million to noncontrolling interests.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

In December 2010, the Company entered into a new domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the new facility is \$300.0 million and borrowings under the facility bear interest at LIBOR plus a factor ranging from 1.00% to 1.50% based on the Company's leverage ratio. The facility's maturity is December 2015. The new facility replaced the Company's \$225.0 million Revolving Credit Facility. 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 .20% to .30% (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 \$25.0 million) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at September 30, 2011 and 2010 were \$250.0 million and \$187.0 million, respectively. The weighted-average interest rate on outstanding borrowings at September 30, 2011 and 2010 was 2.59% and 2.69%, respectively.

The Company has entered into the following interest rate swaps:

Effective Date	Amount	Interest Rate Spread		Maturity Date
		Fixed Interest Rate	at September 30, 2011	
September 2007	\$25 million	4.77%	1.25%	September 2012
May 2008	20 million	3.72%	1.25%	September 2012
October 2008	20 million	3.46%	1.25%	October 2011
May 2011	25 million	1.37%	1.25%	May 2014
October 2011	25 million	1.67%	1.25%	October 2015
November 2011	25 million	2.13%	1.25%	November 2014
March 2012	25 million	2.44%	1.25%	March 2015
September 2012	25 million	3.03%	1.25%	December 2015
November 2012	25 million	1.33%	1.25%	November 2015

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 \$7.2 million (\$4.4 million after tax) at September 30, 2011 that is included in equity as part of accumulated other comprehensive loss. Assuming market rates remain constant with the rates at September 30, 2011, approximately \$1.3 million of the \$4.4 million loss included in accumulated other comprehensive loss is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

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 is 25.0 million Euros (\$33.5 million). Outstanding borrowings

under the credit facility totaled 23.6 million Euros (\$31.6 million) and 12.0 million Euros (\$16.4 million) at September 30, 2011 and 2010, respectively. The weighted-average interest rate on outstanding borrowings under the facility at September 30, 2011 and 2010 was 2.38% and 1.58%, respectively. The facility's maturity is September 2012. The Company has the ability and intent to renew this borrowing upon maturity.

The Company, through its German subsidiary, Saueressig, has several loans with various European banks. Outstanding borrowings on these loans totaled 8.3 million Euros (\$11.2 million) and 7.9 million Euros (\$10.8 million) at September 30, 2011 and 2010, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at September 30, 2011 and 2010 was 6.05% and 6.18%, respectively.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

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 8.7 million Euros (\$11.6 million) and 12.1 million Euros (\$16.5 million) at September 30, 2011 and 2010, respectively. Matthews International S.p.A. also has three lines of credit totaling 11.4 million Euros (\$15.2 million) with the same Italian banks. Outstanding borrowings on these lines were 493,000 Euros (\$661,000) and 2.1 million Euros (\$2.8 million) at September 30, 2011 and 2010, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at September 30, 2011 and 2010 was 3.11% and 3.47%, respectively.

The Company, through its Turkish subsidiary, Kroma (acquired in July 2011), has several loans with various Turkish banks. Outstanding borrowings on these loans totaled 13.3 million Turkish Lira (\$7.2 million) at September 30, 2011. The weighted-average interest rate on outstanding borrowings of Kroma was 9.27% at September 30, 2011.

The Company has a stock repurchase program. Under the current authorization, the Company's Board of Directors has authorized the repurchase of a total of 2,500,000 shares of Matthews' common stock under the program, of which 2,169,470 shares had been repurchased as of September 30, 2011. In November 2011, the Company's 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. The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

Consolidated working capital was \$208.1 million at September 30, 2011, compared to \$187.5 million and \$173.1 million at September 30, 2010 and 2009, respectively. Working capital at September 30, 2011 reflected an increase in accounts receivable and inventory in connection with recent acquisitions. Working capital at September 30, 2010 reflected an increase in accounts receivable and inventory in connection with recent acquisitions. Working capital at September 30, 2009 reflected an increase in cash and investments and a reduction in current maturities of long-term debt. Cash and cash equivalents were \$60.3 million at September 30, 2011, compared to \$59.7 million and \$57.8 million at September 30, 2010 and 2009, respectively. The Company's current ratio was 2.3 at September 30, 2011, 2010 and 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") was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

At September 30, 2011, an accrual of approximately \$6.2 million had been recorded for environmental remediation (of which \$788,000 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.

In August 2010, the Company acquired Newmark of Colorado and its affiliated companies (“Newmark”), a distributor of primarily York brand caskets in the West region of the United States. The transaction was designed as an asset purchase and was intended to expand the Company’s casket distribution capabilities in the western United States.

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.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

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. The transaction was structured as an asset purchase and was designed to extend Matthews' presence in the broad granite market.

Fiscal 2009:

Acquisition spending, net of cash acquired, during the year ended September 30, 2009 totaled \$11.0 million. The acquisitions primarily included the following:

In July 2009, the Company acquired an 80% interest in Tact Group Limited, a small graphics business headquartered in Hong Kong. The acquisition was intended to expand the Company's graphics imaging capabilities in Asia.

In December 2008, the Company acquired an 80% interest in Gem Matthews International s.r.l., a cremation equipment manufacturer in Italy. The acquisition was intended to expand Matthews' cremation equipment manufacturing capabilities in Europe.

FORWARD-LOOKING INFORMATION:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. This strategy, which has remained unchanged from prior years, consists of the following: internal growth (which includes organic growth, 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 10.9%.

For fiscal 2012, the Company continues to face several challenges. The uneven pace of the economic recovery will influence the pace of growth for all segments. Recent financial market issues in Europe could affect several of the countries in which the Company operates, which may also have an unfavorable impact on currency exchange rates. In addition, the Memorialization businesses continue to operate in a climate of relatively flat death rates, competitive pressures on pricing and product mix, and volatile commodity costs. However, the Company is continuously working on productivity and cost reduction initiatives to strengthen all of its businesses. In addition, recent acquisitions are expected to favorably impact fiscal 2012 results.

On this basis, the Company currently estimates fiscal 2012 earnings per share to grow in the mid-single digit percentage range over fiscal 2011 (excluding unusual items from both years). Based on current forecasts, earnings for the fiscal 2012 first quarter are expected to be lower than the fiscal 2011 first quarter, with the projected growth for the remainder of the fiscal year sufficient to achieve the Company's objective for the full fiscal year.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

CRITICAL ACCOUNTING POLICIES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, economic conditions, and in some cases, actuarial techniques. Actual results may differ from those estimates. A discussion of market risks affecting the Company can be found in Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K.

The Company's significant accounting policies are included in the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the Company's operating results and financial condition. The following accounting policies involve significant estimates, which were considered critical to the preparation of the Company's consolidated financial statements for the year ended September 30, 2011.

Trade Receivables and Allowance for Doubtful Accounts:

Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due. The allowance for doubtful accounts is based on an evaluation of specific customer accounts for which available facts and circumstances indicate collectibility may be uncertain. In addition, the allowance includes a reserve for all customers based on historical collection experience.

Long-Lived Assets:

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

Goodwill is not amortized, but is subject to periodic review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a combination of valuation techniques, including discounted cash flows. Intangible assets are amortized over their estimated useful lives, unless such lives are considered to be indefinite. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets. The Company performed its annual impairment reviews in the second quarters of fiscal 2011, 2010 and 2009 and determined that no adjustments to the carrying values of goodwill or other intangibles with indefinite lives were necessary at those times.

Share-Based Payment:

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS, (continued)

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at September 30, 2011, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Total	Payments due in fiscal year:			After 2016
		2012	2013 to 2014	2015 to 2016	
(Dollar amounts in thousands)					
Contractual Cash Obligations:					
Revolving credit facilities	\$281,593	\$-	\$-	\$281,593	\$-
Notes payable to banks	31,193	15,299	14,588	1,214	92
Short-term borrowings	661	661	-	-	-
Capital lease obligations	3,865	2,165	1,700	-	-
Non-cancelable operating leases	20,110	7,957	8,754	2,935	464
Total contractual cash obligations	\$337,422	\$26,082	\$25,042	\$285,742	\$556

A significant portion of the loans included in the table above bear interest at variable rates. At September 30, 2011, the weighted-average interest rate was 2.59% on the Company's domestic Revolving Credit Facility, 2.38% on the credit facility through the Company's wholly-owned German subsidiaries, 3.11% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A., 6.05% on bank loans to its wholly-owned subsidiary, Saueressig, and 9.27% on bank loans to its majority-owned subsidiary, Kroma.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. Under IRS regulations, the Company was not required to make any significant contributions to its principal retirement plan in fiscal 2011, however, in fiscal 2011, the Company made a contribution of \$9.0 million to its principal retirement plan. The Company is not required to make any significant cash contributions to its principal retirement plan in fiscal 2012. The Company estimates that benefit payments to participants under its retirement plans (including its supplemental retirement plan) and postretirement benefit payments will be approximately \$6.0 million and \$1.1 million, respectively, in fiscal 2012. The amounts are expected to increase incrementally each year thereafter, to \$7.6 million and \$1.5 million in 2016. 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.

In connection with its July 2011 acquisition of a 70% interest in Kroma, the Company entered into an option agreement related to the remaining 30% interest in Kroma. The option agreement contains put and call provisions for the purchase of the remaining 30% interest in future years at a price to be determined by a formula based upon future operating results of Kroma. The Company has recorded an estimate of \$10.2 million in "Arrangement with noncontrolling interest" on the September 30, 2011 Consolidated Balance Sheet representing the current estimate of the future purchase price. The timing of the exercise of the put and call provisions is not presently determinable.

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. As of September 30, 2011, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately \$2.9 million. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable.

INFLATION:

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

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

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

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

The Company has entered into the following interest rate swaps:

Effective Date	Amount	Fixed Interest Rate	Interest Rate Spread		Maturity Date
			at September 30,		
			2011		
September 2007	\$25 million	4.77%	1.25%		September 2012
May 2008	20 million	3.72%	1.25%		September 2012
October 2008	20 million	3.46%	1.25%		October 2011
May 2011	25 million	1.37%	1.25%		May 2014
October 2011	25 million	1.67%	1.25%		October 2015
November 2011	25 million	2.13%	1.25%		November 2014
March 2012	25 million	2.44%	1.25%		March 2015
September 2012	25 million	3.03%	1.25%		December 2015
November 2012	25 million	1.33%	1.25%		November 2015

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 \$7.2 million (\$4.4 million after tax) at September 30, 2011 that is included in equity as part of accumulated other comprehensive loss. 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 \$789,000 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, fuel and wood) 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 contracts or similar arrangements, the Company's ability to immediately increase the price of its products to offset the increased costs may be limited.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Description	Pages
Management's Report to Shareholders	35
Report of Independent Registered Public Accounting Firm	36
Financial Statements:	
Consolidated Balance Sheets as of September 30, 2011 and 2010	37-38
Consolidated Statements of Income for the years ended September 30, 2011, 2010 and 2009	39
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2011, 2010 and 2009	40
Consolidated Statements of Cash Flows for the years ended September 30, 2011, 2010 and 2009	41
Notes to Consolidated Financial Statements	42-66
Supplementary Financial Information (unaudited)	67
Financial Statement Schedule – Schedule II-Valuation and Qualifying Accounts for the years ended September 30, 2011, 2010 and 2009	68

MANAGEMENT’S REPORT TO SHAREHOLDERS

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

Management’s Report on Financial Statements

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

Management’s Report on Internal Control over Financial Reporting

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

Based on its assessment, management has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2011, based on criteria in Internal Control – Integrated Framework issued by the COSO. The effectiveness of the Company’s internal control over financial reporting as of September 30, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Management’s Certifications

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Matthews International Corporation and its subsidiaries at September 30, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 8. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
November 22, 2011

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 September 30, 2011 and 2010
 (Dollar amounts in thousands, except per share data)

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	\$60,271	\$59,715
Short-term investments	1,391	1,395
Accounts receivable, net of allowance for doubtful accounts of \$10,736 and \$11,261, respectively	164,738	151,038
Inventories	125,567	107,926
Deferred income taxes	1,722	1,666
Other current assets	16,157	13,915
 Total current assets	 369,846	 335,655
 Investments	 15,105	 13,642
 Property, plant and equipment, net	 134,504	 129,750
 Deferred income taxes	 33,818	 30,555
 Other assets	 16,354	 21,101
 Goodwill	 465,003	 405,180
 Other intangible assets, net	 62,825	 57,942
 Total assets	 \$1,097,455	 \$993,825

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

1. NATURE OF OPERATIONS:

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze and granite 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 and granite memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Casket segment is a leading casket manufacturer 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 in North America and Europe, and cremation caskets primarily in North America. Effective October 1, 2011 the cremation casket manufacturing operation will be included in the Casket segment. 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, distribution and marketing facilities in the United States, Mexico, Canada, Europe, Australia and Asia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. All intercompany accounts and transactions have been eliminated.

Use of Estimates:

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

Foreign Currency:

The functional currency of the Company's foreign subsidiaries is the local currency. Balance sheet accounts for foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the consolidated balance sheet date. Gains or losses that result from this process are recorded in accumulated other comprehensive income

(loss). The revenue and expense accounts of foreign subsidiaries are translated into U.S. dollars at the average exchange rates that prevailed during the period. Gains and losses from foreign currency transactions are recorded in other income (deductions), net.

assets. Costs that relate to current operations or an existing condition caused by past operations are expensed. Environmental liabilities are recorded when the Company's obligation is probable and reasonably estimable. Accruals for losses from environmental remediation obligations do not consider the effects of inflation, and anticipated expenditures are not discounted to their present value.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and Development Expenses:

Research and development costs are expensed as incurred and were approximately \$1,705, \$1,910 and \$2,200 for the years ended September 30, 2011, 2010 and 2009, respectively.

Earnings Per Share:

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

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. It establishes a three level fair value hierarchy to prioritize 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 September 30, 2011, 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	\$1,391	-	-	\$1,391
Trading securities	13,426	-	-	13,426
Total assets at fair value	\$14,817	-	-	\$14,817
Liabilities:				
Derivatives (1)	-	\$7,161	-	\$7,161
Total liabilities at fair value	-	\$7,161	-	\$7,161

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

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

4. INVENTORIES:

Inventories at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Raw materials	\$35,692	\$28,266
Work in process	21,461	14,159
Finished goods	68,414	65,501
	\$125,567	\$107,926

5. INVESTMENTS:

Investment securities are recorded at estimated market value at the consolidated balance sheet date and are classified as trading securities. Short-term investments consisted principally of corporate obligations with purchased maturities of over three months but less than one year. The cost of short-term investments approximated market value at September 30, 2011 and 2010. Accrued interest on these investment securities was classified with short-term investments. Investments classified as non-current and trading securities consisted of equity and fixed income mutual funds.

At September 30, 2011 and 2010, non-current investments were as follows:

	2011	2010
Trading securities:		
Mutual funds	\$13,426	\$11,770
Equity and other investments	1,679	1,872
	\$15,105	\$13,642

Non-current investments classified as trading securities are recorded at market value. At September 30, 2011 and 2010, cost exceeded market value by approximately \$264 and \$685, respectively.

Realized gains and losses are based on the specific identification method and are recorded in investment income. Realized gains (losses) for fiscal 2011, 2010 and 2009 were not material.

Equity investments primarily included ownership interests in various entities of less than 20%, which are recorded under the cost method of accounting.

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

6. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment and the related accumulated depreciation at September 30, 2011 and 2010 were as follows:

	2011	2010
Buildings	\$65,010	\$64,002
Machinery and equipment	241,147	221,014
	306,157	285,016
Less accumulated depreciation	(196,391)	(178,880)
	109,766	106,136
Land	9,114	8,322
Construction in progress	15,624	15,292
	\$ 134,504	\$ 129,750

7. LONG-TERM DEBT:

Long-term debt at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Revolving credit facilities	\$281,593	\$203,361
Notes payable to banks	31,193	27,359
Short-term borrowings	661	2,829
Capital lease obligations	3,737	3,780
	317,184	237,329
Less current maturities	(18,014)	(12,073)
	\$299,170	\$225,256

In December 2010, the Company entered into a new domestic Revolving Credit Facility with a syndicate of financial institutions. The maximum amount of borrowings available under the new facility is \$300,000 and borrowings under the facility bear interest at LIBOR plus a factor ranging from 1.00% to 1.50% based on the Company's leverage ratio. The facility's maturity is December 2015. The new facility replaced the Company's \$225,000 Revolving Credit Facility. 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 .20% to .30% (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 \$25,000) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility at September 30, 2011 and 2010 were \$250,000 and \$187,000, respectively. The weighted-average interest rate on outstanding borrowings at September 30, 2011 and 2010 was 2.59% and 2.69%, respectively.

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

7. LONG-TERM DEBT (continued)

The Company has entered into the following interest rate swaps:

Effective Date	Amount	Fixed Interest Rate	Interest Rate Spread		Maturity Date
			at September 30,		
			2011		
September 2007	\$25,000	4.77%	1.25%		September 2012
May 2008	20,000	3.72%	1.25%		September 2012
October 2008	20,000	3.46%	1.25%		October 2011
May 2011	25,000	1.37%	1.25%		May 2014
October 2011	25,000	1.67%	1.25%		October 2015
November 2011	25,000	2.13%	1.25%		November 2014
March 2012	25,000	2.44%	1.25%		March 2015
September 2012	25,000	3.03%	1.25%		December 2015
November 2012	25,000	1.33%	1.25%		November 2015

The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. 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 \$7,161 (\$4,368 after tax) at September 30, 2011 that is included in shareholders' equity as part of accumulated other comprehensive loss ("AOCL"). Assuming market rates remain constant with the rates at September 30, 2011, approximately \$1,257 of the \$4,368 loss included in AOCL is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

At September 30, 2011 and 2010, the interest rate swap contracts were reflected as a liability on the balance sheets. The following derivatives are designated as hedging instruments:

Liability Derivatives		2011	2010
Balance Sheet Location:			
Current liabilities:			
Other current liabilities		\$2,061	\$2,623
Long-term liabilities:			
Other liabilities		5,100	1,822
Total derivatives		\$7,161	\$4,445

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

7. LONG-TERM DEBT (continued)

The income 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	
		2011	2010
Interest rate swaps	Interest expense	\$(2,600)	\$(3,669)

The Company recognized the following gains or losses in AOCL:

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCL on Derivatives		Location of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion*)	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion*)	
	2011	2010		2011	2010
Interest rate swaps	\$(3,246)	\$(1,467)	Interest expense	\$(1,586)	\$(2,238)

*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 is 25.0 million Euros (\$33,468). Outstanding borrowings under the credit facility totaled 23.6 million Euros (\$31,593) and 12.0 million Euros (\$16,400) at September 30, 2011 and 2010, respectively. The weighted-average interest rate on outstanding borrowings under the facility at September 30, 2011 and 2010 was 2.38% and 1.58%, respectively. The facility's maturity is September 2012. The Company has the ability and intent to renew this borrowing upon maturity.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings on these loans totaled 8.3 million Euros (\$11,159) and 7.9 million Euros (\$10,816) at September 30, 2011 and 2010, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at September 30, 2011 and 2010 was 6.05% and 6.18%, 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 8.7 million Euros (\$11,611) and 12.1 million Euros (\$16,543) at September 30, 2011 and 2010, respectively. Matthews International S.p.A. also has three lines of credit totaling 11.4 million Euros (\$15,221) with the same Italian banks. Outstanding borrowings on these lines were 493,000 Euros (\$661) and 2.1 million Euros (\$2,834) at September 30, 2011 and 2010, respectively. The

weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at September 30, 2011 and 2010 was 3.11% and 3.47%, respectively.

The Company, through its Turkish subsidiary, Kroma Pre-Press Preparation Systems Industry & Trade, Inc. (“Kroma”), acquired in July 2011, has several loans with various Turkish banks. Outstanding borrowings on these loans totaled 13.3 million Turkish Lira (\$7,184) at September 30, 2011. The weighted-average interest rate on outstanding borrowings of Kroma was 9.27% at September 30, 2011.

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

9. SHARE-BASED PAYMENTS:

The Company maintains an equity incentive plan (the “2007 Equity Incentive 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 Equity Incentive Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 2,200,000. The Company also maintains a stock incentive plan (the “1992 Incentive Stock Plan”) that previously provided for grants of stock options, restricted shares and certain other types of stock-based awards. There will be no further grants under the 1992 Incentive Stock Plan. At September 30, 2011, there were 1,122,072 shares reserved for future issuance under the 2007 Equity Incentive 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 pre-defined levels of 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 pre-defined levels of appreciation in the market value of the Company's Class A Common Stock. Additionally, 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 years ended September 30, 2011, 2010 and 2009, stock-based compensation cost totaled \$6,972, \$6,567 and \$5,822, respectively. The associated future income tax benefit recognized was \$2,719, \$2,561 and \$2,270 for the years ended September 30, 2011, 2010 and 2009, respectively.

The amount of cash received from the exercise of stock options was \$1,859, \$1,502 and \$1,206, for the years ended September 30, 2011, 2010 and 2009, respectively. In connection with these exercises, the tax benefits realized by the Company were \$278, \$264 and \$260 for the years ended September 30, 2011, 2010 and 2009, respectively.

The transactions for restricted stock for the year ended September 30, 2011 were as follows:

	Shares	Weighted- average grant-date fair value
Non-vested at September 30, 2010	437,442	\$36.06
Granted	199,960	30.79
Vested	(92,526)	39.02
Expired or forfeited	(3,263)	34.02

Non-vested at September 30, 2011	541,613	33.62
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As of September 30, 2011, the total unrecognized compensation cost related to unvested restricted stock was \$3,600 which is expected to be recognized over a weighted-average period of 1.6 years.

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

9. SHARE-BASED PAYMENTS (continued)

The transactions for shares under options for the year ended September 30, 2011 were as follows:

	Shares	Weighted- average exercise price	Weighted- average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2010	953,326	\$36.32		
Granted	-	-		
Exercised	(62,865)	26.27		
Expired or forfeited	(17,947)	37.44		
Outstanding, September 30, 2011	872,514	37.02	4.0	\$-
Exercisable, September 30, 2011	504,928	35.75	3.7	\$-

No shares were earned during the year ended September 30, 2011. The fair value of option shares earned was \$3,120 and \$2,722 during the years ended September 30, 2010 and 2009, respectively. The intrinsic value of options (which is the amount by which the stock price exceeded the exercise price of the options on the date of exercise) exercised during the years ended September 30, 2011, 2010 and 2009 was \$743, \$747 and \$753, respectively.

The transactions for non-vested option shares for the year ended September 30, 2011 were as follows:

	Shares	Weighted- average grant-date fair value
Non-vested at September 30, 2010	377,548	\$11.38
Granted	-	-
Vested	-	-
Expired or forfeited	(9,962)	11.25
Non-vested at September 30, 2011	367,586	11.38

As of September 30, 2011, the total unrecognized compensation cost related to non-vested stock options was approximately \$31. This cost is expected to be recognized over a weighted-average period of 0.2 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 years ended September 30, 2011, 2010 and 2009.

	2011		2010		2009	
Expected volatility	30.0	%	30.0	%	27.0	%
Dividend yield	1.0	%	.8	%	.6	%
Average risk-free interest rate	1.2	%	2.3	%	2.4	%

Average expected term (years)	2.0	2.2	2.3
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Dollar amounts in thousands, except per share data)

11. PENSION AND OTHER POSTRETIREMENT PLANS (continued)

Based upon actuarial valuations performed as of September 30, 2011 and 2010, the accumulated benefit obligation for the Company's defined benefit pension plans was \$149,846 and \$130,342 at September 30, 2011 and 2010, respectively, and the projected benefit obligation for the Company's defined benefit pension plans was \$168,033 and \$145,909 at September 30, 2011 and 2010, respectively.

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

	2011	Pension 2010	2009	2011	Other Postretirement 2010	2009
Service cost	\$5,016	\$4,489	\$3,366	\$632	\$691	\$572
Interest cost	7,510	7,495	7,496	1,254	1,383	1,542
Expected return on plan assets	(7,398)	(6,982)	(7,593)	-	-	-
Amortization:						
Prior service cost	26	24	28	(476)	(726)	(1,297)
Net actuarial loss	5,364	5,395	1,759	407	521	294
Net benefit cost	\$10,518	\$10,421	\$5,056	\$1,817	\$1,869	\$1,111

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are made from the Company's operating cash. Under I.R.S. regulations, the Company was not required to make any significant contributions to its principal retirement plan in fiscal 2011. The Company is not required to make any significant contributions to its principal retirement plan in fiscal 2012.

Contributions made in fiscal 2011 are as follows:

Contributions	Pension	Other Postretirement
Principal retirement plan	\$9,000	\$ -
Supplemental retirement plan	745	-
Other postretirement plan	-	798

Amounts of AOCL expected to be recognized in net periodic benefit costs in fiscal 2012 include:

	Pension Benefits	Other Postretirement Benefits
Net actuarial loss	\$6,820	\$ 535
Prior service cost	(45)	(451)

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

11. PENSION AND OTHER POSTRETIREMENT PLANS (continued)

The measurement date of annual actuarial valuations for the Company's principal retirement and other postretirement benefit plans was September 30 for fiscal 2011, 2010 and 2009. The weighted-average assumptions for those plans were:

	Pension			Other Postretirement		
	2011	2010	2009	2011	2010	2009
Discount rate	4.75 %	5.25 %	5.50 %	4.75 %	5.25 %	5.50 %
Return on plan assets	8.00	8.00	8.50	-	-	-
Compensation increase	3.50	3.50	4.25	-	-	-

The underlying basis of the investment strategy of the Company's defined benefit plans is to ensure the assets are invested to achieve a positive rate of return over the long term sufficient to meet the plans' actuarial interest rate and provide for the payment of benefit obligations and expenses in perpetuity in a secure and prudent fashion, maintain a prudent risk level that balances growth with the need to preserve capital, diversify plan assets so as to minimize the risk of large losses or excessive fluctuations in market value from year to year, achieve investment results over the long term that compare favorably with other pension plans and appropriate indices. The Company's investment policy, as established by the Company's pension board, specifies the types of investments appropriate for the plans, asset allocation guidelines, criteria for the selection of investment managers, procedures to monitor overall investment performance as well as investment manager performance. It also provides guidelines enabling plan fiduciaries to fulfill their responsibilities.

The Company's primary defined benefit pension plan's weighted-average asset allocation at September 30, 2011 and 2010 and weighted-average target allocation were as follows:

Asset Category	Plan Assets at		Target	
	2011	2010	Allocation	
Equity securities	\$50,147	\$49,941	50	%
Fixed income, cash and cash equivalents	37,032	32,716	30	%
Other investments	13,375	12,212	20	%
	\$100,554	\$94,869	100	%

Plan assets in the fixed income, cash and cash equivalents category include cash of 9% and 10% at September 30, 2011 and 2010, respectively, which reflects cash contributions to the Company's principal pension plan immediately prior to the end of fiscal 2011 and 2010.

Based on an analysis of the historical performance of the plan's assets and information provided by its independent investment advisor, the Company set the long-term rate of return assumption for these assets at 8.0% in 2011 for purposes of determining pension cost and funded status under current guidance. The Company's discount rate assumption used in determining the present value of the projected benefit obligation is based upon published indices.

As of September 30, 2010, the Company adopted new accounting guidance requiring additional disclosures for plan assets of defined pension plans. As required by the guidance, the Company categorized plan assets within a three

level fair value hierarchy (see Note 3 for a further discussion of the fair value hierarchy). The valuation methodologies used to measure the fair value of pension assets, including the level in the fair value hierarchy in which each type of pension plan asset is classified as follows.

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

11. PENSION AND OTHER POSTRETIREMENT PLANS (continued)

Equity securities consist of direct investments in the stocks of publicly traded companies. Such investments are valued based on the closing price reported in an active market on which the individual securities are traded. As such, the direct investments are classified as Level 1.

Mutual funds are valued at the net asset values of shares held by the Plan at year end. As such, these mutual fund investments are classified as Level 1.

Fixed income securities consist of publicly traded fixed interest obligations (primarily U.S. government notes and corporate and agency bonds). Such investments are valued through consultation and evaluation with brokers in the institutional market using quoted prices and other observable market data. As such, U.S. government notes are included in Level 1, and the remainder of the fixed income securities is included in Level 2.

Cash and cash equivalents consist of direct cash holdings and short-term money market mutual funds. These values are valued based on cost, which approximates fair value, and as such, are classified as Level 1.

Other investments consist primarily of real estate, commodities, private equity holdings and hedge fund investments. These holdings are valued by investment managers based on the most recent information available. The valuation information used by investment managers may not be readily observable. As such, these investments are classified as Level 3.

Asset Category	Level 1	Level 2	Level 3	Total
Equity securities - stocks	\$23,954	\$-	\$-	\$23,954
Equity securities - mutual funds	26,193	-	-	26,193
Fixed income securities	7,197	14,421	-	21,618
Cash and cash equivalents	15,414	-	-	15,414
Other investments	-	-	13,375	13,375
Total	\$72,758	\$14,421	\$13,375	\$100,554

Changes in the fair value of Level 3 assets are summarized as follows:

Asset Category	Fair Value September 30, 2010	Acquisitions	Dispositions	Realized Losses	Unrealized Gains	Fair Value September 30, 2011
Other investments	\$12,212	\$-	\$-	\$90	\$1,073	\$13,375

Benefit payments expected to be paid are as follows:

Pension	Other Postretirement
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Years ending September 30:	Benefits	Benefits
2012	\$6,042	\$ 1,130
2013	6,365	1,240
2014	6,762	1,363
2015	7,120	1,454
2016	7,599	1,519
2017-2020	45,547	9,657
	\$79,435	\$ 16,363

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

11. PENSION AND OTHER POSTRETIREMENT PLANS (continued)

For measurement purposes, a rate of increase of 9.0% in the per capita cost of health care benefits was assumed for 2012; the rate was assumed to decrease gradually to 5.0% for 2030 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported. An increase in the assumed health care cost trend rates by one percentage point would have increased the accumulated postretirement benefit obligation as of September 30, 2011 by \$1,384 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$114. A decrease in the assumed health care cost trend rates by one percentage point would have decreased the accumulated postretirement benefit obligation as of September 30, 2011 by \$1,226 and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$100.

12. INCOME TAXES:

The provision for income taxes consisted of the following:

	2011	2010	2009
Current:			
Federal	\$ 15,306	\$ 20,898	\$ 15,896
State	3,004	3,191	1,584
Foreign	10,689	9,325	5,963
	28,999	33,414	23,443
Deferred	9,557	5,225	7,870
Total	\$ 38,556	\$ 38,639	\$ 31,313

	2011	2010
Deferred tax assets:		
Postretirement benefits	\$ 10,743	\$ 9,516
Environmental reserve	2,430	2,649
Pension costs	25,524	19,112
Deferred compensation	1,037	5,898
Stock options	9,447	7,436
Other	22,790	16,162
	71,971	60,773
Deferred tax liabilities:		
Depreciation	(3,503)	(1,018)
Goodwill	(48,494)	(41,281)
Other	(1,441)	(2,203)
	(53,438)	(44,502)
Net deferred tax asset	\$ 18,533	\$ 16,271

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

12. INCOME TAXES (continued)

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

	2011		2010		2009	
Federal statutory tax rate	35.0	%	35.0	%	35.0	%
Effect of state income taxes, net of federal deduction	2.5		2.6		2.9	
Foreign taxes less than federal statutory rate	(1.3)	(0.7)	(1.8)
Other	(1.8)	(1.9)	(1.7)
Effective tax rate	34.4	%	35.0	%	34.4	%

The Company's foreign subsidiaries had income before income taxes for the years ended September 30, 2011, 2010 and 2009 of approximately \$36,870, \$36,040 and \$24,815, respectively. At September 30, 2011, undistributed earnings of foreign subsidiaries for which deferred U.S. income taxes have not been provided approximated \$176,300.

Changes in the total amount of gross unrecognized tax benefits (excluding penalties and interest) are as follows:

	2011	2010	2009			
Balance beginning of year	\$3,422	\$3,575	\$4,370			
Increases for tax positions of prior years	-	437	120			
Decreases for tax positions of prior years	(96)	(506)	(607)
Increases based on tax positions related to the current year	202	355	674			
Decreases due to settlements with taxing authorities	(38)	(57)	(542)
Decreases due to lapse of statute of limitation	(562)	(382)	(440)
Balance end of year	\$2,928	\$3,422	\$3,575			

The Company had unrecognized tax benefits of \$2,928 and \$3,422 at September 30, 2011 and 2010, respectively, all of which, if recorded, would impact the annual effective tax rate. It is reasonably possible that the amount of unrecognized tax benefits could change by approximately \$279 in the next 12 months primarily due to 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. For fiscal 2011, the Company included a net decrease of \$570 in interest and penalties as a component of the provision for income taxes. Total penalties and interest accrued were \$1,842 and \$2,412 at September 30, 2011 and 2010, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

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

12. INCOME TAXES (continued)

The Company is currently under examination in several tax jurisdictions and remains subject to examination until the statute of limitation expires for those tax jurisdictions. As of September 30, 2011, the tax years that remain subject to examination by major jurisdiction generally are:

United States - Federal	2008 and forward
United States - State	2008 and forward
Canada	2007 and forward
Europe	2003 and forward
United Kingdom	2009 and forward
Australia	2007 and forward
Asia	2005 and forward

13. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company operates various production, warehouse and office facilities and equipment under operating lease agreements. Annual rentals under these and other operating leases were \$16,323, \$15,030 and \$14,881 in fiscal 2011, 2010 and 2009, respectively. Future minimum rental commitments under non-cancelable operating lease arrangements for fiscal years 2012 through 2016 are \$7,957, \$5,478, \$3,276, \$1,947 and \$988, respectively.

The Company is party to various legal proceedings, the eventual outcome of which are not predictable. Although the ultimate disposition of these proceedings is not presently determinable, management is of the opinion that they should not result in liabilities in an amount which would materially affect the Company's consolidated financial position, results of operations or cash flows.

The Company has employment agreements with certain employees, the terms of which expire at various dates between fiscal 2012 and 2016. The agreements generally provide for base salary and bonus levels and include non-compete provisions. The aggregate commitment for salaries under these agreements at September 30, 2011 was \$16,815.

14. ENVIRONMENTAL MATTERS:

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

The Company is party to various environmental matters. These include obligations to investigate and mitigate the effects on the environment of the disposal of certain materials at various operating and non-operating sites. The Company is currently performing environmental assessments and remediation at these sites, as appropriate. In

addition, prior to its acquisition, The York Group, Inc. (“York”) was identified, along with others, by the Environmental Protection Agency as a potentially responsible party for remediation of a landfill site in York, Pennsylvania. At this time, the Company has not been joined in any lawsuit or administrative order related to the site or its clean-up.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollar amounts in thousands, except per share data)

14. ENVIRONMENTAL MATTERS (continued)

At September 30, 2011, an accrual of \$6,194 had been recorded for environmental remediation (of which \$788 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. While final resolution of these contingencies could result in costs different than current accruals, management believes the ultimate outcome will not have a significant effect on the Company's consolidated results of operations or financial position.

15. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	2011	2010	2009
Current assets:			
Accounts receivable	\$(5,560)	\$(7,715)	\$8,828)
Inventories	(13,627)	(1,613)	4,751)
Other current assets	(2,265)	(1,630)	(2,940)
	(21,452)	(10,958)	10,639)
Current liabilities:			
Trade accounts payable	6,210	3,681	1,444)
Accrued compensation	(8,250)	3,188	(4,791)
Accrued income taxes	(3,167)	4,863	(3,602)
Customer prepayments	2,801	3,942	(974)
Other current liabilities	765	(4,781)	(4,547)
	(1,641)	10,893	(12,470)
Net change	\$(23,093)	\$(65)	\$(1,831)

16. 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 noncontrolling interests.

The accounting policies of the segments are the same as those described in Summary of Significant Accounting Policies (Note 2). Intersegment sales are accounted for at negotiated prices. Operating profit is total revenue less operating expenses. Segment assets include those assets that are used in the Company's operations within each segment. Assets classified under "Other" principally consist of cash and cash equivalents, investments, deferred income

taxes and corporate headquarters' assets. Long-lived assets include property, plant and equipment (net of accumulated depreciation), goodwill, and other intangible assets (net of accumulated amortization).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollar amounts in thousands, except per share data)

16. SEGMENT INFORMATION (continued)

Information about the Company's segments follows:

	Memorialization			Brand Solutions				Consolidated
	Bronze	Casket	Cremation	Graphics Imaging	Marking Products	Merchandising Solutions	Other	
Sales to external customers:								
2011	\$ 224,773	\$ 238,753	\$ 43,816	\$ 268,975	\$ 61,938	\$ 60,566	\$ -	\$ 898,821
2010	224,247	210,279	39,356	239,957	51,069	56,921	-	821,829
2009	215,934	203,247	30,909	234,966	42,355	53,497	-	780,908
Intersegment sales:								
2011	251	207	5,616	177	21	90	-	6,362
2010	272	218	4,558	1	16	281	-	5,346
2009	192	276	4,182	64	30	34	-	4,778
Depreciation and amortization:								
2011	2,955	6,335	280	13,580	530	1,949	2,032	27,661
2010	2,442	6,623	246	13,234	526	1,850	2,401	27,322
2009	4,136	7,081	251	14,677	614	2,088	1,445	30,292
Operating profit:								
2011	52,474	26,785	5,733	22,427	7,819	3,278	-	118,516
2010	56,167	26,242	4,910	21,077	5,817	2,368	-	116,581
2009	57,598	17,716	5,036	19,217	1,500	(56)	-	101,011
Total assets:								
2011	197,127	310,862	35,997	351,595	67,193	60,491	74,190	1,097,455
2010	194,110	290,123	29,316	319,480	36,740	54,876	69,180	993,825
2009	182,194	253,012	22,541	337,407	39,569	51,492	63,438	949,653
Capital expenditures:								
2011	1,618	3,840	511	10,820	295	3,165	2,191	22,440
2010	6,107	1,117	253	8,058	450	1,028	4,424	21,437
2009	3,017	2,648	138	8,011	251	492	4,853	19,410

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

	United States	Mexico	Canada	Europe	Australia	Asia	Consolidated
Sales to external customers:							
2011	\$ 559,362	\$-	\$ 13,086	\$ 298,773	\$ 13,437	\$ 14,163	\$ 898,821

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2010	520,083	-	14,000	264,833	11,160	11,753	821,829
2009	498,782	-	11,995	251,823	9,647	8,661	780,908
Long-lived assets:							
2011	380,059	5,726	476	259,860	6,752	9,459	662,332
2010	334,471	6,367	484	235,902	6,957	8,691	592,872
2009	303,342	5,685	466	256,271	3,987	8,529	578,280

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

17. ACQUISITIONS:

Fiscal 2011:

Acquisition spending, net of cash acquired, during the year ended September 30, 2011 totaled \$84,369. The acquisitions were not individually material to the Company's consolidated financial position or results of operations, and primarily included the following:

In August 2011, the Company acquired Lightning Pick Technologies, Inc. ("LPT"), a manufacturer that develops, installs and supports paperless order fulfillment solutions. The transaction is intended to expand the Company's presence and product breadth in the marking products industry.

In July 2011, the Company entered into an agreement to acquire a 70% interest in Kroma, a leading provider of pre-press services and roto-gravure printing cylinders in Turkey. The acquisition is designed to further extend Matthews' presence as the leading provider of reprographic pre-press products and services to the European packaging and tobacco markets. The Company completed the purchase of a 61.5% interest in July 2011 and the additional 8.5% interest will be purchased in fiscal 2012. In addition, the Company entered into an option agreement related to the remaining 30% interest in Kroma.

In April 2011, the Company completed the purchase of the remaining 22% interest in Saueressig for 19.3 million Euros (\$27.4 million), completing the option agreement in connection with the May 2008 acquisition of a 78% interest in Saueressig.

In March 2011, the Company acquired Innovative Picking Technologies, Inc. ("IPTI"), a manufacturer of paperless order fulfillment systems. The transaction is intended to expand the Company's presence and product breadth in the marking products industry.

In October 2010, the Company acquired Freeman Metal Products, Inc. and its affiliated companies ("Freeman"), a manufacturer and distributor of caskets. The purchase price for the acquisition was \$22.8 million, plus additional consideration up to \$6.0 million contingent on operating performance over the next three years. The transaction is intended to provide synergies in the manufacturing and distribution of caskets and expand the Company's market presence in the Southeast and South Central regions of the United States.

In October 2010, the Company acquired the remaining 25% interest in Rudolf Reproflex GmbH & Co. KG ("Reproflex"). The Company acquired a 75% interest in Reproflex in 2001.

Fiscal 2010:

Acquisition spending, net of cash acquired, during the year ended September 30, 2010 totaled \$32,323. The acquisitions primarily included the following:

In August 2010, the Company acquired Newmark of Colorado and its affiliated companies ("Newmark"), a distributor of primarily York brand caskets in the West region of the United States. The transaction was designed as an asset

purchase and was intended to expand the Company's casket distribution capabilities in the western United States.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollar amounts in thousands, except per share data)

17. ACQUISITIONS (continued)

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.

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. The transaction was structured as an asset purchase and was designed to extend Matthews’ presence in the broad granite market.

Fiscal 2009:

Acquisition spending, net of cash acquired, during the year ended September 30, 2009 totaled \$10,953. The acquisitions were not individually, or in the aggregate, material to the Company’s consolidated financial position or results of operations.

In July 2009, the Company acquired an 80% interest in Tact Group Limited, a small graphics business headquartered in Hong Kong. The acquisition was intended to expand the Company’s graphics imaging capabilities in Asia.

In December 2008, the Company acquired an 80% interest in Gem Matthews International s.r.l., a cremation equipment manufacturer in Italy. The acquisition was intended to expand Matthews’ cremation equipment manufacturing capabilities in Europe.

18. GOODWILL AND OTHER INTANGIBLE ASSETS:

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

The Company performed its annual impairment reviews in the second quarters of fiscal 2011 and fiscal 2010 and determined that no adjustments to the carrying values of goodwill or other indefinite lived intangibles were necessary. Changes to goodwill, net of accumulated amortization, during the years ended September 30, 2011 and 2010, follow.

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

18. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

	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	10,554	17,657	2,968	(1,403)	129	-	29,905
Translation and other adjustments	(1,648)	-	(56)	(8,299)	59	-	(9,944)
Goodwill	88,613	140,553	16,799	149,161	10,168	9,138	414,432
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at September 30, 2010	88,201	140,553	11,799	145,321	10,168	9,138	405,180
Additions during period	-	22,266	-	22,521	19,227	-	64,014
Translation and other adjustments	(471)	-	(64)	(3,854)	198	-	(4,191)
Goodwill	88,142	162,819	16,735	167,828	29,593	9,138	474,255
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at September 30, 2011	\$87,730	\$162,819	\$11,735	\$163,988	\$29,593	\$ 9,138	\$ 465,003

In 2011, the addition to Casket goodwill represents the acquisition of Freeman; the addition to Graphics Imaging goodwill represents the acquisition of Kroma and the remaining 25% interest in Reproflex; and the addition to Marking Products goodwill represents the acquisitions of IPTI and LPT.

In 2010, the addition to Bronze goodwill represents the acquisition of UMP; the addition to Casket goodwill primarily represents the acquisitions of Newmark, A.J. Distribution and Reynoldsville; the addition to Cremation goodwill represents the acquisition of FCC; and the change in Graphics Imaging goodwill represents the effect of an adjustment

to the purchase price for Saueressig.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of September 30, 2011 and 2010, respectively.

	Carrying Amount	Accumulated Amortization	Net
September 30, 2011:			
Trade names	\$24,266	\$ -	* \$24,266
Trade names	2,227	(1,147)	1,080
Customer relationships	47,876	(13,228)	34,648
Copyrights/patents/other	9,870	(7,039)	2,831
	\$84,239	\$ (21,414)	\$62,825
September 30, 2010:			
Trade names	\$24,314	\$ -	* \$24,314
Trade names	1,689	(780)	909
Customer relationships	40,607	(10,674)	29,933
Copyrights/patents/other	8,984	(6,198)	2,786
	\$75,594	\$ (17,652)	\$57,942

*Not subject to amortization

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollar amounts in thousands, except per share data)

18. GOODWILL AND OTHER INTANGIBLE ASSETS (continued)

The net change in intangible assets during fiscal 2011 included an increase for the acquisitions of Freeman, Kroma and LPT offset by the impact of changes in foreign currency exchange rates and additional amortization. The change in intangible assets during fiscal 2010 included an increase for the acquisitions of UMP, A.J. Distribution, Reynoldsville, and Newmark offset by the impact of changes in foreign currency exchange rates and additional amortization.

Amortization expense on intangible assets was \$4,200, \$3,720, and \$4,310 in fiscal 2011, 2010 and 2009, respectively. Fiscal year amortization expense is estimated to be \$3,904 in 2012, \$3,544 in 2013, \$3,320 in 2014, \$3,087 in 2015 and \$2,778 in 2016.

19. ACCOUNTING PRONOUNCEMENTS:

In September 2011, the Financial Accounting Standards Board (“FASB”) issued an amendment to the guidance for goodwill and other intangibles. The amendment applies to the goodwill impairment test and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more likely than not threshold is defined as a likelihood of more than 50 percent. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. This amendment will be adopted by the Company for the quarter ended March 31, 2012. Upon adoption, this amendment is not expected to have a material effect on the financial statements.

In June 2011, the FASB issued an amendment to the guidance on the presentation of comprehensive income. The amendment requires that comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and other comprehensive income are presented. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The Company is evaluating the impact of this amendment on its financial statements and the timing of its adoption.

In May 2011, the FASB issued an amendment to revise the wording used to describe many of the requirements for measuring fair value and disclosing information about fair value measurements. This amendment clarifies the FASB’s intention about the application of fair value. In addition, the amendment changes certain principles or requirements for measuring fair value and disclosure of such measurements. The amendment is effective for annual and interim reporting periods beginning after December 15, 2011, and will be adopted by the Company for the quarter ended March 31, 2012. Upon adoption, this amendment is not expected to have a material effect on the financial statements.

In December 2010, the FASB issued an amendment to the disclosure requirements for business combinations. This amendment specifies that if comparative financial statements are presented in connection with a business combination, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period.

only. The amendment also expands the disclosure requirement to include the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination. The amendment is effective for business combinations consummated on or before the beginning of the first annual reporting period beginning on or after December 15, 2010, and early adoption is permitted. This amendment will be adopted by the Company for the fiscal year ended September 30, 2012. Upon adoption, this amendment is not expected to have a material effect on the financial statements.

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Quarterly Financial Data (Unaudited):

The following table sets forth certain items included in the Company's unaudited consolidated financial statements for each quarter of fiscal 2011 and fiscal 2010.

	Quarter Ended				Year Ended
	December 31	March 31	June 30	September 30	September 30
	(Dollar amounts in thousands, except per share data)				
FISCAL YEAR 2011:					
Sales	\$ 207,344	\$ 220,151	\$ 231,511	\$ 239,815	\$ 898,821
Gross profit	79,745	88,113	91,944	91,858	351,660
Operating profit	21,966	28,485	35,081	32,984	118,516
Net income attributable to Matthews shareholders	13,214	16,587	21,875	20,696	72,372
Earnings per share	\$.45	\$.56	\$.74	\$.71	\$2.46
FISCAL YEAR 2010:					
Sales	\$ 192,973	\$ 200,866	\$ 213,329	\$ 214,661	\$ 821,829
Gross profit	73,390	77,781	84,969	87,247	323,387
Operating profit	22,176	27,118	34,514	32,773	116,581
Net income attributable to Matthews shareholders	12,996	15,931	20,411	19,719	69,057
Earnings per share	\$.43	\$.53	\$.68	\$.67	\$2.31

FINANCIAL STATEMENT SCHEDULE

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at beginning of period	Additions Charged to			Balance at end of period
		Charged to expense	other Accounts(1)	Deductions(2)	
(Dollar amounts in thousands)					
Allowance for Doubtful Accounts:					
Fiscal Year Ended:					
September 30, 2011	\$11,261	\$533	\$ 580	\$ (1,638)	\$10,736
September 30, 2010	12,630	1,602	737	(3,708)	11,261
September 30, 2009	11,538	4,320	-	(3,228)	12,630

(1) Amount comprised principally of acquisitions and purchase accounting adjustments in connection with acquisitions.

(2) Amounts determined not to be collectible (including direct write-offs), net of recoveries.

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

There have been no changes in accountants or disagreements on accounting or financial disclosure between the Company and PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, for the fiscal years ended September 30, 2011, 2010 and 2009.

ITEM 9A. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure 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 the Company's reports filed under that Act (the "Exchange Act"), such as this Annual Report on Form 10-K, 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 the Company's disclosure controls and procedures in effect as of September 30, 2011. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2011, 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, processed, 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 Annual Report on Form 10-K.

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

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

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

The Company's internal control over financial reporting as of September 30, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Annual Report on Form 10-K.

(d) Changes in Internal Control over Financial Reporting.

There have been no changes in the Company's internal controls over financial reporting that occurred during the fourth fiscal quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART III

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

In addition to the information reported in Part I of this Form 10-K, under the caption “Officers and Executive Management of the Registrant”, the information required by this item as to the directors of the Company is hereby incorporated by reference from the information appearing under the captions “General Information Regarding Corporate Governance – Audit Committee”, “Proposal No. 1 – Elections of Directors” and “Compliance with Section 16(a) of the Exchange Act” in the Company’s definitive proxy statement, which involves the election of the directors and is to be filed with the Securities and Exchange Commission pursuant to the Exchange Act of 1934, as amended, within 120 days of the end of the Company’s fiscal year ended September 30, 2011.

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

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item as to the compensation of directors and executive management of the Company is hereby incorporated by reference from the information appearing under the captions “Compensation of Directors” and “Executive Compensation and Retirement Benefits” in the Company’s definitive proxy statement which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company’s fiscal year ended September 30, 2011. The information contained in the “Compensation Committee Report” is specifically not incorporated herein by reference.

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

The information required by this item as to the ownership by management and others of securities of the Company is hereby incorporated by reference from the information appearing under the caption “Stock Ownership” in the Company’s definitive proxy statement which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company’s fiscal year ended September 30, 2011.

Equity Compensation Plans:

The Company maintains an equity incentive plan (the “2007 Equity Incentive 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 Equity Incentive Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 2,200,000. The Company also maintains a stock incentive plan (the “1992 Incentive Stock Plan”) that previously provided for grants of stock options, restricted shares and certain other types of stock-based awards. There will be no further grants under the 1992 Incentive Stock Plan. At September 30, 2011, there were 1,122,072 shares reserved for future issuance under the 2007 Equity Incentive 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 pre-defined levels of 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

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

to outstanding restricted share grants, generally one-half of the shares vest on the third anniversary of the grant with the remaining one-half of the shares vesting in one-third increments upon attainment of pre-defined levels of appreciation in the market value of the Company's Class A Common Stock. Additionally, 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.

Under the Company's Director Fee Plan, directors (except for the Chairman of the Board) 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 \$60,000. The equivalent amount paid to a non-employee Chairman of the Board is \$130,000. Where the annual retainer fee is provided in shares, each director may elect to be paid these shares on a current basis or have such shares credited to a deferred stock account as phantom stock, with such shares to be paid to the director subsequent to leaving the Board. The value of deferred shares is recorded in other liabilities. A total of 14,794 shares had been deferred under the Director Fee Plan at September 30, 2011. 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 \$80,000. A total of 22,300 stock options have been granted under the plan. At September 30, 2011, 11,800 options were outstanding and vested. Additionally, 64,923 shares of restricted stock have been granted under the plan, 23,623 of which were unvested at September 30, 2011. A total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

The following table provides information about grants under the Company's equity compensation plans as of September 30, 2011:

Plan category	Equity Compensation Plan Information		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	
Equity compensation plans approved by security holders:			
1992 Stock Incentive Plan	872,514	\$ 37.02	- (1)
2007 Equity Incentive Plan	-	-	1,122,072 (2)

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Employee Stock Purchase Plan	-	-	1,650,587 (3)
Director Fee Plan	26,594	35.39	125,688 (4)
Equity compensation plans not approved by security holders	None	None	None
Total	899,108	\$ 37.00	2,898,347

- (1) As a result of the approval of the 2007 Equity Incentive Plan, no further grants or awards will be made under the 1992 Incentive Stock Plan.
- (2) The 2007 Equity Incentive Plan was approved in February 2008. The Plan provides for the grant or award of stock options, restricted shares, stock-based performance units and certain other types of stock based awards, with a maximum of 2,200,000 shares available for grants or awards.
- (3) Shares under the Employee Stock Purchase Plan (the "Plan") are purchased in the open market by employees at the fair market value of the Company's stock. The Company provides a matching contribution of 10% of such purchases subject to certain limitations under the Plan. As the Plan is an open market purchase plan, it does not have a dilutive effect.
- (4) Shares of restricted stock may be issued under the Director Fee Plan. The maximum number of shares authorized to be issued under the Director Fee Plan is 300,000 shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item as to certain relationships and transactions with management and other related parties of the Company is hereby incorporated by reference from the information appearing under the captions “Proposal No. 1 – Election of Directors” and “Certain Transactions” in the Company’s definitive proxy statement, which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act, within 120 days of the end of the Company’s fiscal year ended September 30, 2011.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item as to the fees billed and the services provided by the principal accounting firm of the Company is hereby incorporated by reference from the information appearing under the caption “Relationship with Independent Registered Public Accounting Firm” in the Company’s definitive proxy statement, which involves the election of directors and is to be filed with the Commission pursuant to the Exchange Act within 120 days of the end of the Company’s fiscal year ended September 30, 2011.

PART IV

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

(a) 1. Financial Statements:

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

	Pages
Management's Report to Shareholders	35
Report of Independent Registered Public Accounting Firm	36
Consolidated Balance Sheets as of September 30, 2011 and 2010	37-38
Consolidated Statements of Income for the years ended September 30, 2011, 2010 and 2009	39
Consolidated Statements of Shareholders' Equity for the years ended September 30, 2011, 2010 and 2009	40
Consolidated Statements of Cash Flows for the years ended September 30, 2011, 2010 and 2009	41
Notes to Consolidated Financial Statements	42-66
Supplementary Financial Information (unaudited)	67

2. Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts is included on page 68 in Part II, Item 8 of this Annual Report on Form 10-K.

3. Exhibits Filed:

The index to exhibits is on pages 75-76.

(b) Reports on Form 8-K:

On July 7, 2011, Matthews filed a current report on Form 8-K/A under Item 5 announcing the Company will include a shareholder vote on the compensation of executives in its proxy materials every year.

On July 21, 2011, Matthews filed a current report on Form 8-K under Item 5 in connection with a press release announcing the election of Morgan K. O'Brien and Jerry R. Whitaker to the Board of Directors.

On July 22, 2011, Matthews filed a current report on Form 8-K under Item 2 in connection with a press release announcing its earnings for the third fiscal quarter of 2011.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 22, 2011.

MATTHEWS INTERNATIONAL
CORPORATION
(Registrant)

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on November 22, 2011:

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

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

/s/ John D. Turner
John D. Turner, Chairman of the Board

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

/s/ Gregory S. Babe
Gregory S. Babe, Director

/s/ Morgan K. O'Brien
Morgan K. O'Brien, Director

/s/ Katherine E. Dietze
Katherine E. Dietze, Director

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

/s/ Alvaro Garcia-Tunon
Alvaro Garcia-Tunon, Director

/s/ Jerry R. Whitaker
Jerry R. Whitaker, Director

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBITS
INDEX

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

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
3.1	Restated Articles of Incorporation*	Exhibit Number 3.1 to Form 10-K for the year ended September 30, 1994
3.2	Restated By-laws*	Exhibit Number 99.1 to Form 8-K dated October 18, 2007
4.1 a	Form of Revised Option Agreement of Repurchase (effective October 1, 1993)*	Exhibit Number 4.5 to Form 10-K for the year ended September 30, 1993
4.2	Form of Share Certificate for Class A Common Stock*	Exhibit Number 4.9 to Form 10-K for the year ended September 30, 1994
10.1	Revolving Credit Facility*	Exhibit Number 10.1 to Form 8-K Dated December 28, 2010
10.2 a	Supplemental Retirement Plan (as amended through April 23, 2009)*	Exhibit Number 10.5a to Form 10-K for the year ended September 30, 2010
10.3 a	Officers Retirement Restoration Plan (effective April 23, 2009)*	Exhibit Number 10.6 to Form 10-K for the year ended September 30, 2009
10.4a	1992 Stock Incentive Plan (as amended through April 25, 2006)*	Exhibit Number 10.1 to Form 10-Q for the quarter ended March 31, 2006
10.5 a	Form of Stock Option Agreement*	Exhibit Number 10.7 to Form 10-K for the year ended September 30, 2008
10.6 a	Form of Restricted Stock Agreement*	Exhibit Number 10.8 to Form 10-K for the year ended September 30, 2008
10.7 a	1994 Director Fee Plan (as amended through November 13, 2008)*	Exhibit Number 10.9 to Form 10-K for the year ended September 30, 2008
10.8 a	1994 Employee Stock Purchase Plan*	Exhibit Number 10.2 to Form 10-Q for the quarter ended March 31, 1995

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
INDEX, Continued

Exhibit No.	Description	Prior Filing or Sequential Page Numbers Herein
10.9 a	2007 Equity Incentive Plan (as amended through September 26, 2008)*	Exhibit Number 10.11 to Form 10-K for the year ended September 30, 2008
10.10a	2010 Incentive Compensation Plan	Exhibit A to 2011 Proxy Statement
10.11	Sale and Purchase Agreement by and among Mr. Jorg Christian Saueressig, Mr. Karl Wilhelm Saueressig, Mr. Jakob Heinrich Saueressig, Mr. Reinhart Zech Von Hymen and Matthews International Corporation*	Exhibit Number 10.1 to Form 8-K dated May 12, 2008
10.12	Sale and Purchase and Transfer Agreement Regarding the Sale and Purchase and Transfer of a Partnership Interest in Saueressig GmbH & Co. KG dated June 2, 2010*	Exhibit Number 10.14 to Form 10-K for the year ended September 30, 2010
10.13	Sale and Purchase and Transfer Agreement B Regarding the Sale and Purchase and Transfer of a Partnership Interest in Saueressig GmbH & Co. KG dated March 29, 2011*	Exhibit Number 10.1 to Form 10-Q for the quarter ended March 31, 2011
14.1	Form of Code of Ethics Applicable to Executive Management *	Exhibit Number 14.1 to Form 10-K for the year ended September 30, 2004
21	Subsidiaries of the Registrant	Filed Herewith
23	Consent of Independent Registered Public Accounting Firm	Filed Herewith
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci	Filed Herewith
31.2	Certification of Principal Financial Officer for Steven F. Nicola	Filed Herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act	Filed Herewith

of 2002, of Joseph C. Bartolacci

32.2 Certification Pursuant to 18 U.S.C. Filed Herewith
Section 1350, as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act
of 2002, of Steven F. Nicola

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

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