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

Form 10-Q

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

For The Quarterly Period Ended March 31, 2011

Commission File No. 0-9115

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

PENNSYLVANIA (State or other jurisdiction of Incorporation or organization)	25-0644320 (I.R.S. Employer Identification No.)
TWO NORTHSHORE CENTER, PITTSBURGH, PA (Address of principal executive offices)	15212-5851 (Zip Code)
Registrant's telephone number, including area code	(412) 442-8200

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

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

Yes ☐ No ☒

As of April 30, 2011, shares of common stock outstanding were:

Class A Common Stock 29,513,243 shares

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

	March 31, 2011		September 30, 2010	
ASSETS				
Current assets:				
Cash and cash equivalents		$ 60,331		$ 59,715
Short-term investments		1,392		1,395
Accounts receivable, net		150,179		151,038
Inventories		122,495		107,926
Deferred income taxes		1,663		1,666
Other current assets		15,254		13,915
Total current assets		351,314		335,655
Investments		16,069		13,642
Property, plant and equipment: Cost	321,157		308,630	
Less accumulated depreciation	(189,136)		(178,880)	
		132,021		129,750
Deferred income taxes		32,467		30,555
Other assets		17,581		21,101
Goodwill		444,058		405,180
Other intangible assets, net		58,860		57,942
Total assets		$ 1,052,370		$ 993,825
LIABILITIES				
Current liabilities:				
Long-term debt, current maturities		$ 10,095		$ 12,073
Accounts payable		35,820		36,308
Accrued compensation		34,874		39,062
Accrued income taxes		11,318		12,984
Other current liabilities		47,568		47,686
Total current liabilities		139,675		148,113
Long-term debt		248,445		225,256
Accrued pension		52,094		50,276
Postretirement benefits		23,818		23,307
Deferred income taxes		16,538		15,950
Environmental reserve		5,749		5,961
Other liabilities		37,063		31,234
Total liabilities		523,382		500,097
SHAREHOLDERS' EQUITY				
Shareholders' equity-Matthews:				
Common stock	36,334		36,334	
Additional paid-in capital	45,341		48,294	
Retained earnings	643,992		621,923	
Accumulated other comprehensive loss	(25,156)		(37,136)	
Treasury stock, at cost	(207,778)		(207,470)	
Total shareholders' equity-Matthews		492,733		461,945
Noncontrolling interests		36,255		31,783
Total shareholders' equity		528,988		493,728
Total liabilities and shareholders' equity		$ 1,052,370		$ 993,825

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	**2010**	**2011**	**2010**
Sales	$ 220,151	$ 200,866	$ 427,495	$ 393,839
Cost of sales	(132,038)	(123,085)	(259,637)	(242,668)
Gross profit	88,113	77,781	167,858	151,171
Selling and administrative expenses	(59,628)	(50,663)	(117,407)	(101,877)
Operating profit	28,485	27,118	50,451	49,294
Investment income	498	809	1,649	2,004
Interest expense	(2,087)	(1,812)	(3,839)	(3,751)
Other income (deductions), net	(697)	(633)	(966)	(731)
Income before income taxes	26,199	25,482	47,295	46,816
Income taxes	(9,080)	(9,187)	(16,653)	(16,865)
Net income	17,119	16,295	30,642	29,951
Less: net income attributable to noncontrolling interests	(532)	(364)	(841)	(1,024)
Net income attributable to Matthews shareholders	$ 16,587	$ 15,931	$ 29,801	$ 28,927
Earnings per share attributable to Matthews shareholders:				
Basic	$0.56	$0.53	$1.01	$0.97
Diluted	$0.56	$0.53	$1.01	$0.96

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the six months ended March 31, 2011 and 2010 (Unaudited)
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity - Matthews						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2010	$ 36,334	$ 48,294	$ 621,923	$ (37,136)	$ (207,470)	$ 31,783	$ 493,728
Net income	-	-	29,801	-	-	841	30,642
Minimum pension liability	-	-	-	1,606	-	-	1,606
Translation adjustment	-	-	-	9,508	-	1,524	11,032
Fair value of derivatives	-	-	-	866	-	-	866
Total comprehensive income							44,146
Stock-based compensation	-	3,608	-	-	-	-	3,608
Purchase of 211,890 shares of treasury stock	-	-	-	-	(7,400)	-	(7,400)
Issuance of 234,562 shares of treasury stock	-	(6,561)	-	-	7,092	-	531
Dividends, $.16 per share	-	-	(4,727)	-	-	-	(4,727)
Distributions to noncontrolling interests						(621)	(621)
Arrangement-noncontrolling interest			(3,005)			2,728	(277)
Balance, March 31, 2011	$ 36,334	$ 45,341	$ 643,992	$ (25,156)	$ (207,778)	$ 36,255	$ 528,988

	Shareholders' Equity - Matthews						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2009	$ 36,334	$ 47,436	$ 559,786	$ (29,884)	$ (179,454)	$ 4,676	$ 438,894
Net income	-	-	28,927	-	-	1,024	29,951
Minimum pension liability	-	-	-	1,578	-	-	1,578
Translation adjustment	-	-	-	(14,410)	-	113	(14,297)
Fair value of derivatives	-	-	-	424	-	-	424
Total comprehensive income							17,656
Stock-based compensation	-	3,293	-	-	-	-	3,293
Purchase of 272,125 shares of treasury stock	-	-	-	-	(9,386)	-	(9,386)
Issuance of 30,790 shares of treasury stock	-	(5,843)	-	-	6,633	-	790
Dividends, $.14 per share	-	-	(4,244)	-	-	-	(4,244)

Distributions to noncontrolling interests						(234)	(234)
Balance, March 31, 2010	$ 36,334	$ 44,886	$ 584,469	$ (42,292)	$ (182,207)	$ 5,579	$ 446,769

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

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

	Six Months Ended March 31, 2011	Six Months Ended March 31, 2010
Cash flows from operating activities:		
Net income	$ 30,642	$ 29,951
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,627	12,543
Gain on investments	(700)	(601)
(Gain) loss on sale of assets	(888)	68
Stock-based compensation expense	3,608	3,293
Change in deferred taxes	(429)	(2,372)
Changes in working capital items	(18,675)	10,966
Decrease (increase) in other assets	3,520	(3,513)
(Decrease) increase in other liabilities	(1,888)	175
Increase in pension and postretirement benefits	4,961	5,170
Net cash provided by operating activities	33,778	55,680
Cash flows from investing activities:		
Capital expenditures	(7,687)	(8,410)
Proceeds from sale of assets	992	100
Acquisitions, net of cash acquired	(31,693)	(14,606)
Proceeds from sale of investments	2	638
Purchases of investments	(1,641)	(1,612)
Net cash used in investing activities	(40,027)	(23,890)
Cash flows from financing activities:		
Proceeds from long-term debt	39,636	25,484
Payments on long-term debt	(22,979)	(38,812)
Proceeds from the sale of treasury stock	491	726
Purchases of treasury stock	(7,400)	(9,386)
Excess tax benefit of share-based compensation arrangements	40	64
Dividends	(4,727)	(4,244)
Distributions to noncontrolling interests	(621)	(234)
Net cash provided by (used in) financing activities	4,440	(26,402)
Effect of exchange rate changes on cash	2,425	(2,186)
Net change in cash and cash equivalents	$ 616	$ 3,202
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	$ 2,764	$ -

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

Note 1. Nature of Operations

Matthews International Corporation ("Matthews" or the "Company"), founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze and granite memorials, 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, 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 and cremation caskets primarily in North America. The Graphics Imaging segment provides brand management, printing plates, gravure cylinders, pre-press services and imaging services for the primary packaging and corrugated industries. The Marking Products segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers. The Merchandising Solutions segment designs and manufactures merchandising displays and systems and provides creative merchandising and marketing solutions services.

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

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the six months ended March 31, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2010. The consolidated financial statements include all domestic and foreign subsidiaries in which the Company maintains an ownership interest and has operating control. All intercompany accounts and transactions have been eliminated.

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

(Dollar amounts in thousands, except per share data)

Note 3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three level fair value hierarchy is used 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 March 31, 2011 and September 30, 2010, the fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

	March 31, 2011				September 30, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:								
Short-term investments	$ 1,392	-	-	$ 1,392	$ 1,395	-	-	$ 1,395
Trading securities	14,076	-	-	14,076	11,770	-	-	11,770
Total assets at fair value	$ 15,468	-	-	$ 15,468	$ 13,165	-	-	$ 13,165
Liabilities:								
Derivatives (1)	-	$ 3,024	-	$ 3,024	-	$ 4,445	-	$ 4,445
Total liabilities at fair value	-	$ 3,024	-	$ 3,024	-	$ 4,445	-	$ 4,445

(1) Interest rate swaps are valued based on observable market swap rates.

Note 4. Inventories

Inventories consisted of the following:

	March 31, 2011	September 30, 2010
Materials and finished goods	$ 101,602	$ 93,737
Labor and overhead in process	20,893	14,189
	$ 122,495	$ 107,926

(Dollar amounts in thousands, except per share data)

Note 5. Debt

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 commercial and standby letters of credit. Outstanding borrowings on the Revolving Credit Facilities were $209,500 and $187,000 as of March 31, 2011 and September 30, 2010, respectively. The weighted-average interest rate on outstanding borrowings on these facilities at March 31, 2011 and 2010 was 2.85% and 3.01%, respectively.

The Company has entered into the following interest rate swaps:

Effective Date	Amount	Fixed Interest Rate	Interest Rate Spread at March 31, 2011	Maturity Date
September 2007	$25,000	4.77%	1.25%	September 2012
May 2008	30,000	3.72%	1.25%	September 2012
October 2008	20,000	3.46%	1.25%	October 2011
November 2011	25,000	2.13%	1.25%	November 2014
September 2012	25,000	3.03%	1.25%	December 2015
March 2012	25,000	2.44%	1.25%	March 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 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 $3,024 ($1,845 after tax) at March 31, 2011 that is included in shareholders' equity as part of accumulated other comprehensive loss. Assuming market rates remain constant with the rates at March 31, 2011, approximately $1,331 of the $1,845 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.

At March 31, 2011 and September 30, 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

Balance Sheet Location:	**March 31, 2011**	**September 30, 2010**
Current liabilities:		
Other current liabilities	$ 2,182	$ 2,623
Long-term liabilities		
Other liabilities	842	1,822
Total derivatives	$ 3,024	$ 4,445

(Dollar amounts in thousands, except per share data)

Note 5. Debt (continued)

The loss recognized on derivatives was as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain or (Loss) Recognized in Income (Loss) on Derivative	Amount of Loss Recognized in Income (Loss) on Derivatives		Amount of Loss Recognized in Income (Loss) on Derivatives	
		Three Months ended March 31,		Six Months ended March 31,	
		2011	2010	2011	2010
Interest rate swaps	Interest expense	$ (701)	$ (946)	$ (1,459)	$ (1,893)

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

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCL on Derivatives		Location of Gain or (Loss) Reclassified from Accumulated OCL into Income (Effective Portion*)	Amount of Gain or (Loss) Reclassified from Accumulated OCL into Income (Effective Portion*)	
	March 31, 2011	March 31, 2010		March 31, 2011	March 31, 2010
Interest rate swaps	$ (24)	$ (732)	Interest expense	$ (890)	$ (1,155)

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

The Company, through certain of its German subsidiaries, has a credit facility with a European bank. The maximum amount of borrowings available under this facility was 25.0 million Euros ($35,435). Outstanding borrowings under the credit facility totaled 12.0 million Euros at March 31, 2011 and September 30, 2010. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2011 and 2010 was 1.78% and 1.58%, respectively.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 7.3 million Euros ($10,322) and 7.9 million Euros ($10,816) at March 31, 2011 and September 30, 2010, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2011 and 2010 was 6.37% and 5.99%, respectively.

Note 5. Debt (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 8.5 million Euros ($12,005) and 10.8 million Euros ($14,680) at March 31, 2011 and September 30, 2010, respectively. Matthews International S.p.A. also has three lines of credit totaling 8.4 million Euros ($11,864) with the same Italian banks. Outstanding borrowings on these lines were 1.0 million Euros ($1,474) and 2.1 million Euros ($2,834) at March 31, 2011 and September 30, 2010, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2011 and 2010 was 3.40% and 3.66%, respectively.

As of March 31, 2011 the fair value of the Company's long-term debt, including current maturities, approximated the carrying value included in the Condensed Consolidated Balance Sheet. At September 30, 2010, the fair value of the Company's long-term debt, including current maturities, was approximately $225,052.

Note 6. 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 March 31, 2011, there were 1,134,844 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 10%, 33% and 60% appreciation in the market value of the Company's Class A Common Stock. In addition, options generally vest in one-third increments after three, four and five years, respectively, from the grant date (but, in any event, not until the attainment of the market value thresholds). The options expire on the earlier of ten years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death. The Company generally settles employee stock option exercises with treasury shares. With respect to outstanding restricted share grants, generally one-half of the shares vest on the third anniversary of the grant. For shares granted prior to fiscal 2011, the remaining one-half of the shares vest in one-third increments upon attainment of 10%, 25% and 40% appreciation in the market value of the Company's Class A Common Stock. For shares granted in fiscal 2011, the remaining one-half of the shares vest in one-third increments upon attainment of 5%, 15% and 25% appreciation in the market value of the Company's Class A Common Stock. Additionally, beginning in fiscal 2009, restricted shares cannot vest until the first anniversary of the grant date. Unvested restricted shares generally expire on the earlier of five years from the date of grant, upon employment termination, or within specified time limits following voluntary employment termination (with the consent of the Company), retirement or death. The Company issues restricted shares from treasury shares.

For the three-month periods ended March 31, 2011 and 2010, total stock-based compensation cost totaled $1,851 and $1,684, respectively. For the six-month periods ended March 31, 2011 and 2010, total stock-based compensation cost totaled $3,608 and $3,293, respectively. The associated future income tax benefit recognized was $721 and $656 for the three-month periods ended March 31, 2011 and 2010, respectively, and $1,407 and $1,284 for the six-month periods ended March 31, 2011 and 2010, respectively.

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

For the three-month periods ended March 31, 2011 and 2010, the amount of cash received from the exercise of stock options was $338 and $54, respectively. For the six-month periods ended March 31, 2011 and 2010, the amount of cash received from the exercise of stock options was $491 and $726, respectively. In connection with these exercises, the tax benefits realized by the Company were $132 and $15 for the three-month periods ended March 31, 2011 and 2010, respectively, and $191 and $151 for the six-month periods ended March 31, 2011 and 2010, respectively.

Changes to restricted stock for the six months ended March 31, 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	(56,440)	38.54
Expired or forfeited	(1,173)	34.72
Non-vested at March 31, 2011	579,789	34.00

As of March 31, 2011, the total unrecognized compensation cost related to unvested restricted stock was $6,686 and is expected to be recognized over a weighted average period of 1.6 years.

The transactions for shares under options for the six months ended March 31, 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	(22,382)	21.91		
Expired or forfeited	(13,481)	36.65		
Outstanding, March 31, 2011	917,463	36.67	4.4	$ 1,727
Exercisable, March 31, 2011	556,738	35.25	4.0	$ 1,839

No shares were earned during the three-month and six-month periods ended March 31, 2011. During the three-month and six-month periods ended March 31, 2010, the fair value of shares earned was $86 and $3,120, 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 six-month periods ended March 31, 2011 and 2010 was $288 and $457, respectively.

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

The transactions for non-vested options for the six months ended March 31, 2011 were as follows:

Non-vested shares	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2010	366,179	$ 13.54
Granted	-	-
Vested	-	-
Expired or forfeited	(5,454)	10.90
Non-vested at March 31, 2011	360,725	13.58

As of March 31, 2011, the total unrecognized compensation cost related to non-vested stock options was approximately $145. This cost is expected to be recognized over a weighted-average period of 0.6 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 quarters ended March 31, 2011 and 2010.

	Six Months Ended March 31,	
	2011	2010
Expected volatility	30.0%	30.0%
Dividend yield	1.0%	.8%
Average risk free interest rate	1.2%	2.3%
Average expected term (years)	2.0	2.2

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

Under the Company's Director Fee Plan, directors (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. The equivalent amount paid to a non-employee Chairman of the Board is $130. 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 26,689 shares had been deferred under the Director Fee Plan at March 31, 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. A total of 22,300 stock options have been granted under the plan. At March 31, 2011, 17,800 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 March 31, 2011. A total of 300,000 shares have been authorized to be issued under the Director Fee Plan.

Note 7. Earnings Per Share Attributable to Matthews' Shareholders

The information used to compute earnings per share attributable to Matthews' common shareholders was as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Net income attributable to Matthews shareholders	$ 16,587	$ 15,931	$ 29,801	$ 28,927
Less: dividends and undistributed earnings allocated to participating securities	338	249	562	398
Net income available to Matthews shareholders	$ 16,249	$ 15,682	$ 29,239	$ 28,529
Weighted-average shares outstanding (in thousands):				
Basic shares	28,961	29,841	28,993	29,910
Effect of dilutive securities:				
Stock options	19	26	18	29
Phantom stock units	25	25	26	25
Diluted shares	29,005	29,892	29,037	29,964

Options to purchase 287,968 and 605,602 shares of common stock were not included in the computation of diluted earnings per share for the three months and six months ended March 31, 2011, respectively, because the inclusion of these options would be anti-dilutive. Options to purchase 621,050 and 812,071 shares of common stock were not included in the computation of diluted earnings per share for the three months and six months ended March 31, 2010, respectively, because the inclusion of these options would be anti-dilutive.

Note 8. Pension and Other Postretirement Benefit Plans

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

	Pension		Other Postretirement	
Three months ended March 31,	2011	2010	2011	2010
Service cost	$ 1,237	$ 1,078	$ 158	$ 173
Interest cost	1,867	1,853	313	346
Expected return on plan assets	(1,843)	(1,717)	-	-
Amortization:				
Prior service cost	6	(10)	(119)	(181)
Net actuarial loss	1,338	1,338	102	130
Net benefit cost	$ 2,605	$ 2,542	$ 454	$ 468

(Dollar amounts in thousands, except per share data)

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

	Pension		Other Postretirement	
Six months ended March 31,	**2011**	**2010**	**2011**	**2010**
Service cost	$ 2,474	$ 2,156	$ 316	$ 346
Interest cost	3,734	3,706	626	692
Expected return on plan assets	(3,686)	(3,434)	-	-
Amortization:				
Prior service cost	12	(20)	(238)	(362)
Net actuarial loss	2,676	2,676	204	260
Net benefit cost	$ 5,210	$ 5,084	$ 908	$ 936

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the postretirement benefit plan are made from the Company's operating funds. Under IRS regulations, the Company is not required to make any significant contributions to its principal retirement plan in fiscal year 2011. During the six months ended March 31, 2011, contributions of $372 and $519 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $392 and $574 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2011.

Note 9. Income Taxes

Income tax provisions for the Company's interim periods are based on the effective income tax rate expected to be applicable for the full year. The Company's effective tax rate for the six months ended March 31, 2011 was 35.2%, compared to 36.0% for the first six months of fiscal 2010. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected the impact of state and foreign income taxes.

The Company had unrecognized tax benefits (excluding penalties and interest) of $3,431 and $3,422 on March 31, 2011 and September 30, 2010, respectively, all of which, if recorded, would impact the 2011 annual effective tax rate. It is reasonably possible that $326 of the unrecognized tax benefits could be recognized in the next 12 months primarily due to tax examinations and the expiration of statutes related to specific tax positions.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. The Company included $208 in interest and penalties in the provision for income taxes for the first six months of fiscal 2011. Total penalties and interest accrued were $2,620 and $2,412 at March 31, 2011 and September 30, 2010, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

(Dollar amounts in thousands, except per share data)

Note 9. Income Taxes (continued)

The Company is currently under examination in several tax jurisdictions and remains subject to examination until the statute of limitations expires for those tax jurisdictions. As of March 31, 2011, the tax years that remain subject to examination by major jurisdiction generally are:

United States – Federal	2007 and forward
United States – State	2007 and forward
Canada	2006 and forward
Europe	2002 and forward
United Kingdom	2009 and forward
Australia	2006 and forward
Asia	2004 and forward

Note 10. Segment Information

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

Information about the Company's segments follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Sales to external customers:				
Memorialization:				
Bronze	$ 52,857	$ 53,719	$ 103,370	$ 102,978
Casket	65,878	55,249	126,122	105,913
Cremation	9,807	8,991	19,460	17,491
	128,542	117,959	248,952	226,382
Brand Solutions:				
Graphics Imaging	64,834	60,335	124,861	120,141
Marking Products	14,521	11,867	27,442	23,433
Merchandising Solutions	12,254	10,705	26,240	23,883
	91,609	82,907	178,543	167,457
	$ 220,151	$ 200,866	$ 427,495	$ 393,839

(Dollar amounts in thousands, except per share data)

Note 10. Segment Information (continued)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2011	2010	2011	2010
Operating profit:				
Memorialization:				
Bronze	$ 10,811	$ 12,200	$ 20,937	$ 22,560
Casket	8,944	8,740	14,791	14,548
Cremation	1,118	953	2,170	2,083
	20,873	21,893	37,898	39,191
Brand Solutions:				
Graphics Imaging	5,907	4,577	9,625	8,566
Marking Products	1,888	1,279	2,914	1,879
Merchandising Solutions	(183)	(631)	14	(342)
	7,612	5,225	12,553	10,103
	$ 28,485	$ 27,118	$ 50,451	$ 49,294

Note 11. Acquisitions

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 $22,800, plus additional consideration up to $6,000 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.

Note 12. Goodwill and Other Intangible Assets

Goodwill related to business combinations is not amortized but is subject to annual review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a discounted cash flow technique. Intangible assets are amortized over their estimated useful lives unless such lives are considered to be indefinite. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets. The Company performed its annual impairment review in the second fiscal quarter of 2011 and determined that no additional adjustments to the carrying values of goodwill or indefinite-lived intangible assets were necessary.

(Dollar amounts in thousands, except per share data)

Note 12. Goodwill and Other Intangible Assets (continued)

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

	Bronze	Casket	Cremation	Graphics Imaging	Marking Products	Merchandising Solutions	Consolidated
Goodwill	$ 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	-	22,239	-	4,917	4,833	-	31,989
Translation and other adjustments	1,199	-	152	5,420	118	-	6,889
Goodwill	89,812	162,792	16,951	159,498	15,119	9,138	453,310
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at March 31, 2011	$ 89,400	$ 162,792	$ 11,951	$ 155,658	$ 15,119	$ 9,138	$ 444,058

The addition to Casket goodwill primarily represents the acquisition of Freeman; the addition to Graphics goodwill represents the acquisition of the remaining 25% interest in Reproflex; and the addition to Marking Products goodwill represents the acquisition of IPTI.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of March 31, 2011 and September 30, 2010, respectively.

	Carrying Amount	Accumulated Amortization	Net
March 31, 2011:			
Trade names	$ 24,443	$ -*	$ 24,443
Trade names	1,748	(997)	751
Customer relationships	42,933	(12,218)	30,715
Copyrights/patents/other	9,633	(6,682)	2,951
	$ 78,757	$ (19,897)	$ 58,860
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

The net change in intangible assets during the six months ended March 31, 2011 included the acquisition of intangibles in connection with the Freeman acquisition, in addition to the impact of foreign currency fluctuations during the period and additional amortization.

Note 12. Goodwill and Other Intangible Assets (continued)

Amortization expense on intangible assets was $1,151 and $937 for the three-month periods ended March 31, 2011 and 2010, respectively. For the six-month periods ended March 31, 2011 and 2010, amortization expense was $2,214 and $1,787, respectively. The remaining amortization expense is estimated to be $1,680 in 2011, $3,183 in 2012, $2,863 in 2013, $2,702 in 2014 and $2,540 in 2015.

Note 13. Subsequent Events:

In connection with its May 2008 acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest in Saueressig. The option agreement contained certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. In April 2011, the Company completed the purchase of the remaining 22% interest in Saueressig for 19.3 million Euros.

Cautionary Statement:

The following discussion should be read in conjunction with the consolidated financial statements of Matthews International Corporation ("Matthews" or the "Company") and related notes thereto included in this Quarterly Report on Form 10-Q and the Company's Annual Report on Form 10-K for the year ended September 30, 2010. Any forward-looking statements contained herein are included pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from management's expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Factors that could cause the Company's results to differ materially from the results discussed in such forward-looking statements principally include changes in domestic or international economic conditions, changes in foreign currency exchange rates, changes in the cost of materials used in the manufacture of the Company's products, changes in death rates, changes in product demand or pricing as a result of consolidation in the industries in which the Company operates, changes in product demand or pricing as a result of domestic or international competitive pressures, unknown risks in connection with the Company's acquisitions, and technological factors beyond the Company's control. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors.

Results of Operations:

The following table sets forth certain income statement data of the Company expressed as a percentage of net sales for the periods indicated.

	Six months ended March 31,	
	2011	**2010**
Sales	100.0%	100.0%
Gross profit	39.3%	38.4%
Operating profit	11.8%	12.5%
Net income attributable to Matthews' shareholders	7.0%	7.3%

Sales for the six months ended March 31, 2011 were \$427.5 million, compared to \$393.8 million for the six months ended March 31, 2010. Higher sales were reported in all of the Company's business segments. The increase primarily reflected the impact of recent acquisitions and higher sales volume in the Brand Solutions businesses, partially offset by an unfavorable impact of approximately \$3.4 million from changes in foreign currency values against the U.S. dollar.

In the Memorialization businesses, Bronze segment sales for the first six months of fiscal 2011 were \$103.4 million compared to \$103.0 million for the first six months of fiscal 2010. The increase primarily reflected sales of granite products resulting from the acquisition of United Memorial Products ("UMP") in December 2009, partially offset by a decline in bronze product revenues. The decline in bronze product revenues reflected higher unit volume, offset by an unfavorable change in product mix. Sales for the Casket segment were \$126.1 million for the first six months of fiscal 2011 compared to \$105.9 million for the same period in fiscal 2010. The increase resulted principally from recent acquisitions. Excluding the impact of acquisitions, sales for the segment were slightly higher than a year ago, reflecting higher unit sales in the second quarter of fiscal 2011 compared to the second quarter of fiscal 2010.

Sales for the Cremation segment were $19.5 million for the first half of fiscal 2011 compared to $17.5 million for the same period a year ago. The increase principally reflected the acquisition of a cremation equipment manufacturer in the U.K. in March 2010 and higher sales of cremation equipment in Europe, partially offset by lower sales of cremation equipment in the U.S. market. The decline in U.S. equipment sales primarily resulted from delays related to customer financing and required permits. In the Company's Brand Solutions businesses, sales for the Graphics Imaging segment in the first six months of fiscal 2011 were $124.9 million, compared to $120.1 million for the same period a year ago. The increase resulted from higher sales in the European, U.S. and Asian markets, partially offset by an approximately $4.0 million impact from unfavorable changes in the value of foreign currencies against the U.S. dollar. Marking Products segment sales for the six months ended March 31, 2011 were $27.4 million, compared to $23.4 million for the first six months of fiscal 2010. The increase was primarily attributable to higher unit volumes of equipment and consumables in the U.S. and China, and a small U.S. acquisition in March 2011. Sales for the Merchandising Solutions segment were $26.2 million for the first half of fiscal 2011, compared to $23.9 million for the same period a year ago. The increase principally reflected higher project volume for several global customers.

Gross profit for the six months ended March 31, 2011 was $167.9 million, compared to $151.2 million for the six months ended March 31, 2010. Consolidated gross profit as a percent of sales for the first half of fiscal 2011 increased to 39.3% from 38.4% for the first half of fiscal 2010. The increase in consolidated gross profit and gross profit percentage primarily reflected higher sales in the Brand Solutions businesses and the benefits from cost structure initiatives. The increases were partially offset by higher commodity costs in the Bronze and Casket segments.

Selling and administrative expenses for the six months ended March 31, 2011 were $117.4 million, compared to $101.9 million for the first half of fiscal 2010. Consolidated selling and administrative expenses as a percent of sales were 27.5% for the six months ended March 31, 2011, compared to 25.9% for the same period last year. The increase in selling and administrative expenses was primarily attributable to recent acquisitions.

Operating profit for the six months ended March 31, 2011 was $50.5 million, compared to $49.3 million for the six months ended March 31, 2010. Bronze segment operating profit for the six months ended March 31, 2011 was $20.9 million, compared to $22.6 million for the first half of fiscal 2010. The decrease primarily reflected an unfavorable shift in mix of bronze product sales and higher bronze material cost. Casket segment operating profit was $14.8 million for the first six months of fiscal 2011, compared to $14.5 million for the same period in fiscal 2010. Casket segment operating profit for the current quarter reflected the benefit of acquisitions and higher unit sales in the fiscal 2011 second quarter compared to the same quarter in fiscal 2010, offset partially by higher steel and fuel costs. Cremation segment operating profit for the first half of fiscal 2011 was $2.2 million, compared to $2.1 million for the same period in the prior year. The increase principally reflected higher sales, partially offset by the impact of a change in mix of equipment sales, with a higher level of European sales, which generally have lower margins than sales in the U.S. Graphics Imaging segment operating profit for the six months ended March 31, 2011 was $9.6 million, compared to $8.6 million for the same period in fiscal 2010. The increase reflected higher sales and improvements in the segment's U.S. cost structure, partially offset by the unfavorable impact of changes in foreign currencies against the U.S. dollar. Operating profit for the Marking Products segment for the first half of fiscal 2011 was $2.9 million, compared to $1.9 million for the same period a year ago. The increase primarily resulted from higher sales. Merchandising Solutions segment operating profit was $14,000 for the first six months of fiscal 2011, compared to an operating loss of $342,000 for the same period in fiscal 2010. The increase primarily reflected higher sales in fiscal 2011.

Investment income was $1.6 million for the six months ended March 31, 2011, compared to $2.0 million for the six months ended March 31, 2010. The decrease primarily resulted from lower average levels of invested funds. Interest expense was approximately $3.8 million for the first six months of fiscal 2011 and 2010. Other income (deductions), net for the six months ended March 31, 2011 was a reduction of income of $966,000, compared to $731,000 for the same period last year.

The Company's effective tax rate for the six months ended March 31, 2011 was 35.2%, compared to 36.0% for the same period last year. The Company's effective tax rate for the fiscal 2010 full year was 35.8%, excluding the impact of unusual items. The fiscal 2011 tax rate reflects the favorable impact from implementation of European operating structure initiatives in fiscal 2011. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected the impact of state taxes, offset partially by lower foreign income taxes.

Net income attributable to noncontrolling interests in the first six months of fiscal 2011 was $841,000, compared to $1.0 million in the first six months of fiscal 2010. The decrease related principally to the Company's acquisition of the remaining 25% interest in one of its less than wholly-owned German graphics businesses effective October 1, 2010.

Goodwill:

Goodwill related to business combinations is not amortized, but is subject to annual review for impairment. In general, when the carrying value of a reporting unit exceeds its implied fair value, an impairment loss must be recognized. For purposes of testing for impairment, the Company uses a discounted cash flow technique. The Company performed its annual impairment review in the second quarter of fiscal 2011 and determined that no additional adjustments to the carrying values of goodwill were necessary at March 31, 2011.

Liquidity and Capital Resources:

Net cash provided by operating activities was $33.8 million for the six months ended March 31, 2011, compared to $55.7 million for the first six months of fiscal 2010. Operating cash flow for both periods reflected net income adjusted for depreciation, amortization, stock-based compensation expense and pension expense, partially offset by decreases in deferred taxes. Changes in working capital items, principally increases in inventory and fiscal year-end compensation related payments, were the principal factors in the year-over-year decline.

Cash used in investing activities was $40.0 million for the six months ended March 31, 2011, compared to $23.9 million for the six months ended March 31, 2010. Investing activities for the first half of fiscal 2011 primarily reflected capital expenditures of $7.7 million, payments (net of cash acquired) of $31.7 million for acquisitions, net purchases of investments of $1.6 million and proceeds from the sale of assets of $1.0 million. Investing activities for the first half of fiscal 2010 reflected capital expenditures of $8.4 million, payments (net of cash acquired) of $14.6 million for acquisitions and net purchases of investments of $1.6 million.

Capital expenditures reflected reinvestment in the Company's business segments and were made primarily for the purchase of new manufacturing machinery, equipment and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for property, plant and equipment has averaged $17.6 million for the last three fiscal years. Capital spending for fiscal 2011 is expected to be in the range of $20.0 to $25.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash provided by financing activities for the six months ended March 31, 2011 was $4.4 million, primarily reflecting long-term debt proceeds, net of repayments, of $16.7 million, proceeds of $491,000 from the sale of treasury stock (stock option exercises), treasury stock purchases of $7.4 million, dividends of $4.7 million to the Company's shareholders and distributions to noncontrolling interests of $621,000. Cash used in financing activities for the first half of 2010 was $26.4 million, primarily reflecting long-term repayments, net of proceeds, of $13.3 million, treasury stock purchases of $9.4 million, dividends of $4.2 million to the Company's shareholders, distributions to noncontrolling interests of $234,000 and proceeds of $726,000 from the sale of treasury stock (stock option exercises).

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 commercial and standby letters of credit. Outstanding borrowings on the Revolving Credit Facility as of March 31, 2011 and September 30, 2010 were $209.5 million and $187.0 million, respectively. The weighted-average interest rate on outstanding borrowings under the credit facilities was 2.85% and 3.01% at March 31, 2011 and 2010, respectively.

The Company has entered into the following interest rate swaps:

Effective Date	Date	Amount	Fixed Interest Rate	Interest Rate Spread at March 31, 2011	Maturity Date
September 2007	September 2007	$25 million	4.77%	1.25%	September 2012
May 2008	May 2008	30 million	3.72%	1.25%	September 2012
October 2008	October 2008	20 million	3.46%	1.25%	October 2011
November 2011	February 2011	25 million	2.13%	1.25%	November 2014
September 2012	February 2011	25 million	3.03%	1.25%	December 2015
March 2012	March 2011	25 million	2.44%	1.25%	March 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 $3.0 million ($1.8 million after tax) at March 31, 2011 that is included in shareholders' equity as part of accumulated other comprehensive loss. Assuming market rates remain constant with the rates at March 31, 2011, approximately $1.3 million of the $1.8 million loss included in accumulated other comprehensive loss is expected to be recognized in earnings as interest expense over the next twelve months.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank. The maximum amount of borrowings available under this facility was 25.0 million Euros ($35.4 million). Outstanding borrowings under the credit facility totaled 12.0 million Euros at March 31, 2011 and September 30, 2010. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2011 and 2010 was 1.78% and 1.58%, respectively.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 7.3 million Euros ($10.3 million) and 7.9 million Euros ($10.8 million) at March 31, 2011 and September 30, 2010, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2011 and 2010 was 6.37% and 5.99%, 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 8.5 million Euros ($12.0 million) and 10.8 million Euros ($14.7 million) at March 31, 2011 and September 30, 2010, respectively. Matthews International S.p.A. also has four lines of credit totaling 8.4 million Euros ($11.9 million) with the same Italian banks. Outstanding borrowings on these lines were 1.0 million Euros ($1.5 million) and 2.1 million Euros ($2.8 million) at March 31, 2011 and September 30, 2010, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2011 and 2010 was 3.40% and 3.66%, respectively.

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 1,061,985 shares had been repurchased as of March 31, 2011.

The buy-back program is designed to increase shareholder value, enlarge the Company's holdings of its common stock, and add to earnings per share. Repurchased shares may be retained in treasury, utilized for acquisitions, or reissued to employees or other purchasers, subject to the restrictions of the Company's Restated Articles of Incorporation.

Consolidated working capital of the Company was $211.6 million at March 31, 2011, compared to $187.5 million at September 30, 2010. Cash and cash equivalents were $60.3 million at March 31, 2011, compared to $59.7 million at September 30, 2010. The Company's current ratio was 2.5 at March 31, 2011, compared to 2.3 at September 30, 2010.

Environmental Matters:

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

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

At March 31, 2011, an accrual of approximately $6.6 million had been recorded for environmental remediation (of which $827,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. Changes in the accrued environmental remediation obligation from the prior fiscal year reflect payments charged against the accrual.

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

Acquisitions:

In March 2011, the Company acquired Innovative Picking Technologies, Inc., a U.S. 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, 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.

Forward-Looking Information:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. This strategy consists of the following: internal growth (which includes 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 11.9%.

The Company continues to expect that certain market conditions could have a significant influence on expectations for the remainder of fiscal 2011. Rising commodity costs and the ongoing trend in the casketed death rate are important considerations for the Bronze and Casket segments. In addition, competitive pricing conditions and shifting product mix for memorial products remain challenges. However, recent volume growth in the Casket segment and Brand Solutions businesses, in addition to an increase in the Company's U.S. cremation equipment order backlog, were encouraging.

On this basis, the Company is maintaining its estimate for fiscal 2011 earnings per share to grow in the mid-to-high single digit percentage range over fiscal 2010 (excluding unusual charges in both years).

Critical Accounting Policies:

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

A summary of the Company's significant accounting policies are included in the Notes to Consolidated Financial Statements and in the critical accounting policies in Management's Discussion and Analysis included in the Company's Annual Report on Form 10-K for the year ended September 30, 2010. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the company's operating results and financial condition.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at March 31, 2011, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Payments due in fiscal year:				
	Total	**Remainder 2011**	**2012 to 2013**	**2014 to 2015**	**After 2015**
Contractual Cash Obligations:	(Dollar amounts in thousands)				
Revolving credit facilities	$ 226,509	$ -	$ 17,009	$ -	$ 209,500
Notes payable to banks	25,255	3,015	10,405	8,633	3,202
Short-term borrowings	1,474	1,474	-	-	-
Capital lease obligations	5,498	1,672	3,365	461	-
Non-cancelable operating leases	18,858	4,907	10,689	3,262	-
Total contractual cash obligations	$ 277,594	$ 11,068	$ 41,468	$ 12,356	$ 212,702

A significant portion of the loans included in the table above bear interest at variable rates. At March 31, 2011, the weighted-average interest rate was 2.85% on the Company's domestic Revolving Credit Facility, 1.78% on the credit facility through the Company's German subsidiaries, 3.40% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A, and 6.37% on bank loans to its majority-owned subsidiary, Saueressig.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. The Company is not required to make any significant contributions to its principal retirement plan in fiscal 2011. During the six months ended March 31, 2011, contributions of $372,000 and $519,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $392,000 and $574,000 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2011.

In connection with its May 2008 acquisition of a 78% interest in Saueressig, the Company entered into an option agreement related to the remaining 22% interest in Saueressig. The option agreement contained certain put and call provisions for the purchase of the remaining 22% interest in future years at a price to be determined by a specified formula based on future operating results of Saueressig. In April 2011, the Company completed the purchase of the remaining 22% interest in Saueressig for 19.3 million Euros.

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 March 31, 2011, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately $3.4 million. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable. The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The following discussion about the Company's market risk involves forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements. The Company has market risk related to changes in interest rates, commodity prices 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 interest rate swaps as listed under "Liquidity and Capital Resources".

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

The fair value of the interest rate swaps reflected an unrealized loss of $3.0 million ($1.8 million after tax) at March 31, 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 $322,000 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.

Foreign Currency Exchange Rates - The Company is subject to changes in various foreign currency exchange rates, including the Euro, British Pound, Canadian Dollar, Australian Dollar, Swedish Krona, Chinese Yuan, Hong Kong Dollar and Polish Zloty, in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of its non-U.S. based subsidiaries. A strengthening of the U. S. dollar of 10% would have resulted in a decrease in reported sales of $15.9 million and a decrease in reported operating income of 1.7 million for the six months ended March 31, 2011.

Actuarial Assumptions – The most significant actuarial assumptions affecting pension expense and pension obligations include the valuation of retirement plan assets, the discount rate and the estimated return on plan assets. The estimated return on plan assets is currently based upon projections provided by the Company's independent investment advisor, considering the investment policy of the plan and the plan's asset allocation. The fair value of plan assets and discount rate are "point-in-time" measures, and the recent volatility of the debt and equity markets makes estimating future changes in fair value of plan assets and discount rates more challenging. The following table summarizes the impact on the September 30, 2010 actuarial valuations of changes in the primary assumptions affecting the Company's principal retirement plan and supplemental retirement plan.

	Impact of Changes in Actuarial Assumptions					
	Change in Discount Rate		**Change in Expected Return**		**Change in Market Value of Assets**	
	+1%	**-1%**	**+1%**	**-1%**	**+5%**	**-5%**
	(Dollar amounts in thousands)					
Increase (decrease) in net benefit cost	$ (2,147))	$ 2,698	$(925))	$9255	$ (833))	$ 833
Increase (decrease) in projected benefit obligation	(19,144))	24,017	-	-	-	-
Increase (decrease) in funded status	19,144	(24,017))	-	-	4,743	(4,743))

Item 4. Controls and Procedures:

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

Management, under the supervision and with the participation of our Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures in effect as of March 31, 2011. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 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, summarized and properly reported within the appropriate time period, relating to the Company and its consolidated subsidiaries, required to be included in the Exchange Act reports, including this Quarterly Report on Form 10-Q.

There have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Stock Repurchase Plan

The Company has a stock repurchase program. 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 1,061,985 shares had been repurchased as of March 31, 2011. 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.

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
Total	211,890	34.92	211,890	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
10.1	Sale and Purchase and Transfer Agreement-B Regarding the Sale and Purchase and Transfer of a Partnership Interest in Saueressig GmbH & Co. KG
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci
31.2	Certification of Principal Financial Officer for Steven F. Nicola
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Joseph C. Bartolacci
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Steven F. Nicola

(b) Reports on Form 8-K

On January 21, 2011, Matthews filed a Current Report on Form 8-K under Item 2.02 in connection with a press release announcing its earnings for the first fiscal quarter of 2011.

On February 22, 2011, Matthews filed a Current Report on Form 8-K under Item 5.07 reporting the results of the matters voted on at the Company's Annual Meeting of Shareholders held on February 17, 2011.

On February 24, 2011, Matthews filed a Current Report on Form 8-K under Item 5.02 in connection with a press release announcing the resignation of Director Martin Schlatter.

SIGNATURES

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

MATTHEWS INTERNATIONAL CORPORATION
(Registrant)

Date: May 6, 2011	/s/ Joseph C. Bartolacci Joseph C. Bartolacci, President and Chief Executive Officer
Date: May 6, 2011	/s/ Steven F. Nicola Steven F. Nicola, Chief Financial Officer, Secretary and Treasurer

Exhibit 10.1

SALE AND PURCHASE AND TRANSFER AGREEMENT - B

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

MARCH 29, 2011

SALE AND PURCHASE AND TRANSFER AGREEMENT –B

by and among

Mr. Kilian Saueressig,

Lünten Nork 123, 48691 Vreden, Germany,

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

Matthews International Holding GmbH,

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

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

Matthews International Corporation,

2 North Shore Center, Pittsburgh, USA,

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

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

Saueressig GmbH + Co. KG,
Gutenbergstraße 1-3, 48691 Vreden, Germany,

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

and

Saueressig Geschäftsführungsgesellschaft mbH,
Gutenbergstraße 1-3, 48691 Vreden, Germany,

(hereinafter referred to as the "**General Partner**").

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PREAMBLE

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

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

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

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

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

WHEREAS, on June 2, 2010 the Parties agreed to execute the Option Agreement in amended form waiving any rights and obligations that could have been constituted so far under the terms of the Option Agreement; thus the Parties agreed upon a sale and purchase and transfer agreement dated June 2, 2010 concerning the sale and transfer of all of the Seller's partnership interests in the Company and of all of the Seller's Loan and Private Accounts (as defined in Clause 1.3(a)) to the Purchaser with commercial effect (*mit wirtschaftlicher Wirkung*) as of October 1, 2011 (hereinafter referred to as "**SPA-A**");

WHEREAS, the Parties now wish to replace the SPA-A with this Agreement with effect as of Signing Date and to sell and to transfer all of the Seller's partnership interests in the Company and all of the Seller's Loan and Private Accounts (as defined in Clause 1.3(a)) to the Purchaser with commercial effect (*mit wirtschaftlicher Wirkung*) as of April 1, 2011 (hereinafter also referred to as "**SPA-B**"); the validity of the Annexes referred to in the SPA-A shall not be affected by this SPA-B unless otherwise stipulated in this SPA-B;

NOW, THEREFORE, the Parties hereto agree as follows:

1. CORPORATE OWNERSHIP / STRUCTURE OF THE ACQUISITION

1.1 Particulars of the Company

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

1.2 Partnership Capital of the Company

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

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

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

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

1.3 Seller's Accounts

(a) The Company keeps for the Seller the following accounts: a fixed capital account (*Festkapitalkonto*) and a reserve account (*Rücklagenkonto*) (hereinafter collectively referred to as the "**Seller's Capital and Reserve Accounts**") as well as a loan account (*Darlehenskonto*) for loans granted by the Seller to the Company and a private account (*Privatkonto*) as well as a separate loss carry forward account (*Verlustvortragskonto*) (hereinafter collectively referred to as the "**Seller's Loan and Private Accounts**"). The Seller's Loan and Private Accounts shall include the profits of the Company in the amount of EUR 770,000.00 pertaining to the Seller for the period October 1, 2010 until and including March 31, 2011.

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

1.4 Signing Date; Effective Date

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

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

2.1 Sale and Purchase of the Partnership Interest

The Seller hereby sells, and the Purchaser hereby purchases from the Seller, upon the terms and conditions of this Agreement, the Partnership Interest in the Company with commercial effect (*mit wirtschaftlicher Wirkung*) as of the Effective Date. The sale and purchase of the Partnership Interest hereunder shall include any and all rights pertaining to the Partnership Interest, including, without limitation, the rights to receive profits and the obligations to bear losses generated from the Effective Date, and the accounts balances in the Seller’s Capital and Reserve Accounts as of the Effective Date, including any and all rights in the relation of the Company and the Seller reflected in and pertaining to the Seller’s Capital and Reserve Accounts. The Seller is entitled to a proportional share in the profits of the Company in the amount of EUR 770,000.00 for the period starting from October 1, 2010 until and including March 31, 2011.

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

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

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

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

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

The Parties shall make sure that the Seller, the Purchaser and the managing directors (*Geschäftsführer*) of the General Partner of the Company shall instruct the notary to forward the already signed filing to the Commercial Register, attached hereto as Annex 2.3(a), without undue delay (*unverzüglich*) after the receipt of a joint confirmation of payment to be issued jointly by the Seller and the Purchaser as set forth in Clause 2.3(d). In the event that the Commercial Register rejects the registration of the assignment of the Partnership Interest in the Company to the Purchaser with the Commercial Register on the basis of the filing signed and notarized on the signing date of the SPA-A, the Parties shall make sure that the Seller, the Purchaser and the managing directors (*Geschäftsführer*) of the General Partner of the Company shall update and/or amend the filing accordingly without undue delay (*unverzüglich*) and to forward this filing to the Commercial Register without undue delay (*unverzüglich*) afterwards.

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

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

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

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

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

2.4 Approval of Shareholders

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

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

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

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

EUR 19,324,401.00

(in words: nineteen million three hundred twenty four thousand four hundred one Euros)

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

(b) The purchase price to be paid by the Purchaser for the Seller's Loan and Private Accounts as sold and purchased in accordance with Clause 2.2 shall be equal to

EUR 1,233,345.00

(in words: one million two hundred thirty three thousand three hundred forty five Euros).

This amount is hereinafter referred to as the "**Seller's Loan and Private Accounts Purchase Price**" and shall not be part of the Purchase Price pursuant to Clause 3.1(a).

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

(a) On April 22, 2011, 00:00 German Time (hereinafter referred to as the "**Due Date**"), the Purchase Price and the Seller's Loans and Private Accounts Purchase Price shall become due and payable and the Purchaser shall pay the Purchase Price as follows:

(i) EUR 19,141,511.00 (in words: nineteen million one hundred forty one thousand five hundred eleven Euros) to the following bank account of the Seller (hereinafter referred to as "**Seller's Account**"):

bank: Sparkasse Hamburg

account number: 1265422848

sort code (*Bankleitzahl*): 20050550

IBAN: IBAN DE86 2005 0550 1265 4228 48

SWIFT: HASP DE HH XXX

(ii) EUR 1,416,235.20 (in words: one million four hundred sixteen thousand two hundred thirty five point twenty Euros) - to fulfil Seller's payment obligations vis-à-vis the Company under Clause 3 of the Sale and Purchase and Transfer Agreement between the Company (as seller) and the Seller (as purchaser) regarding the sale and purchase and transfer of a partnership interest in Devine GmbH & Co. KG attached to SPA-A as Annex 6.1 (a) in the amended version attached hereto as Annex 6.1 (a) - to the following bank account of the Company (hereinafter referred to as "**Company's Account**"):

bank: Sparkasse Westmünsterland

account number: 51010247

sort code (*Bankleitzahl*): 40154530

IBAN: DE74 4015 4530 0051 0102 47

SWIFT: WELADE3WXXX.

(b) On Due Date the Seller's Loan and Private Accounts Purchase Price shall become due and payable and the Purchaser shall pay the Seller's Loan and Private Accounts Purchase Price to the Seller's Account named in Clause 3.2 (a) (i).

(c) The Seller shall notify the Purchaser without undue delay ("*unverzüglich*") of the receipt of the full payment pursuant to Clause 3.2 (a) (i). The Company shall notify the Seller and the Purchaser without undue delay ("*unverzüglich*") of the receipt of full payment pursuant to Clause 3.2 (a) (ii).

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

3.3 Default

If the Purchaser is in default of a payment in the amount of at least EUR 1,000.00 owed under this Agreement for more than 5 days, the Purchaser shall owe - for the time the Purchaser is in default - a contractual fine in the amount of EUR 2,500.00 per day starting from the sixth day of default earliest however starting and including the day the Seller has informed the Purchaser by written notice of the default. An amount of default less than EUR 1,000.00 shall be interests-bearing at a fixed rate of 12 per cent p. a. for the time the Purchaser is in default. Interest shall be calculated on the basis of actual days elapsed and a calendar year with 360 days.

3.4 No Right to Set-Off or to Withhold

Any right of the Purchaser to set-off and/or to withhold any payments due under this Agreement is hereby expressly waived and excluded except for claims which are undisputed or *res iudicatae*.

3.5 Bank Guarantee and Assignment by way of Security

(a) The Parties agree that the Bank Guarantee provided by the Guarantor to the Seller under the Option Agreement and under the SPA-A in amended form shall also serve for the benefit of the Seller as security for the timely and duly fulfilment of the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price in accordance with Clauses 3.1 and 3.2 of this SPA-B. The issuing bank, Citizens Bank of Pennsylvania, has declared its confirmation in this respect and the Guarantor has delivered the original of the declaration of confirmation to the Seller on the Signing Date; a copy is attached hereto as Annex 3.5(a).

(b) The Guarantor shall ensure that the Bank Guarantee remains effective until the payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price is effected in accordance with Clauses 3.1 and 3.2 above. After the Bank Guarantee having become ineffective or after the Seller has received full payment of the Purchase Price and the Sellers' Loan and Private Accounts Purchase Price in accordance with Clauses 3.1 and 3.2 of this Agreement, the Seller shall return the original of the Bank Guarantee attached hereto as a copy as Annex 3.5 (b) and the original of the declaration of confirmation attached hereto as a copy as Annex 3.5 (a) without undue delay (*unverzüglich*) – upon consultation - to Dr. Tomas STERKENBURGH, Karl-Heinz ROLVERING or Markus PENNEKAMP or - if these persons are not available - to the legal advisors of the Purchaser in their office in Cologne (address as set forth under Clause 9.3 of this Agreement). If the Seller neglects to return the original of the Bank Guarantee and the original of the declaration of confirmation attached hereto as copy as Annexes 3.5 (b) and 3.5 (a) within three Business Days after having received full payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price in accordance with this Clause 3.5 (b), the Seller shall be obliged to pay a contractual fine to the Purchaser in the amount of EUR 1,000.00 per day starting from the fourth Business Day of having received full payment of the Purchase Price and the Seller's Loan and Private Accounts Purchase Price until the day of the return of the original of the Bank Guarantee and the original of the declaration of confirmation to Dr. Tomas STERKENBURGH, Karl-Heinz ROLVERING or Markus PENNEKAMP or - if these persons are not available - to the legal advisors of the Purchaser in their office in Cologne.

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

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

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

4. CANCELLED

5. SELLER'S GUARANTEES

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

(b) Furthermore the Seller hereby guarantees to the Purchaser by way of an independent promise of guarantee pursuant to Clause 311 para. 1 BGB (*selbständiges Garantieversprechen im Sinne des § 311 Abs. 1 BGB*) that on the Effective Date the Seller's Loan and Private Accounts total at least an amount of EUR 1,233,345.00 provided however that the profit share in the amount of EUR 770,000.00 pertaining to the Seller for the period October 1, 2010 until and including March 31, 2011 has been added to and the amount of EUR 170,000.00 pursuant to 6.2 (b) of this Agreement has been deducted from the Seller's Loan and Private Accounts in accordance with the shareholder resolution attached hereto as Annex 6.1 (d). Starting from Signing Date the Seller is not entitled to any further withdrawals from the Seller's Loan and Private Accounts.

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

6. COVENANTS

6.1 Signing Covenants

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

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

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

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

(d) the resolution of the Company, attached hereto as Annex 6.1(d).

(e) the resolution of the General Partner, attached hereto as Annex 6.1(e).

6.2 After-Signing Covenants

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

(b) As to be agreed on in the Company's resolution attached hereto as Annex 6.1 (d), the Seller shall be entitled,in his function as shareholder of the Company, to reward certain employees of the Company with bonus payments in the total gross amount of EUR 170,000.00 (in words: one hundred seventy thousand Euros) (hereinafter referred to as "**Bonus Payment Amount**") prior to the Effective Date. For this purpose, the Seller and the Purchaser shall agree in the Company's resolution attached hereto as Annex 6.1 (d) that the Seller and the Purchaser instruct the Company prior to March 31, 2011 to pay on the Seller's behalf and on his account bonus payments to certain employees already nominated by the Seller in Annex A to the Company's resolution attached hereto as Annex 6.1 (d) by withdrawing the Bonus Payment Amount from his Seller's Loan and Private Accounts with effect to March 31, 2011. The Purchaser herewith explicitly and irrevocably grants his consent to this employee reward procedure.

(c) The Purchaser, the Company and the General Partner shall use their best efforts that the Seller will be withdrawn as managing director in all subsidiaries and participations of the Company.

6.3 Covenant not to Compete

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

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

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

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

7. GUARANTOR'S GUARANTEE

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

8. TAXES AND COSTS

8.1 Taxes on Earnings

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

(b) As far as taxes on earnings, in particular, but not limited to, trade income tax (*Gewerbeertragsteuer*) resulting from any and all sales and/or transfers of partnership interests in the Company by the Seller to the Purchaser on the level of the Company, the Seller shall reimburse the amount corresponding to these taxes on earnings to the Company. The profit share in the amount of EUR 770,000.00 pertaining to the Seller for the period October 1, 2010 until March 31, 2011 pursuant to Clause 1.3 of this Agreement has already been reduced by trade income tax; the Seller is not obliged under this Clause 8.1 to reimburse the trade income tax pertaining to this amount to the Company.

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

8.2 Transfer Taxes

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

8.3 Value Added Tax

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

8.4 Costs and Fees

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

9. NOTICES

9.1 Form of Notice

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

9.2 Notices to Seller

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

Kilian Saueressig
Lünten Nork 123
48691 Vreden
Germany

with a copy to:

Allen & Overy LLP

Attn.: Thomas Austmann

Rheinisches Palais

Breite Strasse 27

40213 Duesseldorf

Germany

Fax: +49 211 28 06 7601.

9.3 Notices to Purchaser

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

Matthews International Corporation

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

Two North Shore Center

Pittsburgh

Pennsylvania 15222 (USA)

Fax: +1 412 442-8290

with a copy to:

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

and a copy to:

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

9.4 Notices to Guarantor

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

Matthews International Corporation

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

Two North Shore Center

Pittsburgh

Pennsylvania 15222 (USA)

Fax: +1 412 442-8290

with a copy to:

Streck Mack Schwedhelm

Attn.: Dr. Heinz-Willi Kamps

50858 Köln (Junkersdorf)

Germany

Fax: +49 221 49 29 299

9.5 Change of Address

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

9.6 Copies to Advisors

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

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

10. MISCELLANEOUS

10.1 Governing Law

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

10.2 Arbitration

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

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

10.3 Business Day

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

10.4 Amendments, Supplementations

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

10.5 Language

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

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

10.6 Headings

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

10.7 Annexes

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

10.8 Entire Agreement; Termination of Option Agreement; Replacement of SPA-A; Settlement

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

(b) Clause 10.8 (b) of the SPA-A shall remain unaffected by this Agreement.

(c) The Parties agree that the SPA-A shall completely be replaced by this Agreement with effect as of Signing Date unless explicitely otherwise provided for herein. All and any claims and rights that may have arisen out of SPA-A until Signing Date, shall be determined in future only in accordance with this Agreement.

(d) Clause 10.8 (c) of this Agreement does not apply to the Annexes referred to in the SPA-A unless otherwise stipulated in this Agreement.

(e) By full payment of the Purchase Price and of the Seller's Loan and Private Accounts Purchase Price to the Seller in accordance with Clauses 3.1 and 3.2 of this Agreement all and any - known or unknown - claims for whatever legal reason of the Seller against the Purchaser, the Guarantor, the Company or the General Partner and any - known or unknown - claims for whatever legal reason of the Purchaser, the Guarantor, the Company or the General Partner against the Seller shall be waived and become void. Sentence 1 does not apply to

(i) any claims pursuant to this Agreement and any claims pursuant to the agreements and resolutions referred to in Clause 6.1;

(ii) any claims that are caused by intentionally committed criminal actions ("*vorsätzlich begangene Straftat*"). Criminal actions by means of this Agreement are offences pursuant to Art. 12 para 2 of the German Criminal Code (StBG, "*Vergehen*") and felonies pursuant to Art. 12 para 1 of the German Criminal Code ("*Verbrechen*").

10.9 Severability

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

Duesseldorf/Germany, March 29, 2011

Seller	**Purchaser**
____________________________	____________________________
Kilian Saueressig	Matthews International Holding GmbH
Brian Dunn	

Guarantor

____

Matthews International Corporation

Brian Dunn

Company	**Company**
____________________________	____________________________
Dr. Tomas Sterkenburgh	Karl-Heinz Rolvering
Saueressig GmbH + Co. KG	Saueressig GmbH + Co. KG

General Partner

General Partner

____

Dr. Tomas Sterkenburgh

Saueressig Geschäftsführungs GmbH

____

Karl-Heinz Rolvering

Saueressig Geschäftsführungs GmbH

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Exhibit 31.1

CERTIFICATION
PRINCIPAL EXECUTIVE OFFICER

I, Joseph C. Bartolacci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/Joseph C. Bartolacci

Joseph C. Bartolacci
President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATION
PRINCIPAL FINANCIAL OFFICER

I, Steven F. Nicola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Matthews International Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2011

/s/Steven F. Nicola

Steven F. Nicola
Chief Financial Officer,
Secretary and Treasurer

Exhibit 32.1

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

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the "Company") on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph C. Bartolacci, Chief Executive Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Joseph C. Bartolacci

Joseph C. Bartolacci,
President and Chief Executive Officer

May 6, 2011

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

Exhibit 32.2

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

As Adopted Pursuant to

Section 906 of The Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Matthews International Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven F. Nicola, Chief Financial Officer, certify, to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/Steven F. Nicola

Steven F. Nicola,
Chief Financial Officer

May 6, 2011

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