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, 2012

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 website, 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, 2012, shares of common stock outstanding were:

Class A Common Stock 28,198,179 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, 2012		September 30, 2011	
ASSETS				
Current assets:				
Cash and cash equivalents		$ 54,671		$ 61,662
Accounts receivable, net		166,613		164,738
Inventories		128,164		125,567
Deferred income taxes		1,710		1,722
Other current assets		19,191		16,157
Total current assets		370,349		369,846
Investments		18,409		15,105
Property, plant and equipment: Cost	$ 340,639		$ 330,895	
Less accumulated depreciation	(200,765)		(196,391)	
		139,874		134,504
Deferred income taxes		34,179		33,818
Other assets		14,827		16,354
Goodwill		468,769		465,003
Other intangible assets, net		61,136		62,825
Total assets		$ 1,107,543		$ 1,097,455
LIABILITIES				
Current liabilities:				
Long-term debt, current maturities		$ 21,874		$ 18,014
Accounts payable		37,131		46,655
Accrued compensation		25,793		31,339
Accrued income taxes		19,426		10,272
Other current liabilities		55,970		55,461
Total current liabilities		160,194		161,741
Long-term debt		295,808		299,170
Accrued pension		68,920		66,714
Postretirement benefits		27,125		26,417
Deferred income taxes		16,723		17,007
Environmental reserve		5,218		5,406
Other liabilities		36,481		42,745
Total liabilities		610,469		619,200
Arrangement with noncontrolling interest		10,562		10,162
SHAREHOLDERS’ EQUITY				
Shareholders' equity-Matthews:				
Common stock	$ 36,334		$ 36,334	
Additional paid-in capital	45,864		48,554	
Retained earnings	703,108		681,658	
Accumulated other comprehensive loss	(53,206)		(58,658)	
Treasury stock, at cost	(248,870)		(243,246)	
Total shareholders’ equity-Matthews		483,230		464,642
Noncontrolling interests		3,282		3,451
Total shareholders’ equity		486,512		468,093
Total liabilities and shareholders' equity		$ 1,107,543		$ 1,097,455

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,	
	2012	**2011**	**2012**	**2011**
Sales	$ 225,545	$ 220,151	$ 442,758	$ 427,495
Cost of sales	(140,838)	(132,038)	(280,056)	(259,637)
Gross profit	84,707	88,113	162,702	167,858
Selling and administrative expenses	(59,420)	(59,628)	(118,490)	(117,407)
Operating profit	25,287	28,485	44,212	50,451
Investment income	1,243	498	2,844	1,649
Interest expense	(2,727)	(2,087)	(5,284)	(3,839)
Other income (deductions), net	(638)	(697)	(1,153)	(966)
Income before income taxes	23,165	26,199	40,619	47,295
Income taxes	(7,973)	(9,080)	(14,007)	(16,653)
Net income	15,192	17,119	26,612	30,642
Net (income) loss attributable to noncontrolling interests	66	(532)	(69)	(841)
Net income attributable to Matthews shareholders	$ 15,258	$ 16,587	$ 26,543	$ 29,801
Earnings per share attributable to Matthews shareholders:				
Basic	$0.54	$0.56	$0.93	$1.01
Diluted	$0.54	$0.56	$0.93	$1.01

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, 2012 and 2011 (Unaudited)
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity						
	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						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2011	$ 36,334	$ 48,554	$ 681,658	$ (58,658)	$ (243,246)	$ 3,451	$ 468,093
Net income	-	-	26,543	-	-	69	26,612
Minimum pension liability	-	-	-	2,045	-	-	2,045
Translation adjustment	-	-	-	3,202	-	(68)	3,134
Fair value of derivatives	-	-	-	205	-	-	205
Total comprehensive income							31,996
Stock-based compensation	-	2,731	-	-	-	-	2,731
Purchase of 354,040 shares of treasury stock	-	-	-	-	(11,298)	-	(11,298)
Issuance of 183,765 shares of treasury stock	-	(5,421)	-	-	5,674	-	253
Dividends, $.18 per share	-	-	(5,093)	-	-	-	(5,093)
Distributions to							

noncontrolling interests	-	-	-	-	-	(170)	(170)
Balance, March 31, 2012	$ 36,334	$ 45,864	$ 703,108	$ (53,206)	$ (248,870)	$ 3,282	$ 486,512

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, 2012	Six Months Ended March 31, 2011
Cash flows from operating activities:		
Net income	$ 26,612	$ 30,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,532	13,627
Gain on sale of assets	(4,511)	(1,588)
Stock-based compensation expense	2,731	3,608
Change in deferred taxes	(1,349)	(429)
Changes in working capital items	(17,305)	(18,675)
Decrease in other assets	1,528	3,520
Decrease in other liabilities	(2,318)	(1,888)
Increase in pension and postretirement benefits	6,266	4,961
Net cash provided by operating activities	26,186	33,778
Cash flows from investing activities:		
Capital expenditures	(15,921)	(7,687)
Proceeds from sale of assets	357	994
Acquisitions, net of cash acquired	(1,388)	(31,693)
Purchases of investments	(950)	(1,641)
Net cash used in investing activities	(17,902)	(40,027)
Cash flows from financing activities:		
Proceeds from long-term debt	7,984	39,636
Payments on long-term debt	(7,667)	(22,979)
Proceeds from the sale of treasury stock	265	491
Purchases of treasury stock	(11,298)	(7,400)
Excess tax benefit of share-based compensation arrangements	3	40
Dividends	(5,093)	(4,727)
Distributions to noncontrolling interests	(170)	(621)
Net cash (used in) provided by financing activities	(15,976)	4,440
Effect of exchange rate changes on cash	701	2,425
Net change in cash and cash equivalents	$ (6,991)	$ 616
Non-cash investing and financing activities:		
Acquisition of equipment under capital lease	$ 420	$ 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 and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products and merchandising solutions. Effective October 1, 2011, the Company changed the name of its Bronze and Casket segments to the Cemetery Products segment and the Funeral Home Products segment, respectively. Also effective October 1, 2011, the Company's cremation casket operations, previously included in the Cremation segment, are included in the Funeral Home Products segment. The Company's products and operations are comprised of six business segments: Cemetery Products, Funeral Home Products, Cremation, Graphics Imaging, Marking Products and Merchandising Solutions. The Cemetery Products segment is a leading manufacturer of cast bronze and granite memorials and other memorialization products, cast and etched architectural products and is a leading builder of mausoleums in the United States. The Funeral Home Products segment is a leading casket manufacturer and distributor in North America and produces a wide variety of wood, metal and cremation caskets. The Cremation segment is a leading designer and manufacturer of cremation equipment in North America and Europe. The Graphics Imaging segment manufactures and provides brand 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, 2012 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2012. 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, 2011. 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 2. Basis of Presentation (continued)

Reclassifications:

Effective October 1, 2011, the Company's cremation casket operations are included in the Funeral Home Products segment. Prior period financial information has been reclassified to reflect the current presentation.

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.

The fair values of the Company's assets and liabilities measured on a recurring basis are categorized as follows:

	March 31, 2012				September 30, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Trading securities	$ 15,676	-	-	$ 15,676	$ 13,426	-	-	$ 13,426
Total assets at fair value	$ 15,676	-	-	$ 15,676	$ 13,426	-	-	$ 13,426
Liabilities:								
Derivatives (1)	-	$ 6,825	-	$ 6,825	-	$ 7,161	-	$ 7,161
Total liabilities at fair value	-	$ 6,825	-	$ 6,825	-	$ 7,161	-	$ 7,161

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

Note 4. Inventories

Inventories consisted of the following:

	March 31, 2012	September 30, 2011
Raw Materials	$ 43,373	$ 35,692
Work in process	20,035	21,461
Finished goods	64,756	68,414
	$ 128,164	$ 125,567

(Dollar amounts in thousands, except per share data)

Note 5. Debt

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. In March 2012, the maximum amount of borrowings available under the facility was increased from $300,000 to $400,000 and the facility's maturity was extended to March 2017. Borrowings under the amended facility bear interest at LIBOR plus a factor ranging from 1.00% to 1.50% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .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 $250,000 as of March 31, 2012 and September 30, 2011. The weighted-average interest rate on outstanding borrowings on these facilities at March 31, 2012 and 2011 was 2.89% and 2.85%, respectively.

The Company has entered into the following interest rate swaps:

Effective Date	Amount	Fixed Interest Rate	Interest Rate Spread at March 31, 2012	Maturity Date
September 2007	$25,000	4.77%	1.25%	September 2012
May 2008	20,000	3.72%	1.25%	September 2012
May 2011	25,000	1.37%	1.25%	May 2014
October 2011	25,000	1.67%	1.25%	October 2015
November 2011	25,000	2.13%	1.25%	November 2014
March 2012	25,000	2.44%	1.25%	March 2015
September 2012	25,000	3.03%	1.25%	December 2015
November 2012	25,000	1.33%	1.25%	November 2015

The Company enters into interest rate swaps in order to achieve a mix of fixed and variable rate debt that it deems appropriate. The interest rate swaps have been designated as cash flow hedges of the future variable interest payments under the Revolving Credit Facility, which are considered probable of occurring. Based on the Company's assessment, all of the critical terms of each of the hedges matched the underlying terms of the hedged debt and related forecasted interest payments, and as such, these hedges were considered highly effective.

The fair value of the interest rate swaps reflected an unrealized loss of $6,825 ($4,163 after tax) at March 31, 2012 that is included in shareholders' equity as part of accumulated other comprehensive loss ("AOCL"). Assuming market rates remain constant with the rates at March 31, 2012, approximately $1,596 of the $4,163 loss included in AOCL is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

(Dollar amounts in thousands, except per share data)

Note 5. Debt (continued)

At March 31, 2012 and September 30, 2011, 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, 2012	September 30, 2011
Current liabilities:		
Other current liabilities	$ 2,616	$ 2,061
Long-term liabilities		
Other liabilities	4,209	5,100
Total derivatives	$ 6,825	$ 7,161

The loss recognized on derivatives was as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivatives		Amount of Loss Recognized in Income on Derivatives	
		Three Months ended March 31,		Six Months ended March 31,	
		2012	2011	2012	2011
Interest rate swaps	Interest expense	$(733)	$(701)	$(1,420)	$(1,459)

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

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in AOCL on Derivatives		Location of Gain or (Loss) Reclassified From AOCL into Income (Effective Portion*)	Amount of Loss Reclassified from AOCL into Income (Effective Portion*)	
	March 31, 2012	March 31, 2011		March 31, 2012	March 31, 2011
Interest rate swaps	$(661)	$(24)	Interest expense	$(866)	$(890)

*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 ($33,358). Outstanding borrowings under the credit facility totaled 23.6 million Euros ($31,489) and 23.6 million Euros ($31,593) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2012 and 2011 was 2.45% and 1.78%, respectively.

Note 5. Debt (continued)

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 8.1 million Euros ($10,823) and 8.3 million Euros ($11,159) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2012 and 2011 was 6.10% and 6.37%, 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 6.3 million Euros ($8,403) and 8.7 million Euros ($11,611) at March 31, 2012 and September 30, 2011, respectively. Matthews International S.p.A. also has four lines of credit totaling 11.4 million Euros ($15,171) with the same Italian banks. Outstanding borrowings on these lines were 2.4 million Euros ($3,138) and 493,000 Euros ($661) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2012 and 2011 was 3.15% and 3.40%, respectively.

As of March 31, 2012 and September 30, 2011 the fair value of the Company's long-term debt, including current maturities, which is classified as level 2 in the fair value hierarchy, approximated the carrying value included in the Condensed Consolidated Balance Sheet.

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, 2012, there were 813,152 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, 2012 and 2011, total stock-based compensation cost totaled $1,319 and $1,851, respectively. For the six-month periods ended March 31, 2012 and 2011, total stock-based compensation cost totaled $2,731 and $3,608, respectively. The associated future income tax benefit recognized was $514 and $721

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

for the three-month periods ended March 31, 2012 and 2011, respectively, and $1,065 and $1,407 for the six-month periods ended March 31, 2012 and 2011, respectively.

For the three-month periods ended March 31, 2012 and 2011, the amount of cash received from the exercise of stock options was $237 and $338, respectively. For the six-month periods ended March 31, 2012 and 2011, the amount of cash received from the exercise of stock options was $265 and $491, respectively. In connection with these exercises, the tax benefits realized by the Company were $19 and $49 for the three-month periods ended March 31, 2012 and 2011, respectively, and $22 and $100 for the six-month periods ended March 31, 2012 and 2011, respectively.

The transactions for restricted stock for the six months ended March 31, 2012 were as follows:

	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2011	541,613	$ 33.62
Granted	155,710	32.07
Vested	(148,003)	35.52
Expired or forfeited	(400)	31.45
Non-vested at March 31, 2012	548,920	32.67

As of March 31, 2012, the total unrecognized compensation cost related to unvested restricted stock was $5,698 and is expected to be recognized over a weighted average period of 1.7 years.

The transactions for shares under options for the six months ended March 31, 2012 were as follows:

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2011	872,514	$ 37.02		
Granted	-	-		
Exercised	(10,332)	25.64		
Expired or forfeited	(8,500)	40.27		
Outstanding, March 31, 2012	853,682	37.13	3.5	$ -
Exercisable, March 31, 2012	493,329	35.96	3.2	$ -

No shares were earned during the three-month and six-month periods ended March 31, 2012 and 2011, 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, 2012 and 2011 was $57 and $288, 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, 2012 were as follows:

Non-vested shares	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2011	367,586	$ 11.38
Granted	-	-
Vested	-	-
Expired or forfeited	(7,233)	12.28
Non-vested at March 31, 2012	360,353	11.36

The fair value of each restricted stock grant is estimated on the date of grant using a binomial lattice valuation model. The following table indicates the assumptions used in estimating fair value of restricted stock for the periods ended March 31, 2012 and 2011.

	Six Months Ended March 31,	
	2012	2011
Expected volatility	30.4%	30.0%
Dividend yield	1.0%	1.0%
Average risk free interest rate	0.9%	1.2%
Average expected term (years)	2.0	2.0

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 16,979 shares had been deferred under the Director Fee Plan at March 31, 2012. 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, 2012, 11,800 options were outstanding and vested. Additionally, 83,046 shares of restricted stock have been granted under the plan, 29,288 of which were unvested at March 31, 2012. 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,	
	2012	2011	2012	2011
Net income attributable to Matthews shareholders	$ 15,258	$ 16,587	$ 26,543	$ 29,801
Less: dividends and undistributed earnings allocated to participating securities	224	338	436	562
Net income available to Matthews shareholders	$ 15,034	$ 16,249	$ 26,107	$ 29,239
Weighted-average shares outstanding (in thousands):				
Basic shares	27,926	28,961	27,933	28,993
Effect of dilutive securities:				
Stock options	8	19	9	18
Restricted shares	19	-	56	-
Phantom stock units	15	25	15	26
Diluted shares	27,968	29,005	28,013	29,037

Options to purchase 786,292 and 786,667 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, 2012, respectively, because the inclusion of these options would be anti-dilutive. 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.

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:

	Three months ended March 31,			
	Pension		Other Postretirement	
	2012	2011	2012	2011
Service cost	$ 1,424	$ 1,237	$ 182	$ 158
Interest cost	1,950	1,867	321	313
Expected return on plan assets	(1,953)	(1,843)	-	-
Amortization:				
Prior service cost	(11)	6	(113)	(119)
Net actuarial loss	1,680	1,338	134	102
Net benefit cost	$ 3,090	$ 2,605	$ 524	$ 454

(Dollar amounts in thousands, except per share data)

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

	Six months ended March 31,			
	Pension		Other Postretirement	
	2012	2011	2012	2011
Service cost	$ 2,848	$ 2,474	$ 364	$ 316
Interest cost	3,900	3,734	642	626
Expected return on plan assets	(3,906)	(3,686)	-	-
Amortization:				
Prior service cost	(22)	12	(226)	(238)
Net actuarial loss	3,360	2,676	268	204
Net benefit cost	$ 6,180	$ 5,210	$ 1,048	$ 908

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 2012.

Contributions made and anticipated for fiscal year 2012 are as follows:

Contributions	Pension	Other Postretirement
Contributions during the six months ended March 31, 2012:		
Supplemental retirement plan	$366	$ -
Other postretirement plan	-	497
Additional contributions expected in fiscal 2012:		
Supplemental retirement plan	400	-
Other postretirement plan	-	632

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, 2012 was 34.5%, compared to 35.2% for the second quarter of 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 and foreign income taxes.

The Company had unrecognized tax benefits (excluding penalties and interest) of $3,634 and $2,928 on March 31, 2012 and September 30, 2011, respectively, all of which, if recorded, would impact the 2012 annual effective tax rate. It is reasonably possible that $269 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 $285 in interest and penalties in the provision for income taxes for the first six months of fiscal 2012. Total penalties and interest accrued were $2,127 and $1,842 at March 31, 2012 and September 30, 2011, 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, 2012, the tax years that remain subject to examination by major jurisdiction generally are:

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

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 (Cemetery Products, Funeral Home Products, Cremation) and Brand Solutions (Graphics Imaging, Marking Products, Merchandising Solutions). Effective October 1, 2011, the Company's cremation casket manufacturing operations are included in the Funeral Home Products segment. Prior period financial information has been reclassified to reflect the current presentation. Management evaluates segment performance based on operating profit (before income taxes) and does not allocate non-operating items such as investment income, interest expense, other income (deductions), net, and noncontrolling interests.

Information about the Company's segments follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	2011	2012	2011
Sales to external customers:				
Memorialization:				
Cemetery Products	$ 53,575	$ 52,857	$ 98,725	$ 103,370
Funeral Home Products	61,767	67,391	120,338	129,048
Cremation	11,098	8,294	20,532	16,534
	126,440	128,542	239,595	248,952
Brand Solutions:				
Graphics Imaging	64,839	64,834	135,282	124,861
Marking Products	17,756	14,521	34,139	27,442
Merchandising Solutions	16,510	12,254	33,742	26,240
	99,105	91,609	203,163	178,543
	$ 225,545	$ 220,151	$ 442,758	$ 427,495

(Dollar amounts in thousands, except per share data)

Note 10. Segment Information (continued)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Six Months Ended March 31, 2012	Six Months Ended March 31, 2011
Operating profit:				
Memorialization:				
Cemetery Products	$ 10,165	$ 10,811	$ 14,700	$ 20,937
Funeral Home Products	7,327	9,547	13,815	15,918
Cremation	1,232	515	1,989	1,043
	18,724	20,873	30,504	37,898
Brand Solutions:				
Graphics Imaging	3,731	5,907	8,712	9,625
Marking Products	2,045	1,888	3,413	2,914
Merchandising Solutions	787	(183)	1,583	14
	6,563	7,612	13,708	12,553
	$ 25,287	$ 28,485	$ 44,212	$ 50,451

Note 11. 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.

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

	Cemetery Products	Funeral Home Products	Cremation	Graphics Imaging	Marking Products	Merchandising Solutions	Consolidated
Goodwill	$ 88,142	$ 162,819	$ 16,735	$ 167,828	$ 29,593	$ 9,138	$ 474,255
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at September 30, 2011	87,730	162,819	11,735	163,988	29,593	9,138	465,003
Additions during period	-	57	770	794	1,151	-	2,772
Translation and other adjustments	106	-	94	720	74	-	994
Goodwill	88,248	162,876	17,599	169,342	30,818	9,138	478,021
Accumulated impairment losses	(412)	-	(5,000)	(3,840)	-	-	(9,252)
Balance at March 31, 2012	$ 87,836	$ 162,876	$ 12,599	$ 165,502	$ 30,818	$ 9,138	$ 468,769

(Dollar amounts in thousands, except per share data)

Note 11. Goodwill and Other Intangible Assets (continued)

The additions to Funeral Home Products and Marking Products goodwill primarily represents the effect of adjustments to purchase price; the addition to Cremation goodwill reflects the acquisition of a small cremation equipment manufacturer in Europe; and the addition to Graphics Imaging goodwill related primarily to additional consideration paid in accordance with the purchase agreement with Tact Group Limited.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of March 31, 2012 and September 30, 2011, respectively.

	Carrying Amount	Accumulated Amortization	Net
March 31, 2012:			
Trade names	$ 24,430	$ -*	$ 24,430
Trade names	2,238	(1,382)	856
Customer relationships	48,026	(14,532)	33,494
Copyrights/patents/other	9,937	(7,581)	2,356
	$ 84,631	$ (23,495)	$ 61,136
September 30, 2011:			
Trade names	$ 24,266	$ -*	$ 24,266
Trade names	2,227	(1,147)	1,080
Customer relationships	47,876	(13,228)	34,648
Copyrights/patents/other	9,870	(7,039)	2,831
	$ 84,239	$ (21,414)	$ 62,825

* Not subject to amortization

The net change in intangible assets during the six months ended March 31, 2012 included the impact of foreign currency fluctuations during the period and additional amortization.

Amortization expense on intangible assets was $1,004 and $1,151 for the three-month periods ended March 31, 2012 and 2011, respectively. For the six-month periods ended March 31, 2012 and 2011, amortization expense was $2,009 and $2,214, respectively. Amortization expense is estimated to be $1,902 in 2012, $3,549 in 2013, $3,337 in 2014, $3,067 in 2015 and $2,794 in 2016.

Note 12. Subsequent Events:

On May 4, 2012, the Company announced that it had acquired Everlasting Granite Memorial Co., Inc., a supplier of granite memorials, columbariums and private mausoleum estates.

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, 2011. 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 sales and operating profit for the Company's Memorialization and Brand Solutions businesses for the periods indicated.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2012	**2011**	**2012**	**2011**
Sales:				
Memorialization	$ 126,440	$ 128,542	$ 239,595	$ 248,952
Brand Solutions	99,105	91,609	203,163	178,543
	$ 225,545	$ 220,151	$ 442,758	$ 427,495
Operating Profit:				
Memorialization	$ 18,724	$ 20,873	$ 30,504	$ 37,898
Brand Solutions	6,563	7,612	13,708	12,553
	$ 25,287	$ 28,485	$ 44,212	$ 50,451

Effective October 1, 2011, the Company changed the name of its Bronze and Casket segments to the Cemetery Products segment and the Funeral Home Products segment, respectively. Also effective October 1, 2011, the Company's cremation casket operations, previously included in the Cremation segment, are included in the Funeral Home Products segment. Prior period financial information has been reclassified to reflect the current presentation.

Sales for the six months ended March 31, 2012 were $442.8 million, compared to $427.5 million for the six months ended March 31, 2011. Higher sales were reported in each of the Company's Brand Solutions businesses and the Cremation segment. These increases were partially offset by lower sales in the Cemetery Products and Funeral Home Products segments, which were unfavorably impacted by a decline in the estimated number of casketed and in-ground burial (non-cremation) deaths.

Consolidated sales were also affected by an unfavorable impact of approximately $2.6 million from changes in foreign currency values against the U.S. dollar.

In the Memorialization businesses, Cemetery Products segment sales for the first six months of fiscal 2012 were $98.7 million compared to $103.4 million for the first six months of fiscal 2011. The decrease resulted primarily from a decline in sales volume of bronze memorials and lower mausoleum sales. Lower sales of bronze memorials principally reflected the impact of lower estimated U.S. in-ground burial deaths in fiscal 2012 compared to the prior year. Sales for the Funeral Home Products segment were $120.3 million for the first six months of fiscal 2012 compared to $129.0 million for the same period in fiscal 2011. The decrease resulted principally from the impact of lower year-over-year casketed deaths in the U.S. and a decline in sales to independent distributors. Sales for the Cremation segment were $20.5 million for the first half of fiscal 2012 compared to $16.5 million for the same period a year ago. The increase principally reflected higher sales of cremation equipment in the U.S. and Europe.

In the Brand Solutions businesses, sales for the Graphics Imaging segment in the first six months of fiscal 2012 were $135.3 million, compared to $124.9 million for the same period a year ago. The increase resulted principally from higher sales in Europe and the U.K. and the acquisition of Kroma Pre-Press Preparation Systems Industry & Trade, Inc. ("Kroma") in July 2011, partially offset by an unfavorable impact of approximately $2.3 million from changes in the value of foreign currencies against the U.S. dollar. Marking Products segment sales for the six months ended March 31, 2012 were $34.1 million, compared to $27.4 million for the first six months of fiscal 2011. The increase resulted principally from acquisitions completed in fiscal 2011 and higher sales in Europe and China. Sales for the Merchandising Solutions segment were $33.7 million for the first half of fiscal 2012, compared to $26.2 million for the same period a year ago. The increase principally reflected higher volume for several global customers.

Gross profit for the six months ended March 31, 2012 was $162.7 million, compared to $167.9 million for the six months ended March 31, 2011. Consolidated gross profit as a percent of sales for the first half of fiscal 2012 decreased to 36.7% from 39.3% for the first half of fiscal 2011. The decrease in consolidated gross profit and gross profit percentage primarily reflected the impact of lower sales in the Cemetery Products and Funeral Home Products segments and higher commodity costs, partially offset by the impact of higher sales in the Brand Solutions businesses and Cremation segment.

Selling and administrative expenses for the six months ended March 31, 2012 were $118.5 million, compared to $117.4 million for the first half of fiscal 2011. Consolidated selling and administrative expenses as a percent of sales were 26.8% for the six months ended March 31, 2012, compared to 27.5% for the same period last year. The increase in selling and administrative expenses was primarily attributable to higher sales in the Graphics Imaging and Cremation segments and recent acquisitions in the Marking Products segment. These increases were partially offset by the benefit of selling and casket distribution cost structure initiatives in the Funeral Home Products segment, which favorably impacted selling and administrative expense as a percent of sales.

Operating profit for the six months ended March 31, 2012 was $44.2 million, compared to $50.5 million for the six months ended March 31, 2011. Cemetery Products segment operating profit for the six months ended March 31, 2012 was $14.7 million, compared to $20.9 million for the first half of fiscal 2011. The decrease primarily reflected lower sales, higher bronze ingot costs, ERP system implementation costs and severance costs. These declines were partially offset by a favorable settlement on a claim related to the Company's granite business. Funeral Home Products segment operating profit was $13.8 million for the first six months of fiscal 2012, compared to $15.9 million for the same period in fiscal 2011. The decline primarily reflected the impact of lower sales and higher transportation costs (fuel). Cremation segment operating profit for the first half of fiscal 2012 was $2.0 million, compared to $1.0 million for the same period in the prior year, principally reflecting the sales improvement. Graphics Imaging segment operating profit for the six months ended March 31, 2012 was $8.7 million, compared to $9.6 million for the same period in fiscal 2011. The decrease resulted mainly from the net unfavorable impact of unusual items in the fiscal 2012 second quarter. These items primarily included charges related to acquisition activities and severance costs. In addition, the segment's operating profit for the current period reflected an unfavorable impact of approximately $286,000 from changes in foreign currency values against the U.S. dollar. These decreases were offset partially by the impact of the Kroma acquisition. Operating profit for the Marking Products segment for the first half of fiscal 2012 was $3.4 million, compared to $2.9 million for the same period a year ago. The increase primarily resulted from higher sales, offset partially by higher research and development expenses. Merchandising Solutions segment operating profit was $1.6 million for the first six months of fiscal 2012, compared to $14,000 for the same period in fiscal 2011. The increase primarily reflected higher sales in fiscal 2012.

Investment income was $2.8 million for the six months ended March 31, 2012, compared to $1.6 million for the six months ended March 31, 2011. The increase primarily reflected improved rates of return on the Company's investments. Interest expense was approximately $5.3 million for the first six months of fiscal 2012, compared to $3.8 million for the first six months of fiscal 2011. The increase primarily reflected higher debt levels compared to a year ago. Other income (deductions), net for the six months ended March 31, 2012 represented a decrease in pre-tax income of $1.2 million, compared to $966,000 for the same period last year.

The Company's effective tax rate for the six months ended March 31, 2012 was 34.5%, compared to 35.2% for the first half of fiscal 2011 and 34.4% for the fiscal 2011 full year. The fiscal 2011 full year effective tax rate included the favorable impact of adjustments totaling $606,000 in income tax expense primarily related to changes in the estimated tax accruals for open tax periods. Excluding those adjustments, the Company's effective tax rate for fiscal 2011 was 35.0%. The decrease in the effective tax rate from the fiscal 2011 first six months and full year, excluding adjustments, primarily reflected the impact of the Company's European operating structure initiatives. 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 by lower foreign income taxes.

The deduction for net income attributable to noncontrolling interests in the first six months of fiscal 2012 was $69,000, compared to $841,000 in the first six months of fiscal 2011. The decrease related principally to the Company's acquisition of the remaining 22% interest in Saueressig in April 2011.

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 2012 and determined that no additional adjustments to the carrying values of goodwill were necessary at March 31, 2012.

Liquidity and Capital Resources:

Net cash provided by operating activities was $26.2 million for the six months ended March 31, 2012, compared to $33.8 million for the first six months of fiscal 2011. 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. The decline in operating cash flows primarily reflected lower net income.

Cash used in investing activities was $17.9 million for the six months ended March 31, 2012, compared to $40.0 million for the six months ended March 31, 2011. Investing activities for the first half of fiscal 2012 reflected capital expenditures of $15.9 million, payments (net of cash acquired) of $1.4 million for acquisitions, net purchases of investments of $950,000 and proceeds from the sale of assets of $357,000. 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.

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. The increase in capital expenditures for fiscal 2012 primarily resulted from several projects in the Graphics Imaging segment. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for property, plant and equipment has averaged $21.1 million for the last three fiscal years. Capital spending for fiscal 2012 is expected to be in the $25.0 to $30.0 million range. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the six months ended March 31, 2012 was $16.0 million, primarily reflecting treasury stock purchases of $11.3 million and dividends of $5.1 million to the Company's shareholders. Cash provided by financing activities for the first half of 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.

The Company has a domestic Revolving Credit Facility with a syndicate of financial institutions. In March, 2012, the maximum amount of borrowings available under the facility was increased from $300.0 million to $400.0 million and the facility's maturity was extended to March 2017. Borrowings under the amended facility bear interest at LIBOR plus a factor ranging from 1.00% to 1.50% based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from .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 were $250.0 million as of March 31, 2012 and September 30, 2011. The weighted-average interest rate on outstanding borrowings under the credit facilities was 2.89% and 2.85% at March 31, 2012 and 2011, 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 million	4.77%	1.25%	September 2012
May 2008	20 million	3.72%	1.25%	September 2012
May 2011	25 million	1.37%	1.25%	May 2014
October 2011	25 million	1.67%	1.25%	October 2015
November 2011	25 million	2.13%	1.25%	November 2014
March 2012	25 million	2.44%	1.25%	March 2015
September 2012	25 million	3.03%	1.25%	December 2015
November 2012	25 million	1.33%	1.25%	November 2015

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

The fair value of the interest rate swaps reflected an unrealized loss of $6.8 million ($4.2 million after tax) at March 31, 2012 that is included in shareholders' equity as part of accumulated other comprehensive loss ("AOCL"). Assuming market rates remain constant with the rates at March 31, 2012, approximately $1.6 million of the $4.2 million loss included in AOCL is expected to be recognized in earnings as an adjustment to interest expense over the next twelve months.

The Company, through certain of its German subsidiaries, has a credit facility with a European bank. The maximum amount of borrowings available under this facility was 25.0 million Euros ($33.4 million). Outstanding borrowings under the credit facility totaled 23.6 million Euros ($31.5 million) and 23.6 million Euros ($31.6 million) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2012 and 2011 was 2.45% and 1.78%, respectively.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled 8.1 million Euros ($10.8 million) and 8.3 million Euros ($11.2 million) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2012 and 2011 was 6.10% and 6.37%, 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 6.3 million Euros ($8.4 million) and 8.7 million Euros ($11.6 million) at March 31, 2012 and September 30, 2011, respectively. Matthews International S.p.A. also has four lines of credit totaling 11.4 million Euros ($15.2 million) with the same Italian banks. Outstanding borrowings on these lines were 2.4 million Euros ($3.1 million) and 493,000 Euros ($661,000) at March 31, 2012 and September 30, 2011, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2012 and 2011 was 3.15% and 3.40%, respectively.

The Company has a stock repurchase program. 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. As of March 31, 2012, the Company had a total available repurchase authorization of 2,476,490 shares.

Consolidated working capital of the Company was $210.2 million at March 31, 2012, compared to $208.1 million at September 30, 2011. Cash and cash equivalents were $54.7 million at March 31, 2012, compared to $61.7 million at September 30, 2011. The Company's current ratio was 2.3 at March 31, 2012 and September 30, 2011.

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, 2012, an accrual of approximately $6.0 million had been recorded for environmental remediation (of which $788,000 was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual, which reflects previously established reserves assumed with the acquisition of York and additional reserves recorded as a purchase accounting adjustment, does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. Changes in the accrued environmental remediation obligation from the prior fiscal year reflect payments charged against the accrual.

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.

Forward-Looking Information:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. This strategy, which has remained unchanged from prior years, consists of the following: internal growth (which includes organic growth, productivity improvements, new product development and the expansion into new markets with existing products), acquisitions and share repurchases under the Company's stock repurchase program (see "Liquidity and Capital Resources"). For the past ten fiscal years, the Company has achieved an average annual increase in earnings per share of 10.9%.

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

Based on current forecasts, the Company currently estimates fiscal 2012 earnings per share on an adjusted (non-GAAP) basis will be in the range of $2.57 to $2.62, which is relatively consistent with fiscal 2011 earnings per share, excluding unusual items from 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, 2011. 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, 2012, 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 2012**	**2013 to 2014**	**2015 to 2016**	**After 2016**
Contractual Cash Obligations:	(Dollar amounts in thousands)				
Revolving credit facilities	$ 281,489	$ -	$ -	$ -	$ 281,489
Notes payable to banks	28,342	13,303	11,516	1,178	2,345
Short-term borrowings	4,279	4,279	-	-	-
Capital lease obligations	3,414	892	1,854	668	-
Non-cancelable operating leases	21,851	4,777	12,113	4,039	922
Total contractual cash obligations	$ 339,375	$ 23,251	$ 25,483	$ 5,885	$ 284,756

A significant portion of the loans included in the table above bear interest at variable rates. At March 31, 2012, the weighted-average interest rate was 2.89% on the Company's domestic Revolving Credit Facility, 2.45% on the credit facility through the Company's German subsidiaries, 6.10% on bank loans to its majority-owned subsidiary, Saueressig, and 3.15% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. The Company is not required to make any significant contributions to its principal retirement plan in fiscal 2012. During the six months ended March 31, 2012, contributions of $366,000 and $497,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $400,000 and $632,000 under the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2012.

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, 2012, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately $3.6 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 $6.8 million ($4.2 million after tax) at March 31, 2012 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 $764,000 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, Polish Zloty, Turkish Lira and Vietnamese Dong 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 $16.3 million and a decrease in reported operating income of $1.6 million for the six months ended March 31, 2012.

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, 2011 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	$ (2,259)	$ 2,729	$(915)	$915	$ (833)	$ 833
Increase (decrease) in projected benefit obligation	(20,183)	24,973	-	-	-	-
Increase (decrease) in funded status	20,183	(24,973)	-	-	4,711	(4,711)

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, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2012, 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, 2012 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. 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. As of September 30, 2011, the Company's Board of Directors had authorized the repurchase of a total of 2,500,000 shares of Matthews' common stock under the program, of which 2,169,470 shares had been repurchased. In November 2011, the Company's Board of Directors approved the continuation of its stock repurchase program and increased the total authorization for stock repurchases by an additional 2,500,000 shares. As a result, as of March 31, 2012, the Company had a total available repurchase authorization of 2,476,490 shares.

The following table shows the monthly fiscal 2012 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 2011	10,000	$29.58	10,000	320,530
November 2011	97,570	33.48	97,570	2,722,960
December 2011	118,248	31.51	118,248	2,604,712
January 2012	18,222	31.49	18,222	2,586,490
February 2012	30,000	31.20	30,000	2,556,490
March 2012	80,000	31.24	80,000	2,476,490
Total	354,040	$31.91	354,040	

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description
10.1	First Amendment to Revolving Credit Facility
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 27, 2012, 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 2012.

On February 21, 2012, 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 16, 2012.

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 4, 2012

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

Date: May 4, 2012

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

Exhibit 10.1

FIRST AMENDMENT TO LOAN AGREEMENT

First Amendment to Loan Agreement, dated the 1 st day of March, 2012, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as defined in the Loan Agreement (as hereinafter defined)), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as administrative agent for the Banks (in such capacity, the "Agent"), and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks (in such capacity, the "Syndication Agent") (the "First Amendment").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Loan Agreement, dated December 21, 2010, by and among the Borrower, the Banks, the Agent, and the Syndication Agent (the "Loan Agreement"), pursuant to which, among other things, the Banks agreed to extend a revolving credit facility to the Borrower in an aggregate principal amount not to exceed Three Hundred Million and 00/100 Dollars ($300,000,000.00); and

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

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

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

2. The cover page to the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the cover page attached hereto as Exhibit A.

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

> Agreement, dated the 21st day of December, 2010, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as hereinafter defined), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as administrative agent for the Banks (in such capacity, the "Agent"), PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks (in such capacity, the "Syndication Agent").

4. The first (1st) WHEREAS clause of the Loan Agreement is hereby amended to delete therefrom the reference to "Three Hundred Million and 00/100 Dollars ($300,000,000.00)" in its entirety and to insert in its stead a reference to "Four Hundred Million and 00/100 Dollars ($400,000,000.00)."

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

> "EBIT" shall mean, for the period of determination, (i) Net Income, plus (ii) Interest Expense, plus (iii) all income taxes included in Net Income plus, in each case to the extent deducted in determining Net Income, (iv) all other non-cash expenses included in Net Income (excluding depreciation, depletion and amortization), (v) losses from asset dispositions (for all transactions greater than Three Million and 00/100 Dollars ($3,000,000.00)), (vi) other extraordinary, non-recurring losses, (vii) and non-cash losses from discontinued operations, minus, in each case to the extent added in determining Net Income, (viii) non-cash credits to income, (ix) gains from asset dispositions (for all transactions greater than Three Million and 00/100 Dollars ($3,000,000.00)), (x) non-cash gains from discontinued operations and (xi) other extraordinary, non-recurring income, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP; provided, however, subject in all respects to the approval of the Agent, in its sole but reasonable discretion, in the event of an acquisition or disposition of a Subsidiary or material line of business or a material division during the period of determination and solely for the purposes of determining the Applicable Rate and/or the Leverage Ratio, as the case may be, such calculation shall (a) in the case of such a disposition, exclude for the period of determination, EBIT attributable to the disposed of Subsidiary, line of business, or division as if such disposition had occurred at the beginning of such period of determination and (b) in the case of such an acquisition, include for the period of determination the EBIT attributable to the acquired Subsidiary, line of business, or division as if such acquisition had occurred at the beginning of such period of determination.
>
> "EBITDA" shall mean, for the period of determination, (i) EBIT, plus (ii) depreciation, depletion

and amortization, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP; provided, however, subject in all respects to the approval of the Agent, in its sole but reasonable discretion, in the event of an acquisition or disposition of a Subsidiary or material line of business or a material division during the period of determination and solely for the purposes of determining the Applicable Rate and/or the Leverage Ratio, as the case may be, such calculation shall (a) in the case of such a disposition, exclude for the period of determination, depreciation, depletion and amortization attributable to the disposed of Subsidiary, line of business, or division as if such disposition had occurred at the beginning of such period of determination and (b) in the case of such an acquisition, include for the period of determination the depreciation, depletion and amortization attributable to the acquired Subsidiary, line of business, or division as if such acquisition had occurred at the beginning of such period of determination.

"Expiry Date" shall mean March 1, 2017 or such earlier date on which the Revolving Credit Facility Commitment shall have been terminated pursuant to this Agreement.

"Net Income" shall mean, for the period of determination, net income (or loss), in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP.

"Official Body" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

"Revolving Credit Facility Commitment" shall mean Four Hundred Million and 00/100 Dollars ($400,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof.

"Total Commitment Amount" shall mean the obligation of the Banks hereunder to make Loans (other than Swing Line Loans) and to issue Letters of Credit up to the maximum aggregate principal Dollar Equivalent amount of Four Hundred Million and 00/100 Dollars ($400,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof.

6. Subsections (a) and (b) of Section 2.12 of the Loan Agreement are hereby deleted in their entirety and in their stead is inserted the following:

(a) If, due to either (i) the introduction of, or any change in, or in the interpretation of, any Law or (ii) the compliance with any guideline or request from any central bank or other Official Body (whether or not having the force of Law), there shall be any increase in the cost to, or reduction in income receivable by, a Bank of making, funding or maintaining Loans (or commitments to make the Loans), then the Borrower shall from time to time, upon demand by such Bank made within a reasonable time after such Bank's determination thereof, pay to the Agent for the account of such Bank additional amounts sufficient to reimburse such Bank for any such additional costs or reduction in income. All such additional amounts shall be determined by such Bank in good faith using appropriate attribution and averaging methods ordinarily employed by such Bank. A certificate of such Bank submitted to the Borrower in good faith as to the amount of such additional costs shall be conclusive and binding for all purposes, absent manifest error. Within ten (10) Business Days after the Agent or such Bank notifies the Borrower in writing of any such additional costs pursuant to this Section 2.12(a), the Borrower may (A) repay in full all Loans of any types or currencies so affected then outstanding, together with interest accrued thereon to the date of such repayment, or (B) convert all Loans of any types or currencies so affected then outstanding into Loans of any other type or currency not so affected upon not less than four (4) Business Days' notice to the Agent. If any such repayment or conversion of any Libor Rate Loan occurs on any day other than the last day of the applicable Interest Period for such Loan, the Borrower also shall pay to the Agent for the ratable account of the Banks such additional amounts as set forth in Section 2.12(c); provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

(b) If either (i) the introduction of, or any change in, or in the interpretation of, any Law or (ii) the compliance with any guideline or request from any central bank or other Official Body (whether or not having the force of Law), affects the amount of capital required to be maintained by any Bank or any corporation controlling any Bank and such Bank determines in good faith that the amount of such capital is increased by or based upon the existence of the Loans (or commitment to make the Loans), then, within ten (10) Business Days of demand by such Bank, the Borrower shall pay to the Agent for the account of such Bank from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank in the light of such circumstances, to the extent that such Bank determines in good faith such increase in capital to be allocable to the existence of such Bank's Loans (or commitment to make the Loans). Any such demand by a Bank must be made within a reasonable time after such Bank's determination as set forth in the immediately preceding sentence. A certificate of such Bank in good faith submitted to the Borrower as to such amounts shall be presumptive evidence of such amounts. Within ten (10) Business Days after the Agent or such Bank notifies the Borrower in writing of any such additional costs pursuant to this Section 2.12(b), the Borrower may (A) repay in full all Loans of any types or currencies so affected then outstanding, together with interest accrued thereon to the date of such prepayment, or (B) convert all Loans of any types or currencies so affected then outstanding into Loans of any other type or currency not so affected upon not less than four (4) Business Days' notice to such Bank. If any such prepayment or conversion of any Libor Rate Loan occurs on any day other than the last day of the applicable Interest Period for such Loan, the Borrower also shall pay to the Agent for the ratable account of the Banks such additional amounts as set forth in Section 2.12(c); provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

7. Section 2.17(c) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(c) Notices From Banks That Optional Currencies Are Unavailable to Fund Renewals of Libor Rate Loans Denominated in an Optional Currency. If the Borrower delivers a loan request requesting that the Banks renew any Libor Rate Loan which is denominated in an Optional Currency, the Banks shall be under no obligation to renew such Libor Rate Loan if any Bank delivers to the Agent a notice by 5:00 p.m. (Pittsburgh, Pennsylvania time), four (4) Business Days prior to effective date of such renewal that such Bank cannot continue to provide Loans in such Optional Currency due to the introduction of, or any change in, any applicable Law or any change in the interpretation or administration thereof by any Official Body charged with the interpretation or administration thereof, or compliance by such Bank (or any of its lending offices) with any request or directive (whether or not having the force of Law) of any such Official Body which would make it unlawful or impossible for such Bank (or any of its lending offices) to honor its obligations hereunder to make a Loan in an Optional Currency. In the event the Agent timely receives a notice from a Bank pursuant to the preceding sentence, the Agent will notify the Borrower no later than 12:00 noon (Pittsburgh, Pennsylvania time), three (3) Business Days prior to the renewal date that the renewal of such Loans in such Optional Currency is not then available, and the Agent shall promptly thereafter notify the Banks of the same. If the Agent shall have so notified the Borrower that any such continuation of Optional Currency Loans is not then available, any notice of renewal with respect thereto shall be deemed withdrawn, and such Optional Currency Loans shall be redenominated into Base Rate Loans with effect from the last day of the Interest Period with respect to any such Optional Currency Loans. The Agent will promptly notify the Borrower and the Banks of any such redenomination, and in such notice, the Agent will state the aggregate Dollar Equivalent amount of the redenominated Optional Currency Loans as of the Computation Date with respect thereto and such Bank's Pro Rate Share thereof; provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

8. Article II of the Loan Agreement is hereby amended by inserting therein as a new Section 2.22 the following:

2.22 Impacted Banks. Notwithstanding any provision of this Agreement to the contrary, if any Bank becomes an Impacted Bank, then the following provisions shall apply for so long as such Bank is an Impacted Bank:

(a) fees shall cease to accrue on the unfunded portion of the Commitment of such Impacted Bank pursuant to Section 2.05;

(b) if any Swing Line Loans are outstanding or any Letters of Credit Outstanding exist at the time such Bank becomes an Impacted Bank, then:

(i) all or any part of the outstanding Swing Line Loans and Letters of Credit Outstanding of such Impacted Bank shall be reallocated among the non-Impacted Banks in accordance with their respective Pro Rata Share but only to the extent that (x) sum of (1) the aggregate Dollar Equivalent principal amount of all Revolving Credit Loans outstanding, plus, (2) the sum of the aggregate principal amount of all Swing Line Loans outstanding, plus (3) the aggregate Dollar Equivalent amount of Letters of Credit Outstanding shall not exceed the total of all non-Impacted Banks' Revolving Credit Facility Commitments, and (y) no Potential Default or Event of Default has occurred and is continuing at such time;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one (1) Business Day following notice by the Agent (x) first, prepay such outstanding Swing Line Loans, and (y) second, cash collateralize for the benefit of the Issuing Bank the Borrowers' obligations corresponding to such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding (after giving effect to any partial reallocation pursuant to clause (i) above) in a deposit account held at the Agent for so long as such Letters of Credit Outstanding exist;

(iii) if the Borrower cash collateralizes any portion of such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding pursuant to clause (ii) above, the Borrower shall not be required to pay any fees to such Impacted Bank pursuant to Section 2.07 with respect to such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding during the period such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding are cash collateralized;

(iv) if the Letters of Credit Outstanding of the non-Impacted Banks are reallocated pursuant to clause (i) above, then the fees payable to the Banks pursuant to Section 2.07 shall be adjusted in accordance with such non-Impacted Banks' Pro Rata Share; and

(v) if all or any portion of such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding are neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of the Issuing Bank or any other Bank hereunder, all Letter of Credit Commissions payable under Section 2.07 with respect to such Impacted Bank's Pro Rata Share of Letters of Credit Outstanding shall be payable to the Issuing Bank (and not to such Impacted Bank) until and to the extent that such Letters of Credit Outstanding are reallocated and/or cash collateralized.

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

10. The provisions of Section 2 through 9 of this First Amendment shall not become effective until the Agent has received the following, each in form and substance acceptable to the Agent:

(a) this First Amendment, duly executed by the Borrower and the Banks;

(b) the documents listed in the Preliminary Closing Checklist set forth on Exhibit B attached hereto and made a part hereof; and

(c) such other documents as may be reasonably requested by the Agent.

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

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

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

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

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

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

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

18. This First Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the

Commonwealth of Pennsylvania without regard to the principles or the conflicts thereof. The Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this First Amendment.

[INTENTIONALLY LEFT BLANK]

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

ATTEST

By:
Name:
Title:

Matthews International Corporation

By:___________________________________
Name: ________________________________
Title: _________________________________

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

By:___________________________________
Name: ________________________________
Title: _________________________________

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

By:___________________________________
Name: ________________________________
Title: _________________________________

Fifth Third Bank, as a Bank

By:___________________________________
Name: ________________________________
Title: _________________________________

HSBC Bank USA, National Association, as a Bank

By:___________________________________
Name: ________________________________
Title: _________________________________

The Huntington National Bank, as a Bank

By:___________________________________
Name: ________________________________
Title: _________________________________

First Commonwealth Bank, as a Bank

By:___________________________________
Name: ________________________________
Title: _________________________________

First National Bank of Pennsylvania, as a Bank

By:___________________________________
Name: ________________________________
Title: _________________________________

EXHIBIT A

Cover Page

See Attached

LOAN AGREEMENT

by and among

MATTHEWS INTERNATIONAL CORPORATION

and

THE BANKS PARTY HERETO,

CITIZENS BANK OF PENNSYLVANIA, as Administrative Agent,

RBS Citizens, N.A., Joint Lead Arranger and Joint Bookrunner,

PNC CAPITAL MARKETS LLC, as Joint Lead Arranger and Joint Bookrunner

and

PNC BANK, NATIONAL ASSOCIATION, as Syndication Agent

Dated December 21, 2010

{01327130}

EXHIBIT B

Preliminary Closing Checklist

See Attached

{01327130}

Schedule 1

Schedule of Banks and Commitments

Bank	Commitment For Revolving Credit Loans	Commitment Percentage
Citizens Bank of Pennsylvania 525 William Penn Place Pittsburgh, PA 15219 Attn: Philip R. Medsger	$115,000,000.00	%28.750
PNC Bank, National Association One PNC Plaza 249 Fifth Avenue Pittsburgh, PA 15222 Attn: David G. Schaich	$115,000,000.00	%28.750
Fifth Third Bank 707 Grant Street Pittsburgh, PA 15219 Attn: Jim Janovsky	$47,500,000.00	%11.875
HSBC Bank USA, National Association 1 HSBC Center Commercial Banking, Lobby Buffalo, NY 14201 Attn: Christopher S. Helmeci	$30,000,000.00	%7.500
The Huntington National Bank 41 S. High Street Columbus, Ohio 43215 Attn: Chad A. Lowe	$47,500,000.00	%11.875
First Commonwealth Bank 437 Grant Street, Suite 1600 Pittsburgh, PA 15219 Attn: Stephen J. Orban	$20,000,000.00	%5.000
First National Bank of Pennsylvania One Northshore Center, Suite 500 12 Federal Street Pittsburgh, PA 15212 Attn: Jeffrey A. Martin	$25,000,000.00	%6.250
Total Commitment Amount	$400,000,000.00	100%

ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA)

) SS:

COUNTY OF ALLEGHENY)

On this, the _____ day of March, 2012, before me, a Notary Public, the undersigned officer, personally appeared ________________, who acknowledged himself/herself to be the ______________ of Matthews International Corporation, a Pennsylvania corporation (the "Company"), and that he/she as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Company as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

____
Notary Public

My Commission Expires:

{01327130}

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 4, 2012

/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 4, 2012

/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, 2012 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 4, 2012

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, 2012 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 4, 2012

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.