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

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2017

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from _____ to _____

Commission File No. 0-09115

MATTHEWS INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer	☒	Smaller reporting company	☐
Accelerated filer	☐	Emerging growth company	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 March 31, 2017, shares of common stock outstanding were: Class A Common Stock 32,218,956 shares

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Dollar amounts in thousands)

	March 31, 2017		September 30, 2016	
ASSETS				
Current assets:				
Cash and cash equivalents		$ 43,603		$ 55,711
Accounts receivable, net		302,558		294,915
Inventories		174,796		162,472
Other current assets		63,118		61,086
Total current assets		584,075		574,184
Investments		34,180		31,365
Property, plant and equipment: Cost	$ 542,445		$ 525,105	
Less accumulated depreciation	(318,824)		(305,613)	
		223,621		219,492
Deferred income taxes		1,195		775
Other assets		32,647		19,895
Goodwill		867,883		851,489
Other intangible assets, net		430,258		393,841
Total assets		$ 2,173,859		$ 2,091,041
LIABILITIES				
Current liabilities:				
Long-term debt, current maturities		$ 29,653		$ 27,747
Trade accounts payable		62,502		58,118
Accrued compensation		54,047		63,737
Accrued income taxes		23,531		15,527
Other current liabilities		108,903		94,219
Total current liabilities		278,636		259,348
Long-term debt		917,698		844,807
Accrued pension		113,317		110,941
Postretirement benefits		22,548		22,143
Deferred income taxes		106,320		107,038
Other liabilities		31,017		37,430
Total liabilities		1,469,536		1,381,707
SHAREHOLDERS' EQUITY				
Shareholders' equity-Matthews:				
Common stock	$ 36,334		$ 36,334	
Additional paid-in capital	118,024		117,088	
Retained earnings	909,423		896,224	
Accumulated other comprehensive loss	(199,838)		(181,868)	
Treasury stock, at cost	(160,191)		(159,113)	
Total shareholders' equity-Matthews		703,752		708,665
Noncontrolling interests		571		669
Total shareholders' equity		704,323		709,334
Total liabilities and shareholders' equity		$ 2,173,859		$ 2,091,041

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,	
	2017	2016	2017	2016
Sales	$ 380,916	$ 367,176	$ 729,914	$ 721,408
Cost of sales	(242,494)	(229,416)	(464,225)	(457,081)
Gross profit	138,422	137,760	265,689	264,327
Selling and administrative expenses	(111,594)	(111,325)	(219,798)	(225,854)
Operating profit	26,828	26,435	45,891	38,473
Investment income	780	235	1,117	936
Interest expense	(6,614)	(6,049)	(12,762)	(11,889)
Other income (deductions), net	(153)	(192)	(708)	(1,066)
Income before income taxes	20,841	20,429	33,538	26,454
Income taxes	(5,973)	(6,163)	(9,696)	(7,685)
Net income	14,868	14,266	23,842	18,769
Net loss attributable to noncontrolling interests	52	91	166	202
Net income attributable to Matthews shareholders	$ 14,920	$ 14,357	$ 24,008	$ 18,971
Earnings per share attributable to Matthews shareholders:				
Basic	$ 0.46	$ 0.44	$ 0.74	$ 0.58
Diluted	$ 0.46	$ 0.43	$ 0.74	$ 0.57

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(Dollar amounts in thousands)

	Three Months Ended March 31,					
	Matthews		Noncontrolling Interest		Total	
	2017	2016	2017	2016	2017	2016
Net income (loss):	$ 14,920	$ 14,357	$ (52)	$ (91)	$ 14,868	$ 14,266
Other comprehensive (loss) income ("OCI"), net of tax:						
Foreign currency translation adjustment	4,108	15,412	9	(1)	4,117	15,411
Pension plans and other postretirement benefits	1,462	1,058	—	—	1,462	1,058
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	979	(3,294)	—	—	979	(3,294)
Net amount reclassified to earnings	(306)	455	—	—	(306)	455
Net change in unrecognized gain (loss) on derivatives	673	(2,839)	—	—	673	(2,839)
OCI, net of tax	6,243	13,631	9	(1)	6,252	13,630
Comprehensive (loss) income	$ 21,163	$ 27,988	$ (43)	$ (92)	$ 21,120	$ 27,896

	Six Months Ended March 31,					
	Matthews		Noncontrolling Interest		Total	
	2017	2016	2017	2016	2017	2016
Net income (loss):	$ 24,008	$ 18,971	$ (166)	$ (202)	$ 23,842	$ 18,769
OCI, net of tax:						
Foreign currency translation adjustment	(27,234)	5,343	68	(54)	(27,166)	5,289
Pension plans and other postretirement benefits	2,998	2,160	—	—	2,998	2,160
Unrecognized gain (loss) on derivatives:						
Net change from periodic revaluation	7,065	(2,218)	—	—	7,065	(2,218)
Net amount reclassified to earnings	(799)	961	—	—	(799)	961
Net change in unrecognized gain (loss) on derivatives	6,266	(1,257)	—	—	6,266	(1,257)
OCI, net of tax	(17,970)	6,246	68	(54)	(17,902)	6,192
Comprehensive (loss) income	$ 6,038	$ 25,217	$ (98)	$ (256)	$ 5,940	$ 24,961

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, 2017 and 2016 (Unaudited)
(Dollar amounts in thousands, except per share data)

	Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2016	$ 36,334	$ 117,088	$ 896,224	$ (181,868)	$ (159,113)	$ 669	$ 709,334
Net income (loss)	—	—	24,008	—	—	(166)	23,842
Minimum pension liability	—	—	—	2,998	—	—	2,998
Translation adjustment	—	—	—	(27,234)	—	68	(27,166)
Fair value of derivatives	—	—	—	6,266	—	—	6,266
Total comprehensive loss							5,940
Stock-based compensation	—	9,017	—	—	—	—	9,017
Purchase of 135,147 shares of treasury stock	—	—	—	—	(9,173)	—	(9,173)
Issuance of 215,058 shares of treasury stock	—	(8,260)	—	—	8,274	—	14
Cancellations of 2,640 shares of treasury stock	—	179	—	—	(179)	—	—
Dividends, $0.34 per share	—	—	(10,809)	—	—	—	(10,809)
Balance, March 31, 2017	$ 36,334	$ 118,024	$ 909,423	$ (199,838)	$ (160,191)	$ 571	$ 704,323

	Shareholders' Equity						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Non-controlling interests	Total
Balance, September 30, 2015	$ 36,334	$ 115,890	$ 843,955	$ (150,326)	$ (115,033)	$ 3,226	$ 734,046
Net income (loss)	—	—	18,971	—	—	(202)	18,769
Minimum pension liability	—	—	—	2,160	—	—	2,160
Translation adjustment	—	—	—	5,343	—	(54)	5,289
Fair value of derivatives	—	—	—	(1,257)	—	—	(1,257)
Total comprehensive income							24,961
Stock-based compensation	—	5,267	—	—	—	—	5,267
Purchase of 151,259 shares of treasury stock	—	—	—	—	(8,209)	—	(8,209)
Issuance of 287,681 shares of treasury stock	—	(7,862)	—	—	9,758	—	1,896
Cancellations of 3,957 shares of treasury stock	—	182	—	—	(182)	—	—
Dividends, $0.30 per share	—	—	(9,646)	—	—	—	(9,646)
Acquisition of noncontrolling interest	—	(2,727)	—	—	—	(1,434)	(4,161)
Balance, March 31, 2016	$ 36,334	$ 110,750	$ 853,280	$ (144,080)	$ (113,666)	$ 1,536	$ 744,154

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)

	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
Cash flows from operating activities:		
Net income	$ 23,842	$ 18,769
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,294	32,158
Stock-based compensation expense	9,017	5,267
Change in deferred taxes	(829)	107
Gain on sale of assets	(403)	(347)
Unrealized gain on investments	(1,411)	(557)
Changes in working capital items	(5,095)	(6,635)
Increase in other assets	(9,105)	(3,181)
Decrease in other liabilities	(2,041)	(267)
Increase in pension and postretirement benefits	7,696	6,751
Other, net	(9,679)	(174)
Net cash provided by operating activities	44,286	51,891
Cash flows from investing activities:		
Capital expenditures	(13,250)	(23,946)
Acquisitions, net of cash acquired	(92,564)	(6,081)
Proceeds from sale of assets	960	1,121
Net cash used in investing activities	(104,854)	(28,906)
Cash flows from financing activities:		
Proceeds from long-term debt	239,427	22,055
Payments on long-term debt	(168,977)	(37,960)
Proceeds from the exercise of stock options	14	1,798
Purchases of treasury stock	(9,173)	(8,209)
Dividends	(10,809)	(9,646)
Transaction with noncontrolling interests	—	(4,161)
Net cash provided by (used in) financing activities	50,482	(36,123)
Effect of exchange rate changes on cash	(2,022)	274
Net change in cash and cash equivalents	$ (12,108)	$ (12,864)

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 global provider of brand solutions, memorialization products and industrial technologies. Brand solutions include brand development, deployment and delivery (consisting of brand management, printing plates and cylinders, pre-media services and imaging services for consumer packaged goods and retail customers, merchandising display systems, and marketing and design services). Memorialization products consist primarily of bronze and granite memorials and other memorialization products, caskets and cremation equipment primarily for the cemetery and funeral home industries. Industrial technologies include marking and coding equipment and related consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.

The Company has facilities in the United States, Europe, Asia, Canada, Australia, and Central and South America.

Note 2. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The year-end consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. 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, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2017. 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, 2016. 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 GAAP 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.

New Accounting Pronouncements:

Issued

In February 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which provides new guidance intended to improve the disclosure requirements related to the service cost component of net benefit cost. This ASU is effective for the Company beginning in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*, which provides new guidance intended to simplify the subsequent measurement of goodwill and removing Step 2 from the goodwill impairment process. This ASU is effective for the Company beginning in fiscal year 2021, and does allow for early adoption. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*, which provides new guidance intended to make the definition of a business more operable and allow for more consistency in application. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

Note 2. Basis of Presentation (continued)

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. This ASU coincides with ASU 2014-09 and provides technical corrections and improvements to clarify guidance and correct unintended applications of the guidance. The Company is in the process of assessing the impact this ASU, along with ASU 2014-09, will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which provides new guidance intended to clarify the presentation of certain cash flow items including debt prepayments, debt extinguishment costs, contingent considerations payments, and insurance proceeds, among other things. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019, and early adoption is permitted. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In April and May 2016, the FASB issued ASU Nos. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* and 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, respectively. Both of these ASUs coincide with ASU 2014-09 and provide additional guidance in the determination of performance obligations and implementation expedients. The Company is in the process of assessing the impact these ASUs, along with ASU 2014-09, will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which provides new guidance intended to simplify the accounting surrounding share-based compensation. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2018. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* which coincides with ASU 2014-09 and provides additional guidance in the determination of principals versus agents. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The Company is in the process of assessing the impact this ASU, along with ASU 2014-09, will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides new guidance on how an entity should account for leases and recognize associated lease assets and liabilities. This ASU requires lessees to recognize assets and liabilities that arise from financing and operating leases on the Consolidated Balance Sheet. The implementation of this standard will require application of the new guidance at the beginning of the earliest comparative period presented, once adopted. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2020, and does allow for early adoption. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance intended to improve the recognition, measurement, presentation and disclosure of financial instruments. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which provides new guidance to simplify the measurement of inventory valuation at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new inventory measurement requirements are effective for the Company's 2018 fiscal year, and will replace the current inventory valuation guidance that requires the use of a lower of cost or market framework. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. The FASB issued ASU 2015-14 in August 2015 which resulted in a deferral of the original effective date of ASU 2014-09. This standard is effective for Matthews beginning October 1, 2018. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

(Dollar amounts in thousands, except per share data)

Note 2. Basis of Presentation (continued)

Adopted

In June 2014, the FASB issued ASU No. 2014-12, *Compensation - Stock Compensation (Topic 718),* which provides new guidance intended to clarify the diverse accounting treatment for certain share-based payments. Share-based payments with performance targets that could be achieved after the requisite service period should be treated as performance conditions under the existing guidance in ASC Topic 718. The adoption of this ASU in the first quarter ended December 31, 2016 had no impact on the Company's consolidated financial statements.

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, 2017				September 30, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Derivatives (1)	$ —	$ 4,481	$ —	$ 4,481	$ —	$ 193	$ —	$ 193
Equity and fixed income mutual funds	—	20,677	—	20,677	—	19,790	—	19,790
Other investments	—	5,374	—	5,374	—	5,127	—	5,127
Total assets at fair value	$ —	$ 30,532	$ —	$ 30,532	$ —	$ 25,110	$ —	$ 25,110
Liabilities:								
Derivatives (1)	$ —	$ 43	$ —	$ 43	$ —	$ 6,027	$ —	$ 6,027
Total liabilities at fair value	$ —	$ 43	$ —	$ 43	$ —	$ 6,027	$ —	$ 6,027

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

Note 4. Inventories

Inventories consisted of the following:

	March 31, 2017	September 30, 2016
Raw materials	$ 34,331	$ 29,597
Work in process	64,382	54,357
Finished goods	76,083	78,518
	$ 174,796	$ 162,472

(Dollar amounts in thousands, except per share data)

Note 5. Debt

The Company has a domestic credit facility with a syndicate of financial institutions that was amended in April 2016 and includes a $900,000 senior secured revolving credit facility and a $250,000 senior secured amortizing term loan. The term loan requires scheduled principal payments of 5.0% of the outstanding principal in year one, 7.5% in year two, and 10.0% in years three through five, payable in quarterly installments. The balance of the revolving credit facility and the term loan are due on the maturity date of April 26, 2021. Borrowings under both the revolving credit facility and the term loan bear interest at LIBOR plus a factor ranging from 0.75% to 2.00% (1.75% at March 31, 2017) based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from 0.15% to 0.25% (based on the Company's leverage ratio) of the unused portion of the revolving credit facility.

The domestic credit facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $35,000) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the revolving credit facility at March 31, 2017 and September 30, 2016 were $645,000 and $608,000, respectively. Outstanding borrowings on the term loan at March 31, 2017 and September 30, 2016 were $240,245 and $246,449, respectively. The weighted-average interest rate on outstanding borrowings for the domestic credit facility at March 31, 2017 and March 31, 2016 was 2.70% and 2.52%, respectively.

The following table presents information related to interest rate contracts entered into by the Company and designated as cash flow hedges:

	March 31, 2017	September 30, 2016
Pay fixed swaps - notional amount	$ 371,875	$ 403,125
Net unrealized gain (loss)	$ 4,438	$ (5,834)
Weighted-average maturity period (years)	3.6	3.9
Weighted-average received rate	0.98%	0.53%
Weighted-average pay rate	1.27%	1.26%

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 future variable interest payments, 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 gain, net of unrealized losses, of $4,438 ($2,707 after tax) at March 31, 2017 and an unrealized loss, net of unrealized gains, of $5,834 ($3,559 after tax) at September 30, 2016. The net unrealized gain/loss is included in shareholders' equity as part of accumulated other comprehensive income ("AOCI"). Assuming market rates remain constant with the rates at March 31, 2017, a gain (net of tax) of approximately $635 included in AOCI is expected to be recognized in earnings over the next twelve months.

(Dollar amounts in thousands, except per share data)

Note 5. Debt (continued)

At March 31, 2017 and September 30, 2016, the interest rate swap contracts were reflected in the Consolidated Balance Sheets as follows:

Derivatives	March 31, 2017	September 30, 2016
Current assets:		
Other current assets	$ 1,074	$ 43
Long-term assets:		
Other assets	3,407	150
Current liabilities:		
Other current liabilities	(33)	(1,529)
Long-term liabilities:		
Other liabilities	(10)	(4,498)
Total derivatives	$ 4,438	$ (5,834)

The gains (losses) recognized on derivatives were as follows:

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivatives		Amount of Gain (Loss) Recognized in Income on Derivatives	
		Three Months Ended March 31,		Six Months Ended March 31,	
		2017	2016	2017	2016
Interest rate swaps	Interest expense	$ 503	$ (746)	$ 1,310	$ (1,576)

The Company recognized the following gains (losses) in AOCI:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives		Location of Loss Reclassified From AOCI into Income (Effective Portion*)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion*)	
	March 31, 2017	March 31, 2016		March 31, 2017	March 31, 2016
Interest rate swaps	$ 7,065	$ (2,218)	Interest expense	$ 799	$ (961)

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

The Company, through certain of its European subsidiaries, has a credit facility with a European bank. The maximum amount of borrowing available under this facility is €35.0 million ($37,386). Outstanding borrowings under the credit facility totaled €26.3 million ($28,063) at March 31, 2017. There were no outstanding borrowings under the credit facility at September 30, 2016. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2017 and 2016 was 1.75% .

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled €36,300 ($39) and €255,200 ($286) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2017 and 2016 was 4.50% and 4.16%, respectively.

Note 5. Debt (continued)

The Company, through its German subsidiary, Wetzel GmbH ("Wetzel"), has several loans with various European banks. Outstanding borrowings under these loans totaled €584,100 ($624) and €830,220 ($931) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding borrowings of Wetzel at March 31, 2017 and 2016 was 6.01% and 6.11%, respectively.

In November 2016, the Company's German subsidiary, Matthews Europe GmbH & Co. KG, issued €15.0 million ($16,022 at March 31, 2017) of senior unsecured notes with European banks. The notes are guaranteed by Matthews International Corporation and mature in November 2019. A portion of the notes (€5.0 million) have a fixed interest rate of 1.4%, and the remainder bear interest at Euro LIBOR plus 1.4%. The weighted-average interest rate on the notes at March 31, 2017 was 1.40%.

The Company, through its Italian subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled €2.4 million ($2,528) and €3.2 million ($3,538) at March 31, 2017 and September 30, 2016, respectively. Matthews International S.p.A. also has multiple lines of credit totaling €11.3 million ($12,102) with the same Italian banks. Outstanding borrowings on these lines were €6.1 million ($6,469) and €5.2 million ($5,801) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2017 and 2016 was 2.31% and 3.47%, respectively.

In September 2014, a demand was filed by a customer seeking to draw upon a letter of credit issued by the Company of £8,570,000 ($10,701 at March 31, 2017) with respect to a performance guarantee on a project in Saudi Arabia. Management assessed the customer's demand to be without merit and initiated an action with the court in the United Kingdom (the "Court"). Pursuant to this action, an order was issued by the Court in January 2015 requiring that, upon receipt by the customer, the funds were to be remitted by the customer to the Court pending resolution of the dispute between the parties. As a result, the Company made payment on the draw to the financial institution for the letter of credit and the funds were ultimately received by the customer. The customer did not remit the funds to the Court as ordered. On June 14, 2016, the Court ruled completely in favor of Matthews following a trial on the merits. However, as the customer has neither yet remitted the funds nor complied with the final, un-appealed orders of the Court, it is possible the resolution of this matter could have an unfavorable financial impact on Matthews' results of operations. As of March 31, 2017 and September 30, 2016, the Company has presented the funded letter of credit within other current assets on the Consolidated Balance Sheet.

As of March 31, 2017 and September 30, 2016, the fair value of the Company's long-term debt, including current maturities, approximated the carrying value included in the Consolidated Balance Sheet.

Note 6. Share-Based Payments

The Company maintains an equity incentive plan (the "2012 Equity Incentive Plan") that provides for grants of stock options, restricted shares, stock-based performance units and certain other types of stock-based awards. The Company also maintains an equity incentive plan (the "2007 Equity Incentive Plan") and 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. Under the 2012 Equity Incentive Plan, which has a ten-year term, the maximum number of shares available for grants or awards is an aggregate of 2,500,000. There will be no further grants under the 2007 Equity Incentive Plan or the 1992 Incentive Stock Plan. At March 31, 2017, there were 589,238 shares reserved for future issuance under the 2012 Equity Incentive Plan. All plans are administered by the Compensation Committee of the Board of Directors.

The option price for each stock option granted under any of the plans may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. As of March 31, 2017, there were no stock options outstanding.

(Dollar amounts in thousands, except per share data)

Note 6. Share-Based Payments (continued)

With respect to outstanding restricted share grants, for grants made prior to fiscal 2013, generally one-half of the shares vested on the third anniversary of the grant, with the remaining one-half of the shares vesting in one-third increments upon attainment of pre-defined levels of appreciation in the market value of the Company's Class A Common Stock. For grants made in and after fiscal 2013, generally one-half of the shares vest on the third anniversary of the grant, one-quarter of the shares vest in one-third increments upon the attainment of pre-defined levels of adjusted earnings per share, and the remaining one-quarter of the shares vest in one-third increments upon attainment of pre-defined levels of appreciation in the market value of the Company's Class A Common Stock. Additionally, restricted shares cannot vest until the first anniversary of the grant date. Unvested restricted shares generally expire on the earlier of three or 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, 2017 and 2016, stock-based compensation cost totaled $2,920 and $2,741, respectively. For the six-month periods ended March 31, 2017 and 2016, stock-based compensation cost totaled $9,017 and $5,267, respectively. The six-month period ended March 31, 2017 included $3,337 of stock-based compensation cost that was recognized at the time of grant for retirement-eligible employees. The associated future income tax benefit recognized was $1,139 and $1,069 for the three-month periods ended March 31, 2017 and 2016, respectively, and $3,517 and $2,054 for the six-month periods ended March 31, 2017 and 2016, respectively.

There were no stock options exercised during the three-month periods ended March 31, 2017 and 2016, respectively. For the six-month periods ended March 31, 2017 and 2016, the amount of cash received from the exercise of stock options was $14 and $1,798, respectively. In connection with these exercises, the tax benefits realized by the Company were $3 and $283 for the six-month periods ended March 31, 2017 and 2016, respectively.

The transactions for restricted stock for the six months ended March 31, 2017 were as follows:

	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2016	522,710	$ 45.10
Granted	216,655	66.61
Vested	(185,180)	47.24
Expired or forfeited	(6,950)	50.29
Non-vested at March 31, 2017	547,235	$ 52.83

As of March 31, 2017, the total unrecognized compensation cost related to unvested restricted stock was $12,339 and is expected to be recognized over a weighted average period of 1.6 years.

The transactions for shares under options for the six months ended March 31, 2017 were as follows:

	Shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding, September 30, 2016	77,733	$ 40.56		
Exercised	(333)	40.56		
Expired or forfeited	(77,400)	40.56		
Outstanding, March 31, 2017	—	—	—	$ —
Exercisable, March 31, 2017	—	$ —	—	$ —

No options vested during the three-month and six-month periods ended March 31, 2017 and 2016, 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, 2017 and 2016 was $9 and $898, 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, 2017 were as follows:

	Shares	Weighted-average grant-date fair value
Non-vested at September 30, 2016	77,400	$ 12.29
Expired or forfeited	(77,400)	12.29
Non-vested at March 31, 2017	—	$ —

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 the fair value of restricted stock granted during the six-month periods ended March 31, 2017 and 2016.

	Six Months Ended March 31,	
	2017	2016
Expected volatility	20.2%	20.7%
Dividend yield	1.1%	1.0%
Average risk-free interest rate	1.7%	1.7%
Average expected term (years)	2.1	2.1

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 for grants in the years ended September 30, 2016, 2015 and 2014 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.

The Company maintains the 1994 Director Fee Plan and the Amended and Restated 2014 Director Fee Plan (collectively, the "Director Fee Plans"). There will be no further fees or share-based awards granted under the 1994 Director Fee Plan. Under the Amended and Restated 2014 Director Fee Plan, non-employee directors (except for the Chairman of the Board) each receive, as an annual retainer fee for fiscal 2017, either cash or shares of the Company's Class A Common Stock with a value equal to $75. The annual retainer fee for fiscal 2017 paid to a non-employee Chairman of the Board is $175. 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 22,942 shares had been deferred under the Director Fee Plans as of March 31, 2017. Additionally, non-employee directors each receive an annual stock-based grant (non-statutory stock options, stock appreciation rights and/or restricted shares) with a value of $125 for fiscal 2017. A total of 22,300 stock options have been granted under the Director Fee Plans. At March 31, 2017, there were no options outstanding. Additionally, 161,724 shares of restricted stock have been granted under the Director Fee Plans, 58,574 of which were issued under the Amended and Restated 2014 Director Fee Plan. 25,157 share of restricted stock are unvested at March 31, 2017. A total of 150,000 shares have been authorized to be issued under the Amended and Restated 2014 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,	
	2017	2016	2017	2016
Net income attributable to Matthews shareholders	$ 14,920	$ 14,357	$ 24,008	$ 18,971
Weighted-average shares outstanding (in thousands):				
Basic shares	32,283	33,005	32,247	32,970
Effect of dilutive securities	286	197	333	250
Diluted shares	32,569	33,202	32,580	33,220

Anti-dilutive securities excluded from the dilution calculation were insignificant for the three and six months ended March 31, 2017 and 2016.

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	
	2017	2016	2017	2016
Service cost	$ 2,138	$ 1,813	$ 98	$ 101
Interest cost	1,841	2,406	157	211
Expected return on plan assets	(2,312)	(2,407)	—	—
Amortization:				
Prior service cost	(45)	(46)	(49)	(49)
Net actuarial loss	2,509	1,866	—	—
Net benefit cost	$ 4,131	$ 3,632	$ 206	$ 263

	Six months ended March 31,			
	Pension		Other Postretirement	
	2017	2016	2017	2016
Service cost	$ 4,276	$ 3,626	$ 196	$ 202
Interest cost	3,682	4,812	314	422
Expected return on plan assets	(4,624)	(4,814)	—	—
Amortization:				
Prior service cost	(90)	(92)	(98)	(98)
Net actuarial loss	5,018	3,732	—	—
Net benefit cost	$ 8,262	$ 7,264	$ 412	$ 526

(Dollar amounts in thousands, except per share data)

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

On September 30, 2016, the Company changed the method used to estimate the service and interest components of net periodic benefit cost for its pensions. Historically, the Company estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Matthews has elected to utilize a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. This change is being made to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. This change does not affect the measurement of the total benefit obligations. The Company has accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and accordingly, is recognizing its effects prospectively beginning in fiscal 2017. The impact of this change was not material for the three and six months ended March 31, 2017.

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 required to make contributions of approximately $5,109 to its principal retirement plan in fiscal year 2017.

Contributions made and anticipated for fiscal year 2017 are as follows:

Contributions	Pension	Other Postretirement
Contributions during the six months ended March 31, 2017:		
Principal retirement plan	$ —	$ —
Supplemental retirement plan	362	—
Other postretirement plan	—	456
Additional contributions expected in fiscal 2017:		
Principal retirement plan	$ 5,109	$ —
Supplemental retirement plan	398	—
Other postretirement plan	—	692

(Dollar amounts in thousands, except per share data)

Note 9. Accumulated Other Comprehensive Income

The changes in AOCI by component, net of tax, for the three-month periods ended March 31, 2017 and 2016 were as follows:

		Post-retirement benefit plans		Currency translation adjustment		Derivatives	Total
Attributable to Matthews:							
Balance, December 31, 2016		$ (54,514)		$ (153,601)		$ 2,034	$ (206,081)
OCI before reclassification		—		4,108		979	5,087
Amounts reclassified from AOCI	(a)	1,462		—	(b)	(306)	1,156
Net current-period OCI		1,462		4,108		673	6,243
Balance, March 31, 2017		$ (53,052)		$ (149,493)		$ 2,707	$ (199,838)
Attributable to noncontrolling interest:							
Balance, December 31, 2016		—		$ 336		—	$ 336
OCI before reclassification		—		9		—	9
Net current-period OCI		—		9		—	9
Balance, March 31, 2017		—		$ 345		—	$ 345

		Post-retirement benefit plans		Currency translation adjustment		Derivatives	Total
Attributable to Matthews:							
Balance, December 31, 2015		$ (42,372)		$ (114,673)		$ (666)	$ (157,711)
OCI before reclassification		—		15,412		(3,294)	12,118
Amounts reclassified from AOCI	(a)	1,058		—	(b)	455	1,513
Net current-period OCI		1,058		15,412		(2,839)	13,631
Balance, March 31, 2016		$ (41,314)		$ (99,261)		$ (3,505)	$ (144,080)
Attributable to noncontrolling interest:							
Balance, December 31, 2015		—		$ 313		—	$ 313
OCI before reclassification		—		(1)		—	(1)
Net current-period OCI		—		(1)		—	(1)
Balance, March 31, 2016		—		$ 312		—	$ 312

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 8).

(b) Amounts were included in interest expense in the periods the hedged item affected earnings (see Note 5).

(Dollar amounts in thousands, except per share data)

Note 9. Accumulated Other Comprehensive Income (continued)

The changes in AOCI by component, net of tax, for the six-month periods ended March 31, 2017 and 2016 were as follows:

		Post-retirement benefit plans		Currency translation adjustment		Derivatives	Total
Attributable to Matthews:							
Balance, September 30, 2016		$ (56,050)		$ (122,259)		$ (3,559)	$ (181,868)
OCI before reclassification		—		(27,234)		7,065	(20,169)
Amounts reclassified from AOCI	(a)	2,998		—	(b)	(799)	2,199
Net current-period OCI		2,998		(27,234)		6,266	(17,970)
Balance, March 31, 2017		$ (53,052)		$ (149,493)		$ 2,707	$ (199,838)
Attributable to noncontrolling interest:							
Balance, September 30, 2016		—		$ 277		—	$ 277
OCI before reclassification		—		68		—	68
Net current-period OCI		—		68		—	68
Balance, March 31, 2017		—		$ 345		—	$ 345

		Post-retirement benefit plans		Currency translation adjustment		Derivatives	Total
Attributable to Matthews:							
Balance, September 30, 2015		$ (43,474)		$ (104,604)		$ (2,248)	$ (150,326)
OCI before reclassification		—		5,343		(2,218)	3,125
Amounts reclassified from AOCI	(a)	2,160		—	(b)	961	3,121
Net current-period OCI		2,160		5,343		(1,257)	6,246
Balance, March 31, 2016		$ (41,314)		$ (99,261)		$ (3,505)	$ (144,080)
Attributable to noncontrolling interest:							
Balance, September 30, 2015		—		$ 366		—	$ 366
OCI before reclassification		—		(54)		—	(54)
Net current-period OCI		—		(54)		—	(54)
Balance, March 31, 2016		—		$ 312		—	$ 312

(a) Amounts were included in net periodic benefit cost for pension and other postretirement benefit plans (see Note 8).

(b) Amounts were included in interest expense in the periods the hedged item affected earnings (see Note 5).

(Dollar amounts in thousands, except per share data)

Note 9. Accumulated Other Comprehensive Income (continued)

Reclassifications out of AOCI for the three and six-month periods ended March 31, 2017 were as follows:

	Amount reclassified from AOCI				
Details about AOCI Components	Three Months Ended March 31, 2017		Six Months Ended March 31, 2017		Affected line item in the Statement of income
Postretirement benefit plans					
Prior service (cost) credit	$ 94	(a)	$ 188		
Actuarial losses	(2,509)	(a)	(5,018)		
	(2,415)	(b)	(4,830)		Income before income tax
	(953)		(1,832)		Income taxes
	$ (1,462)		$ (2,998)		Net income
Derivatives					
Interest rate swap contracts	$ 503		$ 1,310		Interest expense
	503	(b)	1,310		Income before income tax
	197		511		Income taxes
	$ 306		$ 799		Net income

(a) Amounts are included in the computation of pension and other postretirement benefit expense, which is reported in both cost of goods sold and selling and administrative expenses. For additional information, see Note 8.
(b) For pre-tax items, positive amounts represent income and negative amounts represent expense.

Reclassifications out of AOCI for the three and six-month periods ended March 31, 2016 were as follows:

	Amount reclassified from AOCI				
Details about AOCI Components	Three Months Ended March 31, 2016		Six Months Ended March 31, 2016		Affected line item in the Statement of income
Postretirement benefit plans					
Prior service (cost) credit	$ 95	(a)	$ 190		
Actuarial losses	(1,866)	(a)	(3,732)		
	(1,771)	(b)	(3,542)		Income before income tax
	(713)		(1,382)		Income taxes
	$ (1,058)		$ (2,160)		Net income
Derivatives					
Interest rate swap contracts	$ (746)		$ (1,576)		Interest expense
	(746)	(b)	(1,576)		Income before income tax
	(291)		(615)		Income taxes
	$ (455)		$ (961)		Net income

(a) Amounts are included in the computation of pension and other postretirement benefit expense, which is reported in both cost of goods sold and selling and administrative expenses. For additional information, see Note 8.
(b) For pre-tax items, positive amounts represent income and negative amounts represent expense.

(Dollar amounts in thousands, except per share data)

Note 10. 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, 2017 was 28.9%, compared to 29.1% for the six months ended March 31, 2016. The difference between the Company's fiscal 2017 second quarter effective tax rate and the Federal statutory rate of 35.0% primarily reflected lower foreign income taxes, offset by the impact of state taxes.

The Company had unrecognized tax benefits (excluding penalties and interest) of $13,410 and $13,820 on March 31, 2017 and September 30, 2016, respectively. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate were $6,253 and $6,663 at March 31, 2017 and September 30, 2016, respectively.

The Company classifies interest and penalties on tax uncertainties as a component of the provision for income taxes. Total penalties and interest accrued were $2,168 and $2,088 at March 31, 2017 and September 30, 2016, respectively. These accruals may potentially be applicable in the event of an unfavorable outcome of uncertain tax positions.

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, 2017, the tax years that remain subject to examination by major jurisdiction generally are:

United States – Federal	2013 and forward
United States – State	2012 and forward
Canada	2013 and forward
Germany	2009 and forward
United Kingdom	2014 and forward
Australia	2012 and forward
Singapore	2012 and forward

Note 11. Segment Information

The Company manages its businesses under three segments: SGK Brand Solutions, Memorialization and Industrial Technologies. The SGK Brand Solutions segment includes brand development, deployment and delivery (consisting of brand management, printing plates and cylinders, pre-media services and imaging services for consumer packaged goods and retail customers, merchandising display systems, and marketing and design services). The Memorialization segment consists primarily of bronze and granite memorials and other memorialization products, caskets and cremation equipment primarily for the cemetery and funeral home industries. The Industrial Technologies segment includes marking and coding equipment and related consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products. 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 interest amongst the segments.

(Dollar amounts in thousands, except per share data)

Note 11. Segment Information (continued)

Information about the Company's segments is as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Sales:				
SGK Brand Solutions	$ 190,120	$ 184,384	$ 365,921	$ 362,675
Memorialization	162,108	157,376	307,730	304,987
Industrial Technologies	28,688	25,416	56,263	53,746
	$ 380,916	$ 367,176	$ 729,914	$ 721,408
Operating profit:				
SGK Brand Solutions	$ 4,361	$ 5,500	$ 8,551	$ 8,255
Memorialization	22,938	19,470	37,305	27,159
Industrial Technologies	(471)	1,465	35	3,059
	$ 26,828	$ 26,435	$ 45,891	$ 38,473

Note 12. Acquisitions

On March 1, 2017, the Company acquired GJ Creative Limited ("Equator") for £30.4 million ($37,540) (net of cash acquired, subject to a working capital true-up). Equator provides design expertise capable of taking brands from creation to shelf under one roof, and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the Equator acquisition is not finalized as of March 31, 2017, and is subject to changes as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On February 28, 2017, the Company acquired certain net assets of RAF Technology, Inc. ("RAF") for $8,746 (net of cash acquired, subject to a working capital true-up). RAF is a global leader in pattern and optical character recognition software, and is included in the Company's Industrial Technologies segment. The preliminary purchase price allocation related to the RAF acquisition is not finalized as of March 31, 2017, and is subject to changes as the Company obtains additional information related to working capital items, intangible assets and other assets and liabilities.

On January 13, 2017, the Company acquired VCG (Holdings) Limited ("VCG") for £8.8 million ($10,695) (net of cash acquired). VCG is a leading graphics, plate making, and creative design company and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the VCG acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On January 3, 2017, the Company acquired A. + E. Ungricht GmbH + Co KG ("Ungricht") for €22.7 million ($23,736) (net of cash acquired, subject to a working capital true-up). Ungricht is a leading European provider of pre-press services and gravure printing forms, located in Germany, and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the Ungricht acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On November 30, 2016, the Company acquired Guidance Automation Limited ("Guidance") for £7.8 million ($9,732) (net of cash acquired). Guidance provides technological solutions for autonomous warehouse vehicles and is included in the Company's Industrial Technologies segment. The preliminary purchase price allocation related to the Guidance acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On February 1, 2016, the Company acquired certain net assets of Digital Design, Inc. ("DDI") for $8,773 (net of cash acquired and holdback amount). DDI is a manufacturer and seller of ink jet printing systems and is included in the Company's Industrial Technologies segment. The Company finalized the allocation of purchase price related to the DDI acquisition in the second quarter of fiscal 2017, resulting in an immaterial adjustment to certain working capital accounts.

(Dollar amounts in thousands, except per share data)

Note 13. Goodwill and Other Intangible Assets

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

	SGK Brand Solutions	Memorialization	Industrial Technologies	Consolidated
Goodwill	$ 458,510	$ 347,116	$ 56,615	$ 862,241
Accumulated impairment losses	(5,752)	(5,000)	—	(10,752)
Balance at September 30, 2016	452,758	342,116	56,615	851,489
Additions during period	16,059	—	11,727	27,786
Translation and other adjustments	(8,983)	(2,449)	40	(11,392)
Goodwill	465,586	344,667	68,382	878,635
Accumulated impairment losses	(5,752)	(5,000)	—	(10,752)
Balance at March 31, 2017	$ 459,834	$ 339,667	$ 68,382	$ 867,883

The Company performed its annual impairment review in the second quarter of fiscal 2017 and has determined that estimated fair value for all reporting units exceeded carrying value, therefore no adjustments to the carrying value of goodwill were necessary.

The following tables summarize the carrying amounts and related accumulated amortization for intangible assets as of March 31, 2017 and September 30, 2016, respectively.

	Carrying Amount	Accumulated Amortization	Net
March 31, 2017:			
Trade names	$ 168,467	$ — *	$ 168,467
Trade names	1,756	(1,756)	—
Customer relationships	329,925	(71,597)	258,328
Copyrights/patents/other	14,206	(10,743)	3,463
	$ 514,354	$ (84,096)	$ 430,258
September 30, 2016:			
Trade names	$ 168,467	$ — *	$ 168,467
Trade names	1,814	(1,802)	12
Customer relationships	286,595	(61,706)	224,889
Copyrights/patents/other	11,066	(10,593)	473
	$ 467,942	$ (74,101)	$ 393,841
* Not subject to amortization			

The net change in intangible assets during the six months ended March 31, 2017 included the impact of foreign currency fluctuations during the period, additional amortization, and additions related to the Guidance, Ungricht, VCG, RAF and Equator acquisitions.

Amortization expense on intangible assets was $5,634 and $5,190 for the three-month periods ended March 31, 2017 and 2016, respectively. For the six-month periods ended March 31, 2017 and 2016, amortization expense was $10,575 and $10,406, respectively. Amortization expense is estimated to be $11,886 for the remainder of fiscal 2017, $21,724 in 2018, $20,677 in 2019, $19,561 in 2020 and $18,802 in 2021.

Note 14. Subsequent Events

On April 28, 2017, subsequent to the end of the second fiscal quarter, the Company received communication that it should expect to receive the full extent of its insurance coverage ($10,000) related to the previously disclosed theft of funds by an employee.

On April 4, 2017, subsequent to the end of the second fiscal quarter, the Company entered into a two-year $115,000 accounts receivable securitization facility (the "Securitization Facility") with certain financial institutions. Under the Securitization Facility, the Company and certain of its domestic subsidiaries sell, on a continuous basis without recourse, their trade receivables to Matthews Receivables Funding Corporation, LLC (“Matthews RFC”), a wholly-owned bankruptcy-remote subsidiary of the Company. Matthews RFC in turn assigns a collateral interest in these receivables to certain financial institutions, and then may borrow funds under the Securitization Facility. The Securitization Facility does not qualify for sale treatment. Accordingly, the trade receivables and related debt obligations will remain on the Company's Consolidated Balance Sheet. Borrowings under the Securitization Facility bear interest at LIBOR plus 0.75%. The Company is required to pay an annual commitment fee ranging from 0.25% to 0.35% (based on the unused amount of the facility) of the unused portion of the Securitization Facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT:

The following discussion should be read in conjunction with the consolidated financial statements 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 fiscal year ended September 30, 2016. 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 mortality and cremation 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, cybersecurity concerns, effectiveness of the Company's internal controls, compliance with domestic and foreign laws and regulations, technological factors beyond the Company's control, and other factors described in Item 1A - "Risk Factors" in this Form 10-Q and Item 1A - "Risk Factors" in the Company's Form 10-K for the fiscal year ended September 30, 2016. 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 the sales and operating profit for the Company's three reporting segments for the three and six-month periods ended March 31, 2017 and 2016.

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	**2016**	**2017**	**2016**
	(Dollar amounts in thousands)			
Sales:				
SGK Brand Solutions	$ 190,120	$ 184,384	$ 365,921	$ 362,675
Memorialization	162,108	157,376	307,730	304,987
Industrial Technologies	28,688	25,416	56,263	53,746
	$ 380,916	$ 367,176	$ 729,914	$ 721,408
Operating profit:				
SGK Brand Solutions	$ 4,361	$ 5,500	$ 8,551	$ 8,255
Memorialization	22,938	19,470	37,305	27,159
Industrial Technologies	(471)	1,465	35	3,059
	$ 26,828	$ 26,435	$ 45,891	$ 38,473

Sales for the six months ended March 31, 2017 were $729.9 million, compared to $721.4 million for the six months ended March 31, 2016. The increase in fiscal 2017 sales principally reflected the benefits from recently completed acquisitions (see "Acquisitions" below), partially offset by the unfavorable impact of changes in foreign currencies against the U.S. dollar of $10.8 million compared to a year ago.

In the SGK Brand Solutions segment, sales for the first six months of fiscal 2017 were $365.9 million, compared to $362.7 million for the first six months of fiscal 2016. The increase in sales resulted from higher sales of merchandising display projects, sales growth in the U.K. and Asia Pacific markets, and the completion of three acquisitions during the second quarter of fiscal 2017. These sales increases were partially offset by slower brand market conditions in the U.S. and Europe, and the unfavorable impact of changes in foreign currency values against the U.S. dollar of approximately $9.9 million. Memorialization segment sales for the first six months of fiscal 2017 were $307.7 million, compared to $305.0 million for the first six months of fiscal 2016. The sales increase reflected higher sales of cemetery memorial products and cremation equipment, partially offset by lower unit sales of caskets. Industrial Technologies segment sales were $56.3 million for the first six months of fiscal 2017, compared to $53.7 million for the first six months of fiscal 2016. The increase reflected higher sales of marking products and the favorable impact of recently completed acquisitions, partially offset by lower sales of fulfillment systems and the unfavorable impact of changes in foreign currency values against the U.S. dollar of approximately $545,000.

Gross profit for the six months ended March 31, 2017 was $265.7 million, compared to $264.3 million for the same period a year ago. Consolidated gross profit as a percent of sales was 36.4% and 36.6% for the first six months of fiscal 2017 and fiscal 2016, respectively. The increase in gross profit reflected the impact of higher sales, the benefits of productivity initiatives, and realization of acquisition synergies, partially offset by unfavorable changes in foreign currency values against the U.S. dollar. Fiscal 2017 gross profit also included an expense of $1.8 million for the write-off of inventory step-up value related to the current year acquisitions. Fiscal 2016 gross profit included an expense of approximately $4.0 million for the partial write-off of inventory step-up value related to the acquisition of Aurora Products Group, LLC ("Aurora") in August 2015.

Selling and administrative expenses for the six months ended March 31, 2017 were $219.8 million, compared to $225.9 million for the first six months of fiscal 2016. Consolidated selling and administrative expenses, as a percent of sales, were 30.1% for the six months ended March 31, 2017, compared to 31.3% for the same period last year. The decrease in selling and administrative expenses reflected the benefits from cost-reduction initiatives, including acquisition integration synergies. The decrease in fiscal 2017 selling and administrative expenses was partially offset by $3.3 million of incremental stock-based compensation expense that was recognized in the first fiscal quarter of the current year as a result of required accounting treatment for retirement-eligible employees. In addition, fiscal 2017 selling and administrative expenses included an increase of $752,000 in intangible asset amortization related to recently completed acquisitions. Selling and administrative expenses also included acquisition integration and related systems-integration costs, and other charges totaling $16.1 million in fiscal 2017, compared to $18.9 million in fiscal 2016.

Operating profit for the six months ended March 31, 2017 was $45.9 million, compared to $38.5 million for the six months ended March 31, 2016. The SGK Brand Solutions segment operating profit for the first six months of fiscal 2017 was $8.6 million, compared to $8.3 million for the same period a year ago. The increase in segment operating profit reflected the impact of recent acquisitions, partially offset by the unfavorable impact of changes in foreign currencies against the U.S. dollar of approximately $829,000. Additionally, fiscal 2017 operating profit for the SGK Brand Solutions segment included acquisition integration costs and other charges totaling $13.1 million, compared to $14.9 million in fiscal 2016. Fiscal 2017 segment operating profit also included an increase of $752,000 in intangible asset amortization related to recently completed acquisitions. Memorialization segment operating profit for the first six months of fiscal 2017 was $37.3 million, compared to $27.2 million for the first six months of fiscal 2016. The increase in segment operating profit reflected higher cemetery memorial and cremation equipment sales, and the benefits of acquisition synergies and other productivity initiatives, partially offset by the impact of lower casket sales. Fiscal 2017 operating profit for the Memorialization segment also included acquisition integration costs and other charges totaling $4.7 million, compared to $7.9 million in fiscal 2016. Operating profit for the Industrial Technologies segment for the six months ended March 31, 2017 was $35,000, compared to $3.1 million for the same period a year ago, primarily reflecting lower sales (excluding acquisitions), lower margins on fulfillment sales, and acquisition and systems integration costs of $444,000 in fiscal 2017.

Investment income was $1.1 million for the six months ended March 31, 2017, compared to $936,000 for the six months ended March 31, 2016. The increase reflected higher rates of return on investments held in trust for certain of the Company's benefit plans. Interest expense for the first six months of fiscal 2017 was $12.8 million, compared to $11.9 million for the same period last year. The increase in interest expense primarily reflected higher average interest rates in the current fiscal year and an increase in average borrowing levels. Other income and deductions, net, for the six months ended March 31, 2017 represented a decrease in pre-tax income of $708,000, compared to a decrease in pre-tax income of $1.1 million for the same period last year. Other income and deductions generally include banking-related fees and the impact of currency gains and losses on certain intercompany debt and foreign denominated cash balances.

The Company's effective tax rate for the six months ended March 31, 2017 was 28.9%, compared to 29.1% for the first six months of fiscal 2016, and 30.5% for the fiscal 2016 full year. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected lower foreign income taxes, offset by the impact of state taxes.

Net losses attributable to noncontrolling interests was $166,000 for the six months ended March 31, 2017, compared to $202,000 for the same period a year ago. The net losses attributable to noncontrolling interests primarily reflected losses in less than wholly-owned Memorialization and Industrial Technologies businesses.

LIQUIDITY AND CAPITAL RESOURCES:

Net cash provided by operating activities was $44.3 million for the first six months of fiscal 2017, compared to $51.9 million for the first six months of fiscal 2016. Operating cash flow for both periods reflected net income adjusted for depreciation, amortization, stock-based compensation expense and non-cash pension expense. Net changes in working capital items, which reflected decreases in accounts receivable, increases in inventory and changes in other accounts, resulted in a use of working capital of approximately $5.1 million in fiscal 2017. Net changes in working capital items, which reflected decreases in accounts receivable, inventory and accounts payable, resulted in a use of working capital of approximately $6.6 million in fiscal 2016.

Cash used in investing activities was $104.9 million for the six months ended March 31, 2017, compared to $28.9 million for the six months ended March 31, 2016. Investing activities for the first six months of fiscal 2017 primarily reflected capital expenditures of $13.3 million, and acquisition payments (net of cash acquired or received from sellers) totaling $92.6 million. Investing activities for the first six months of fiscal 2016 primarily reflected capital expenditures of $23.9 million, and acquisition payments (net of cash acquired or received from sellers) of $6.1 million.

Capital expenditures reflected reinvestment in the Company's business segments and were made primarily for the purchase of new production machinery, equipment, software and systems, and facilities designed to improve product quality, increase manufacturing efficiency, lower production costs and meet regulatory requirements. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for property, plant and equipment has averaged $39.7 million for the last three fiscal years. Capital spending for fiscal 2017 is currently expected to be approximately $45.0 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash provided by financing activities for the six months ended March 31, 2017 was $50.5 million, primarily reflecting proceeds, net of repayments, on long-term debt of $70.5 million, treasury stock purchases of $9.2 million, and dividends of $10.8 million to the Company's shareholders. Cash used in financing activities for the six months ended March 31, 2016 was $36.1 million, primarily reflecting repayments, net of proceeds, on long-term debt of $15.9 million, proceeds from stock option exercises of $1.8 million, treasury stock purchases of $8.2 million, dividends of $9.6 million to the Company's shareholders, and noncontrolling interest payments of $4.2 million.

The Company has a domestic credit facility with a syndicate of financial institutions that was amended in April 2016 and includes a $900.0 million senior secured revolving credit facility and a $250.0 million senior secured amortizing term loan. The term loan requires scheduled principal payments of 5.0% of the outstanding principal in year one, 7.5% in year two, and 10.0% in years three through five, payable in quarterly installments. The balance of the revolving credit facility and the term loan are due on the maturity date of April 26, 2021. Borrowings under both the revolving credit facility and the term loan bear interest at LIBOR plus a factor ranging from 0.75% to 2.00% (1.75% at March 31, 2017) based on the Company's leverage ratio. The leverage ratio is defined as net indebtedness divided by adjusted EBITDA (earnings before interest, taxes, depreciation and amortization). The Company is required to pay an annual commitment fee ranging from 0.15% to 0.25% (based on the Company's leverage ratio) of the unused portion of the revolving credit facility.

The domestic credit facility requires the Company to maintain certain leverage and interest coverage ratios. A portion of the facility (not to exceed $35.0 million) is available for the issuance of trade and standby letters of credit. Outstanding borrowings on the revolving credit facility at March 31, 2017 and September 30, 2016 were $645.0 million and $608.0 million, respectively. Outstanding borrowings on the term loan at March 31, 2017 and September 30, 2016 were $240.2 million and $246.4 million, respectively. The weighted-average interest rate on outstanding borrowings for the domestic credit facility at March 31, 2017 and March 31, 2016 was 2.70% and 2.52%, respectively.

The following table presents information related to interest rate contracts entered into by the Company and designated as cash flow hedges (*dollar amounts in thousands*):

	March 31, 2017	September 30, 2016
Pay fixed swaps - notional amount	$ 371,875	$ 403,125
Net unrealized gain (loss)	$ 4,438	$ (5,834)
Weighted-average maturity period (years)	3.6	3.9
Weighted-average received rate	0.98%	0.53%
Weighted-average pay rate	1.27%	1.26%

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 future variable interest payments, 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 gain, net of unrealized losses, of $4.4 million ($2.7 million after tax) at March 31, 2017 and an unrealized loss, net of unrealized gains, of $5.8 million ($3.6 million after tax) at September 30, 2016. The net unrealized gain/loss is included in shareholders' equity as part of accumulated other comprehensive income ("AOCI"). Assuming market rates remain constant with the rates at March 31, 2017, a gain (net of tax) of approximately $635,000 included in AOCI is expected to be recognized in earnings over the next twelve months.

The Company, through certain of its European subsidiaries, has a credit facility with a European bank. The maximum amount of borrowing available under this facility is €35.0 million ($37.4 million). Outstanding borrowings under the credit facility totaled €26.3 million ($28.1 million) at March 31, 2017. There were no outstanding borrowings under the credit facility at September 30, 2016. The weighted-average interest rate on outstanding borrowings under this facility at March 31, 2017 and 2016 was 1.75%.

The Company, through its German subsidiary, Saueressig GmbH & Co. KG ("Saueressig"), has several loans with various European banks. Outstanding borrowings under these loans totaled €36,000 ($38,800) and €255,000 ($286,000) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding borrowings of Saueressig at March 31, 2017 and 2016 was 4.50% and 4.16%, respectively.

The Company, through its German subsidiary, Wetzel GmbH ("Wetzel"), has several loans with various European banks. Outstanding borrowings under these loans totaled €584,100 ($623,900) and €830,220 ($931,000) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding borrowings of Wetzel at March 31, 2017 and 2016 was 6.01% and 6.11%, respectively.

In November 2016, the Company's German subsidiary, Matthews Europe GmbH & Co. KG, issued €15.0 million ($16.0 million at March 31, 2017) of senior unsecured notes with European banks. The notes are guaranteed by Matthews International Corporation and mature in November 2019. A portion of the notes (€5.0 million) have a fixed interest rate of 1.4%, and the remainder bear interest at Euro LIBOR plus 1.4%. The weighted-average interest rate on the notes at March 31, 2017 was 1.40%.

The Company, through its Italian subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled €2.4 million ($2.5 million) and €3.2 million ($3.5 million) at March 31, 2017 and September 30, 2016, respectively. Matthews International S.p.A. also has multiple lines of credit totaling €11.3 million ($12.1 million) with the same Italian banks. Outstanding borrowings on these lines were €6.1 million ($6.5 million) and €5.2 million ($5.8 million) at March 31, 2017 and September 30, 2016, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at March 31, 2017 and 2016 was 2.31% and 3.47%, respectively.

In September 2014, a demand was filed by a customer seeking to draw upon a letter of credit issued by the Company of £8.6 million ($10.7 million at March 31, 2017) with respect to a performance guarantee on a project in Saudi Arabia. Management assessed the customer's demand to be without merit and initiated an action with the court in the United Kingdom (the "Court"). Pursuant to this action, an order was issued by the Court in January 2015 requiring that, upon receipt by the customer, the funds were to be remitted by the customer to the Court pending resolution of the dispute between the parties. As a result, the Company made payment on the draw to the financial institution for the letter of credit and the funds were ultimately received by the customer. The customer did not remit the funds to the Court as ordered. On June 14, 2016, the Court ruled completely in favor of Matthews following a trial on the merits. However, as the customer has neither yet remitted the funds nor complied with the final, un-appealed orders of the Court, it is possible the resolution of this matter could have an unfavorable financial impact on Matthews' results of operations. As of March 31, 2017 and September 30, 2016, the Company has presented the funded letter of credit within other current assets on the Consolidated Balance Sheet.

The Company has a stock repurchase program. Under the current authorization, the Company's Board of Directors has authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 1,893,423 shares remain available for repurchase as of March 31, 2017. 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 set forth in the Company's Restated Articles of Incorporation.

Consolidated working capital of the Company was $305.4 million at March 31, 2017, compared to $314.8 million at September 30, 2016. Cash and cash equivalents were $43.6 million at March 31, 2017, compared to $55.7 million at September 30, 2016. The Company's current ratio was 2.1 and 2.2 at March 31, 2017 and September 30, 2016, respectively.

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.

At March 31, 2017, an accrual of approximately $3.5 million had been recorded for environmental remediation (of which $1.0 million was classified in other current liabilities), representing management's best estimate of the probable and reasonably estimable costs of the Company's known remediation obligations. The accrual does not consider the effects of inflation and anticipated expenditures are not discounted to their present value. Changes in the accrued environmental remediation obligation from the prior fiscal year reflect payments charged against the accrual.

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

ACQUISITIONS:

On March 1, 2017, the Company acquired GJ Creative Limited ("Equator") for £30.4 million ($37.5 million) (net of cash acquired, subject to a working capital true-up). Equator provides design expertise capable of taking brands from creation to shelf under one roof, and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the Equator acquisition is not finalized as of March 31, 2017, and is subject to changes as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On February 28, 2017, the Company acquired certain net assets of RAF Technology, Inc. ("RAF") for $8.7 million (net of cash acquired, subject to a working capital true-up). RAF is a global leader in pattern and optical character recognition software, and is included in the Company's Industrial Technologies segment. The preliminary purchase price allocation related to the RAF acquisition is not finalized as of March 31, 2017, and is subject to changes as the Company obtains additional information related to working capital items, intangible assets and other assets and liabilities.

On January 13, 2017, the Company acquired VCG (Holdings) Limited ("VCG") for £8.8 million ($10.7 million) (net of cash acquired). VCG is a leading graphics, plate making, and creative design company and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the VCG acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On January 3, 2017, the Company acquired A. + E. Ungricht GmbH + Co KG ("Ungricht") for €22.7 million ($23.7 million) (net of cash acquired, subject to a working capital true-up). Ungricht is a leading European provider of pre-press services and gravure printing forms, located in Germany, and is included in the Company's SGK Brand Solutions segment. The preliminary purchase price allocation related to the Ungricht acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On November 30, 2016, the Company acquired Guidance Automation Limited ("Guidance") for £7.8 million ($9.7 million) (net of cash acquired). Guidance provides technological solutions for autonomous warehouse vehicles and is included in the Company's Industrial Technologies segment. The preliminary purchase price allocation related to the Guidance acquisition is not finalized as of March 31, 2017, and is subject to change as the Company obtains additional information related to working capital items, fixed assets, intangible assets, and other assets and liabilities.

On February 1, 2016, the Company acquired certain net assets of Digital Designs, Inc. ("DDI") for $8.8 million (net of cash acquired and holdback amount). DDI is a manufacturer and seller of ink jet printing systems and is included in the Company's Industrial Technologies segment. The Company finalized the allocation of purchase price related to the DDI acquisition in the second quarter of fiscal 2017, resulting in an immaterial adjustment to certain working capital accounts.

SUBSEQUENT EVENTS:

On April 28, 2017, subsequent to the end of the second fiscal quarter, the Company received communication that it should expect to receive the full extent of its insurance coverage ($10.0 million) related to the previously disclosed theft of funds by an employee.

On April 4, 2017, subsequent to the end of the second fiscal quarter, the Company entered into a two-year $115.0 million accounts receivable securitization facility (the "Securitization Facility") with certain financial institutions. Under the Securitization Facility, the Company and certain of its domestic subsidiaries sell, on a continuous basis without recourse, their trade receivables to Matthews Receivables Funding Corporation, LLC ("Matthews RFC"), a wholly-owned bankruptcy-remote subsidiary of the Company. Matthews RFC in turn assigns a collateral interest in these receivables to certain financial institutions, and then may borrow funds under the Securitization Facility. The Securitization Facility does not qualify for sale treatment. Accordingly, the trade receivables and related debt obligations will remain on the Company's Consolidated Balance Sheet. Borrowings under the Securitization Facility bear interest at LIBOR plus 0.75%. The Company is required to pay an annual commitment fee ranging from 0.25% to 0.35% (based on the unused amount of the facility) of the unused portion of the Securitization Facility.

FORWARD-LOOKING INFORMATION:

Matthews has a three-pronged strategy to attain annual growth in earnings per share. This strategy consists of the following: internal growth (which includes organic growth, cost structure and 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").

With respect to the remainder of fiscal 2017, the Company expects to continue to devote a significant level of effort to the integrations of recent acquisitions including, Aurora and Schawk, Inc. ("Schawk"). Due to the size of these acquisitions and the projected synergy benefits from integration, these efforts are anticipated to continue for an extended period of time. The costs associated with these integrations will impact the Company's operating results for fiscal 2017. Consistent with its practice, the Company plans to identify these costs on a quarterly basis as incurred.

CRITICAL ACCOUNTING POLICIES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Therefore, the determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, economic conditions, and in some cases, actuarial techniques. Actual results may differ from those estimates. A discussion of market risks affecting the Company can be found in Item 7A - "Quantitative and Qualitative Disclosures about Market Risk" in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

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, 2016. 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, 2017, and the effect such obligations are expected to have on its liquidity and cash flows in future periods.

	Payments due in fiscal year:				
	Total	**2017 Remainder**	**2018 to 2019**	**2020 to 2021**	**After 2021**
Contractual Cash Obligations:	*(Dollar amounts in thousands)*				
Revolving credit facilities	$ 673,063	$ —	$ 28,063	$ 645,000	$ —
Senior secured term loan	240,245	7,813	45,313	187,119	—
Notes payable to banks	21,720	4,145	17,575	—	—
Short-term borrowings	6,844	6,844	—	—	—
Capital lease obligations	6,673	752	1,741	1,038	3,142
Non-cancelable operating leases	70,711	11,990	31,135	15,799	11,787
Other	5,109	5,109	—	—	—
Total contractual cash obligations	$ 1,024,365	$ 36,653	$ 123,827	$ 848,956	$ 14,929

A significant portion of the loans included in the table above bear interest at variable rates. At March 31, 2017, the weighted-average interest rate was 2.70% on the Company's domestic credit facility, 1.75% on the credit facility through the Company's European subsidiaries, 4.50% on bank loans to its wholly-owned subsidiary, Saueressig, 6.01% on bank loans to its wholly-owned subsidiary, Wetzel, 1.40% on notes issued by the Company's wholly-owned subsidiary, Matthews Europe GmbH & Co. KG, and 2.31% 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 required to make contributions of approximately $5.1 million to its principal retirement plan in fiscal 2017. During the six months ended March 31, 2017, contributions of $362,000 and $456,000 were made under the supplemental retirement plan and postretirement plan, respectively. The Company currently anticipates contributing an additional $5.1 million, $398,000 and $692,000 under the principal retirement plan, the supplemental retirement plan and postretirement plan, respectively, for the remainder of fiscal 2017.

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, 2017, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately $13.4 million. The timing of potential future payments related to the unrecognized tax benefits is not presently determinable. The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Issued

In February 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-07, *Compensation - Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which provides new guidance intended to improve the disclosure requirements related to the service cost component of net benefit cost. This ASU is effective for the Company beginning in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*, which provides new guidance intended to simplify the subsequent measurement of goodwill and removing Step 2 from the goodwill impairment process. This ASU is effective for the Company beginning in fiscal year 2021, and does allow for early adoption. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805), Clarifying the Definition of a Business*, which provides new guidance intended to make the definition of a business more operable and allow for more consistency in application. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In December 2016, the FASB issued ASU No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. This ASU coincides with ASU 2014-09 and provides technical corrections and improvements to clarify guidance and correct unintended applications of the guidance. The Company is in the process of assessing the impact this ASU, along with ASU 2014-09, will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)*, which provides new guidance intended to clarify the presentation of certain cash flow items including debt prepayments, debt extinguishment costs, contingent considerations payments, and insurance proceeds, among other things. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019, and early adoption is permitted. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In April and May 2016, the FASB issued ASU Nos. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,* and 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*, respectively. Both of these ASUs coincide with ASU 2014-09 and provide additional guidance in the determination of performance obligations and implementation expedients. The Company is in the process of assessing the impact these ASUs, along with ASU 2014-09, will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, which provides new guidance intended to simplify the accounting surrounding share-based compensation. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2018. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* which coincides with ASU 2014-09 and provides additional guidance in the determination of principals versus agents. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The Company is in the process of assessing the impact this ASU, along with ASU 2014-09, will have on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which provides new guidance on how an entity should account for leases and recognize associated lease assets and liabilities. This ASU requires lessees to recognize assets and liabilities that arise from financing and operating leases on the Consolidated Balance Sheet. The implementation of this standard will require application of the new guidance at the beginning of the earliest comparative period presented, once adopted. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2020, and does allow for early adoption. The Company is in the process of assessing the impact this ASU will have on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides new guidance intended to improve the recognition, measurement, presentation and disclosure of financial instruments. This ASU is effective for the Company beginning in interim periods starting in fiscal year 2019. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-11, *Simplifying the Measurement of Inventory*, which provides new guidance to simplify the measurement of inventory valuation at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The new inventory measurement requirements are effective for the Company's 2018 fiscal year, and will replace the current inventory valuation guidance that requires the use of a lower of cost or market framework. The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU replaces nearly all existing U.S. GAAP guidance on revenue recognition. The standard prescribes a five-step model for recognizing revenue, the application of which will require significant judgment. The FASB issued ASU 2015-14 in August 2015 which resulted in a deferral of the original effective date of ASU 2014-09. This standard is effective for Matthews beginning October 1, 2018. The Company is in the process of assessing the impact the adoption of this ASU will have on its consolidated financial statements.

Adopted

In June 2014, the FASB issued ASU No. 2014-12, *Compensation - Stock Compensation (Topic 718),* which provides new guidance intended to clarify the diverse accounting treatment for certain share-based payments. Share-based payments with performance targets that could be achieved after the requisite service period should be treated as performance conditions under the existing guidance in ASC Topic 718. The adoption of this ASU in the first quarter ended December 31, 2016 had no impact on the Company's consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the Company’s market risk during the three and six months ended March 31, 2017. For additional information see Item 7A - "Quantitative and Qualitative Disclosures About Market Risk" in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

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, 2017. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2017, 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.

The Company is in the process of implementing a global operating and financial reporting information technology system, SAP, as part of a multi-year plan to integrate and upgrade its systems and processes. As the phased implementation of this system occurs, certain changes will be made to the Company's processes and procedures which, in turn, result in changes to its internal control over financial reporting. While the Company expects to strengthen its internal financial controls by automating certain manual processes and standardizing business processes and reporting across its global organization, management will continue to evaluate and monitor its internal controls as processes and procedures in each of the affected areas evolve.

Other than changes with respect to the SAP implementation described above, there have been no changes in the Company's internal controls over financial reporting that occurred during the fiscal quarter ended March 31, 2017 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 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item IA to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016. The risk factors disclosed in Part I, Item 1A to our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, in addition to the other information set forth in this report, could adversely affect the Company's operating performance and financial condition. Additional risks not currently known or deemed immaterial may also result in adverse effects on the Company.

Item 2. Unrecognized Sales of Equity Securities and Use of Proceeds

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. Under the current authorization, the Company's Board of Directors had authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 1,893,423 shares remain available for repurchase as of March 31, 2017.

The following table shows the monthly fiscal 2017 stock repurchase activity:

Period	Total number of shares purchased	Weighted-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 2016	—	$ —	—	2,028,570
November 2016	83,293	67.49	83,293	1,945,277
December 2016	11,936	73.63	11,936	1,933,341
January 2017	—	—	—	1,933,341
February 2017	39,918	66.98	39,918	1,893,423
March 2017	—	—	—	1,893,423
Total	135,147	$ 67.88	135,147	

Item 3. Defaults Upon Senior Securities

Not Applicable.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No.	Description	Method of Filing
10.1	Amended and Restated 2014 Director Fee Plan	Filed herewith
31.1	Certification of Principal Executive Officer for Joseph C. Bartolacci	Filed herewith
31.2	Certification of Principal Financial Officer for Steven F. Nicola	Filed herewith
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Joseph C. Bartolacci	Furnished herewith
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	Furnished herewith
101.INS	XBRL Instance Document	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Filed herewith

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 3, 2017	By: /s/ Joseph C. Bartolacci
	Joseph C. Bartolacci, President and Chief Executive Officer
Date: May 3, 2017	By: /s/ Steven F. Nicola
	Steven F. Nicola, Chief Financial Officer and Secretary

Exhibit 10.1

MATTHEWS INTERNATIONAL CORPORATION

AMENDED AND RESTATED 2014 DIRECTOR FEE PLAN

SECTION 1

Purposes; Reservation of Shares

(a) Purposes. The purposes of the Amended and Restated 2014 Director Fee Plan (the "**Plan**") are:

(1) to provide each Director of Matthews International Corporation (the "**Corporation**"), who is not also an employee of the Corporation or any of its Subsidiaries ("**Director**"), with the payment of (i) an annual retainer fee (ii) in the case of a Director who serves as Chairman of the Board (the "**NE Chairperson**") or serves as the lead director of the Board (the "**Lead Director**"), an additional annual retainer fee, (iii) an annual retainer fee for each Committee chairperson and to any Lead Director, in each case, for future services to be performed by such Director (collectively, "**Director Fees**") as a member of the Board of Directors of the Corporation (the "**Board**");

(2) to provide payment to each Director (except the NE Chairperson shall only be entitled to Board and Shareholders' Meeting Fees) for the following (collectively, the "**Meeting Fees**"): (i) fees if any, paid for attendance at meetings of the Board or Committees of the Board; and (ii) fees, if any, paid to a Director for attendance at the Annual Meeting;

(3) to increase the identification of interests between the Directors and the shareholders of the Corporation by permitting (i) the Nominating and Corporate Governance Committee of the Board or a Stock Compensation Subcommittee of the Committee (the "**Subcommittee**") to award restricted stock ("**RSA**"), restricted stock units ("**RSU**"), nonstatutory stock options and/or stock appreciation rights to each Director on the fifteenth (15th) business day after the annual shareholders' meeting of the Corporation, and

(4) to allow Directors to elect to (i) receive payment of certain fees in shares of Class A Common Stock, par value $1.00 per share of the Corporation (the "**Common Stock**"), (ii) defer receipt of certain fees and awards into a deferred stock account as deferred stock units ("**DSU**"), and (iii) reinvest dividends payable under this Plan instead of receiving cash.

For purposes of the Plan, the term "**Subsidiary**" means any corporation, partnership, limited liability company, joint venture, trust or estate in an unbroken chain beginning with the Corporation, if each of the entities other than the last entity in the unbroken chain owns equity possessing fifty percent (50%) or more of the total combined voting power of all classes of equity in one of the other entities in the chain. As used hereinafter, the term "**Committee**" shall mean either the Nominating and Corporate Governance Committee or the Subcommittee, if the Subcommittee is authorized by the Board to act under this Plan; *provided, however*, that the members of the Committee must be composed solely of two or more "non-employee directors" in accordance with Rule 16b-3(d) under the 1934 Act. The term "**Annual Meeting**" shall refer to the annual shareholders' meeting of the Corporation.

(b) Reservation of Shares. Except as otherwise provided in this Section 1(b), the aggregate number of shares of Common Stock which may be issued under the Plan or credited (in DSUs) to deferred stock compensation accounts for subsequent issuance under the Plan is limited to one hundred fifty thousand (150,000) shares, subject to adjustment and substitution as set forth in Section 14 hereof. Shares issued under the Plan may be authorized but unissued shares or shares previously issued and thereafter acquired by the Corporation or partly each, as shall be determined from time to time by the Board. If any stock option, RSU or stock appreciation right granted under the Plan is cancelled by mutual consent, forfeited, or terminates or expires for any reason without having been exercised in full, or if any RSAs under the Plan are forfeited, the number of shares subject thereto, in the case of stock options, RSUs or stock appreciation rights, or the number of shares forfeited, in the case of RSAs, shall again be available for all purposes of the Plan. All shares of Common Stock covered by a stock appreciation right or RSU, to the extent it is exercised or vests, as applicable, and shares of Common Stock are actually issued upon exercise or vesting of the right, shall be counted, regardless of the number of shares used to settle the stock appreciation right upon exercise.

SECTION 2

Eligibility

Any non-employee Director of the Corporation who is separately compensated in the form of Director Fees or Meeting Fees for services on the Board shall be eligible to participate in the Plan.

SECTION 3

Payment of Director Fees

(a) Director Fee Payment. Subject to the provisions of Section 3(b) hereof, on the fifteenth (15th) business day following the Annual Meeting (or the election or re-election to a committee chair or lead director position if such election is not made at the time of the Annual Meeting) (each such date of payment referred to as a "**Regular Payment Date**"), each Director as of that date shall receive payment of Director Fees by:

(1) the payment to (i) the Director of cash of seventy five thousand dollars ($75,000) (ii) in the case of the NE Chairperson, an additional one hundred thousand dollars ($100,000), (iii) any chairperson of a Committee of cash of seven thousand five hundred dollars ($7,500) (or $12,000 in the case of the Audit Committee chairperson and $10,000 in the case of the Compensation Committee Chairperson) (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts) (collectively, the "**Director Fee Amount**"); or

(2) the issuance to the Director of a number of whole shares of Common Stock equal to the Director Fee Amount divided by the Fair Market Value of one share of the Common Stock, as defined in Section 17 hereof, on such Payment Date (rounded upward to the next whole share).

Subject to the provisions of Section 3(b) hereof, each Director who first becomes a Director after a Regular Payment Date and before the next Annual Meeting shall, on the fifteenth (15th) business day following his or her election as a Director (the "**Interim Payment Date**", and collectively with any Regular Payment Date, a "**Payment Date**"), receive payment of a pro-rata portion of the Director Fee Amount (in cash or in shares of Common Stock, as the case may be), equal to the applicable Director Fee Amount multiplied by a fraction, the numerator of which shall be the number of Board meetings scheduled between the date of such

Director's election and the date of the next Annual Meeting (excluding any Directors' meeting on the date of such Annual Meeting), and the denominator of which shall be the total number of Board meetings (actual and scheduled) between the date of the last Annual Meeting (including any Board meeting on the date of such Annual Meeting) and the date of the next Annual Meeting (excluding any Directors' meeting on the date of such Annual Meeting).

(b) Stock Election. The Committee shall determine by November 30 of each year whether Director Fees in the following calendar year will be paid in cash or in shares of Common Stock, with the default election being the payment of Directors Fees in shares of Common Stock. Notwithstanding the foregoing, if the Director Fees are to be paid in cash, a Director may elect to receive payment of the Director Fees in shares (a "**Stock Election**"). A Stock Election shall be made by filing a notice of election with the Secretary of the Corporation in the form prescribed by the Corporation (each, a "**Notice of Election**"). Once made, a Stock Election shall be effective on January 1 of the year following the date on which the Notice of Election is filed; provided, however, Stock Elections shall be effective on the date on which the Notice of Election is filed with respect to Director Fees payable after the time of a person's initial election to the office of Director, or any subsequent re-election if immediately prior thereto such person was not serving as a Director, provided the Director files such Notice of Election within ten (10) business days subsequent to being elected or re-elected as a Director. A Stock Election shall apply to all Director Fees otherwise payable while such election is effective. A Director may terminate a current Stock Election and receive current payment of Director Fees in cash (where the Committee has elected to pay Director Fees in cash) by filing a notice of termination with the Secretary of the Corporation in the form prescribed by the Corporation (each, a "**Notice of Termination**"), which shall be effective on January 1 of the year following the date on which a Notice of Termination is filed.

(c) Evidence of Shares. As of the date on which the Director Fees are payable in shares of Common Stock pursuant to Section 3(a) or 3(b) hereof, (i) the Corporation, at its sole discretion, shall either issue share certificates to the Director for any shares of Common Stock received under the Plan or cause such shares to be registered in the name of the Director on any book-entry registration maintained by the Corporation or its transfer agent, and (ii) the Director shall be a shareholder of the Corporation with respect to any such shares of Common Stock so issued.

(d) Deferral Election. Notwithstanding the foregoing provisions of this Section, each Director may elect to defer the receipt of Director Fees in accordance with the procedures set forth in Section 5.

SECTION 4

Payment of Meeting Fees

(a) Current Cash Payment. Subject to the provisions of Section 5 hereof, each Director shall receive payment of Meeting Fees in cash in the following amounts (or such other amounts determined by the Board or by any committee of the Board which the Board authorizes to determine such amounts), except that the NE Chairperson shall only be entitled to Board Meeting Fees and Shareholder's Meeting Fees, if any:

Board Meeting Fees:	None
Committee Meeting Fees:	None
Special Committee Meeting Fees:	$1,500 per day of service
Shareholders' Meeting Fees:	None

Except as set forth in Section 5 hereof, payment of Meeting Fees, if any, shall be paid within ten (10) business days following the meeting with respect to which such fees are payable. The amount and time of payment of Meeting Fees may be changed from time to time by the Board in its sole discretion through a duly adopted Board resolution.

(c) Deferral Election. Notwithstanding the foregoing provisions of this Section, each Director may elect to defer the receipt of Meeting Fees in accordance with the procedures set forth in Section 5.

SECTION 5

Deferral Elections

(a) Deferred Payment of Director Fees and Meeting Fees. Regardless of whether Director Fees or Meeting Fees are scheduled to be paid in cash or shares of Common Stock, each Director may elect to defer the receipt of Director Fees, Meeting Fees and/or RSAs granted pursuant to Section 12, as provided under this Section 5 (a "**Deferral Election**").

(b) Election Procedures. A Deferral Election may be made by timely filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation, subject to the following terms and conditions:

(1) A Deferral Election shall be effective only if made on or prior to December 31st of the calendar year immediately preceding the beginning of the calendar year to which the Deferral Election relates (or such other date as may be established by the Committee to the extent consistent with Section 409A);

(2) Deferral Elections are entirely voluntary and shall be ***irrevocable once made***; provided, however, the Committee, in its sole discretion, may permit a Deferral Election to be changed at any time prior to the last permissible date for making a Deferral Election;

(3) A Deferral Election shall apply to all Director Fees and/or RSAs earned and payable in each calendar year while such Deferral Election remains effective, and to all Meeting Fees paid or payable for meetings held in each calendar year while such Deferral Election remains effective;

(4) A Notice of Election shall, to the extent permitted by the Committee, allow a Director to select whether any dividends or distributions payable with respect to the Director's DSUs shall be paid currently in cash (or other property, as applicable) or otherwise credited in additional DSUs to the Director's Account (the "**Dividend Election**").

(c) Elections for New Plan Participants. A Director who first becomes eligible to participate in the Plan may, to the extent permitted by the Committee, file a Deferral Election (the "**Initial Election**") at any time on or before the 10th business day following the date on which the Director initially becomes eligible to participate in the Plan. Any such Initial Election shall only apply to fees and awards earned and payable for services rendered after the date on which the Deferral Election is delivered to the Corporation. Accordingly, an Initial Election shall apply to all Director Fees or RSAs earned and payable subsequent to the date the Initial Election is delivered to the Corporation, and to all Meeting Fees earned and payable for meetings held following the date the Initial Election is delivered to the Corporation.

(d) Termination/Modification of Deferral Elections. Unless otherwise specifically provided in a Notice of Election, a Deferral Election shall remain in effect for future calendar years unless and until such election is timely revoked. A Director may increase, decrease, terminate or recommence a Deferral Election by filing a new Deferral Election on or prior to the last date for filing a Deferral Election for the next calendar year. A new Deferral Election shall be effective January 1st of the calendar year following the date on which the election is filed with the Corporation.

SECTION 6

Deferred Stock Compensation Account

(a) General. The amount of any Director Fees, RSAs or Meeting Fees elected to be deferred in accordance with a Deferral Election for a calendar year shall be credited, in the form of shares of DSUs, to a deferred stock compensation account maintained by the Corporation in the name of the Director (an "**Account**"). On each Payment Date that a Deferral Election is effective for a Director or on which DSUs are to be credited pursuant to a Deferral Election, the Director's Account(s) shall be credited on the Payment Date with the number of DSUs (including fractional shares to at least two decimal places) (i) equal to that number of shares of Common Stock that otherwise would have been payable to the Director on such Payment Date where the Director Fees had been payable to the Director in shares of Common Stock, (ii) equal to the aggregate amount of all Director Fees and/or Meeting Fees subject to such Deferral Election otherwise payable during such calendar year to such Director in cash divided by the Fair Market Value of one share of the Common Stock, as defined in Section 17 hereof, on such Payment Date, and/or (iii) equivalent to the number of shares of restricted stock granted. DSUs shall represent the right to receive an equivalent number of shares of Common Stock upon the terms and conditions outlined in this Section. No interest or other amount shall be paid or credited to a Director notwithstanding that Director Fees and/or Meeting Fees which otherwise would have been payable under the Plan are not reflected as DSUs until the Payment Date. A separate Account shall be maintained for each amount of deferred Director Fees, Meeting Fees or RSAs for which a Director has elected a different payment option or as otherwise determined by the Committee. Separate Accounts shall be maintained for deferred Director Fees, Meeting Fees and/or RSAs under the Plan as opposed to those deferred, if any, under the 1994 Director Fee Plan, as amended.

The Account of a Director shall be charged on the date of distribution with any distribution of DSUs made to the Director from such Account pursuant to Section 6(b) hereof.

(b) Dividend Equivalent Rights. If a dividend be declared on the Corporation’s Common Stock in cash or property other than Common Stock at a time when DSUs are outstanding in an Account, then on the date of such payment of the dividend the Corporation shall, based on each Director’s Dividend Election in effect at the time, either (i) pay directly to the Director an amount in cash or property other than Common Stock, as the case may be, or (ii) increase the number of DSUs credited to the Director’s Account by an amount, determined in accordance with the following formula, rounded down to the nearest whole share: $X =((A \times B)/C)-D$, where

X = the additional number of DSUs to be credited to the Account, or paid in cash, based on the Director’s Dividend Election then in effect;

A = the number of DSUs in the Director’s Account;

B = the per share amount of the dividend;

C = the average of the high and low per share selling prices of the Corporation’s Common Stock on the payment date of such dividend;

D = the taxes, if any, required to be withheld on such amount, including but not limited to any taxes required to be withheld due to the characterization of such amounts as wages or compensation.

(c) Manner of Payment of Account. The DSUs held in a Director's Account will be paid in shares of Common Stock to the Director or, in the event of the Director's death, to the Director's Beneficiary as defined in Section 6(d) hereof.

(1) Elections. For Deferral Elections, a Director may elect at the time of filing the Notice of Election to receive payment of the DSUs credited to the Director's Account, in whole or in part, as follows (except as otherwise provided in Sections 6(d) and 7(b) hereof, if applicable):

(i) In a lump sum on April 1 (or if April 1 is not a business day, on the immediately preceding business day) of the calendar year following the calendar year in which the Director first separates from service with the Corporation under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), or any successor Section, upon or after ceasing to be a member of the Board for any reason, including by reason of death or disability (the "**Separation from Service Payment Commencement Date**");

(ii) In two to five annual installments commencing on the Separation From Service Payment Commencement Date and continuing on the same date (or if such date is not a business day, on the immediately preceding business day) in the calendar year(s) thereafter;

(iii) In a lump sum on April 1 (or if April 1 is not a business day, on the immediately preceding business day) of the calendar year specified by the Director at the time of filing of such Notice of Election (the "**Designated Payment Commencement Date**");

(iv) In two to five annual installments commencing on the Designated Payment Commencement Date and continuing on the same date (or if such date is not a business day, on the immediately preceding business day) in the calendar year(s) thereafter; or

(v) If earlier than the date on which payment would be received under (i)-(iv) of this Section 6(c)(1), in a lump sum or in two to five annual installments, with payment commencing on the sixtieth (60th) day (or if such date is not a business day, on the immediately preceding business day) following the death of the Director or following the date on which the Director becomes disabled (within the meaning of Section 409A of the Code) and continuing on the same date (or if such date is not a business day, on the immediately preceding business day) in the calendar year(s) thereafter.

(2) Installment Payments. In any case where payments are made in installments, the number of shares of Common Stock distributed in each installment shall be determined by multiplying (A) the number of DSUs in the Account on the date of payment of such installment, by (B) a fraction, the numerator of which is one and the denominator of which is the number of remaining unpaid installments, and by rounding such result down to the nearest whole number of shares. The balance of the number of DSUs in the Account shall be appropriately reduced in accordance with Section 6(a) hereof to reflect the installment payments made hereunder. DSUs remaining in an Account pending distribution pursuant to this Section 6(c) shall be subject to adjustment pursuant to Section 14 hereof.

(3) General. If a lump sum payment or the final installment payment hereunder would result in the issuance of a fractional share of Common Stock, such fractional share shall not be issued and cash in lieu of such fractional share shall be paid to the Director based on the Fair Market Value of a share of Common Stock, as defined in Section 17 hereof, on the date immediately preceding the date of such payment. The Corporation, at its sole discretion, shall either issue share certificates to the Director, or the Director's Beneficiary, for the shares of Common Stock distributed hereunder or cause such shares to be registered in the name of the Director, or the Director's Beneficiary, on any book-entry registration maintained by the Corporation

or its transfer agent. As of the date on which the Director is entitled to receive payment of shares of Common Stock pursuant to this Section 6(c) hereof, a Director or the Director's Beneficiary shall be a shareholder of the Corporation with respect to such shares. For purposes of Section 409A and the Plan, a payment shall be treated as made on a scheduled Payment Date if such payment is made at such date or a later date in the same calendar year or, if later, by the 15th day of the third calendar month following the scheduled Payment Date.

(d) Director's Beneficiary. The "**Director's Beneficiary**" means any beneficiary or beneficiaries (who may be named contingently or successively) named by a Director under the Plan to whom any benefit under the Plan is to be paid in the case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Director, shall be in a form prescribed by the Committee, and will be effective only when filed by the Director in writing with the Secretary of the Corporation during the Director's lifetime. In the absence of such a designation, Director's Beneficiary means the person designated by the Director in the Director's Will, or, if the Director fails to make a testamentary disposition of the shares or dies intestate, to the person entitled to receive the shares pursuant to the laws of descent and distribution of the state of domicile of the Director at the time of death.

SECTION 7

Other Payment Commencement Dates

(a) General. If, in the case of a Deferral Election, the first DSUs credited to a particular Account with respect to such Director is credited after the relevant payment commencement date specified in Section 6(c) hereof or any DSUs are credited to an Account after a lump sum payment has been made pursuant to Section 6(c) hereof from such Account, payment of shares credited to such Account shall be made or commence on the April 1 (or if April 1 is not a business day, on the immediately preceding business day) following the date on which the shares are so credited.

(b) Delay in Payment. Notwithstanding Section 6(c) hereof and except as otherwise provided in Section 7(c) hereof, a Director may irrevocably elect, by filing a Notice of Election with the Secretary of the Corporation in the form prescribed by the Corporation, to commence payment on a date later than the date specified under Section 6(c) hereof provided that:

(i) Such election must be made at least twelve (12) months prior to the date on which payments (or the initial scheduled Payment Date in the case of installment payments) otherwise would have commenced pursuant to the election under Section 6(c) hereof; and

(ii) The payment commencement date specified in such election under this Section 7(b) must be not less than five (5) years from the date on which payments (or the initial scheduled Payment Date in the case of installment payments) otherwise would have commenced pursuant to the election under Section 6(c) hereof.

The provisions of this Section 7(b) are intended to comply with Section 409A(4)(C) of the Code, or any successor Section, and shall be interpreted consistently therewith.

(c) Change in Control Event. Notwithstanding Sections 6(c) and 7(b) hereof, effective for Director Fees, Meeting Fees and/or RSAs payable (but for any Deferral Elections) on and after January 1 of the year following the date on which the Notice of Election is filed, a Director may irrevocably elect, by filing a Notice of Election with the Secretary of the Corporation in a form prescribed by the Corporation, to receive payment of all DSUs credited to the Director's Account with respect to such Director Fees, Meeting Fees and/or RSAs, upon the earlier of when payment would be made pursuant to the election under Section 6(c) or 7(b) hereof or in a lump sum immediately following the occurrence of any Change in Control Event, as defined below (a "**Change in Control Event Election**").

A Change in Control Event Election shall be effective on the date on which it is filed with respect to Director Fees, Meeting Fees and RSAs payable (but for any Deferral Elections) after the time of a person's initial election to the office of Director, or any subsequent re-election if immediately prior thereto such person was not serving as a Director, provided (i) the Director files such Change in Control Event Election within ten (10) business days subsequent to being elected or re-elected as a Director and (ii) a Change in Control Event Election shall only be effective for Director Fees, Meeting Fees and RSAs payable for services performed after the Change in Control Event Election is filed. A Director may terminate a Change in Control Event Election only by filing a Notice of Termination of Change in Control Event Election with the Secretary of the Corporation in the form prescribed by the Corporation, which shall be effective for Director Fees, Meeting Fees and/or RSAs payable (but for any Deferral Elections) on and after January 1 of the year following the date on which such Notice of Termination of Change in Control Event Election is filed. If payments from a Director's Account have previously commenced at the time of a Change in Control Event which results in a permissible lump sum payment pursuant to this Section 7(c), for purposes of applying this Section 7(c) shares previously paid from the Director's Account shall be deemed to be from Director Fees, Meeting Fees and RSAs not subject to a Change in Control Event Election, to the extent thereof. A "**Change in Control Event**" shall mean the date upon which any event occurs which constitutes a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of the Corporation under Section 409A of the Code or any successor Section and Treasury Regulation §1.409A-3(i)(5)(v)-(vii) thereunder or any successor Section, provided that:

(i) The percentage specified in Treasury Regulation §1.409A-3(i)(5)(v) (addressing the percentage change in the ownership of the total fair market value or voting power of the Corporation's stock) shall be 50 percent and not a higher percentage;
(ii) The percentage specified in Treasury Regulation §1.409-3(i)(5)(vi)(A)(1) (addressing the percentage change in the ownership of the voting power of the Corporation's stock) shall be 30 percent and not a higher percentage;
(iii) For purposes of Treasury Regulation §1.409A-3(i)(5)(vi)(A)(2) (addressing a change in the effective control of the Corporation by virtue of a change in the composition of the Board), the words "a majority of the members of the corporation's board of directors" shall not be replaced by a higher portion; and
(iv) The percentage specified in Treasury Regulation §1.409A-3(i)(5)(vii)(A) (addressing the percentage change in the ownership of the Corporation's assets) shall be 40 percent and not a higher percentage.

SECTION 8

Non-Alienability of Benefits

Except as may be required by law, neither the Director nor the Director's Beneficiary shall have the right to, directly or indirectly, alienate, assign, transfer, pledge, anticipate or encumber (except by reason of death) any amounts or shares of Common Stock or DSUs that are or may be payable hereunder, including but not limited to in respect of any liability of a Director or the Director's Beneficiary for alimony or other payments for the support of a spouse, former spouse, child or other dependent, prior to such amount actually being received by the Director or the Director's Beneficiary hereunder, nor shall any such amounts or shares be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Director or the Director's Beneficiary or to the debts, contracts, liabilities, engagements, or torts of any Director or Director's Beneficiary, or transfer by operation of law in the event of bankruptcy or insolvency of the Director or the Director's Beneficiary, or any legal process.

SECTION 9

Nature of Deferred Stock Compensation Accounts

Any Account, and any DSUs reflected in such Account, shall be established and maintained only on the books and records of the Corporation. No assets or funds of the Corporation, a Subsidiary or the Plan shall be removed from the claims of the Corporation's or a Subsidiary's general or judgment creditors or otherwise made available, and no shares of Common Stock of the Corporation to be issued pursuant to an Account shall be issued or outstanding, until such amounts and shares are actually payable to a Director or a Director's Beneficiary as provided herein. DSUs credited to an Account constitute a mere promise by the Corporation to make payments in the future. Each Director and Director's Beneficiary shall have the status of, and their rights to receive a payment of shares of Common Stock under the Plan shall be no greater than the rights of, general unsecured creditors of the Corporation. No person shall be entitled to any voting rights with respect to DSUs credited to an Account. The Corporation shall not be obligated under any circumstances to fund any financial obligations under the Plan and the Plan is intended to constitute an unfunded plan for tax purposes. However, the Corporation may, in its sole discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if:

(a) such arrangement will not cause the Plan to be considered a funded deferred compensation plan under the Code;

(b) any trust created by the Corporation, and any assets held by such trust to assist the Corporation in meeting its obligations under the Plan, will conform to the terms of the model trust, as described in Rev. Proc. 92-64, 1992-2 C.B. 422 or any successor; and

(c) such set aside of funds is not described in Section 409A(b) of the Code, or any successor provision.

SECTION 10

Grant of Equity Awards

The Committee shall have authority, in its sole discretion, (a) to grant "nonstatutory stock options" (i.e., stock options which do not qualify under Sections 422 and 423 of the Code), (b) to grant stock appreciation rights, (c) to award RSAs, and (d) to award RSUs (collectively "**Equity Awards**"). All grants and awards pursuant to this Section 10 shall be made on or to be effective on a Payment Date. On or as of each Payment Date, the Committee shall grant or award to each Director on such Payment Date Equity Awards with a total value of one hundred thousand dollars ($100,000) (or such other amount determined by the Board or by any committee of the Board which the Board authorizes to determine such amount). The Committee shall determine in its sole discretion the portion of each grant and/or award to be comprised of nonstatutory stock options, stock appreciation rights, RSAs and RSUs and the value of each.

SECTION 11

Terms and Conditions of Stock Options and Stock Appreciation Rights

Stock options and stock appreciation rights granted under the Plan shall be subject to the following terms and conditions:

(A) The purchase price at which each stock option may be exercised (the "**option price**") and the base price at which each stock appreciation right may be granted (the "**Base Price**") shall be such price as the Committee, in its sole discretion, shall determine but shall not be less than one hundred percent (100%) of the Fair Market Value per share of the Common Stock covered by the stock option or stock appreciation right on the date of grant. For purposes of this Section 11, the Fair Market Value of the Common Stock shall be determined as provided in Section 17 hereof. In no event may any stock option or stock appreciation right granted under this Plan, other than pursuant to Section14, be amended to decrease the exercise price or Base Price thereof, be cancelled in conjunction with the grant of any new stock option or stock appreciation right with a lower exercise price or Base Price, be cancelled or repurchased for cash, property, or another award at a time when the exercise price or Base Price is greater than the Fair Market Value of the underlying Common Stock, or otherwise be subject to any action that would be treated, for accounting purposes, as a "repricing" of such stock option or stock appreciation right, unless such amendment, cancellation, or action is approved by the Corporation's shareholders.

(B) The option price for each stock option shall be paid in full upon exercise and shall be payable in cash in United States dollars (including check, bank draft or money order), which may include cash forwarded through a broker or other agent-sponsored exercise or financing program; provided, however, that in lieu of such cash the person exercising the stock option may if authorized by the Committee pay the option price in whole or in part by delivering to the Corporation shares of the Common Stock (by delivery of such shares or by attestation) not restricted under Section 12 and having a Fair Market Value on the date of exercise of the stock option, determined as provided in Section 17 hereof, equal to the option price for the shares being purchased, except that any portion of the option price representing a fraction of a share shall in any event be paid in cash. If the person exercising a stock option participates in a broker or other agent-sponsored exercise or financing program, the Corporation will cooperate with all reasonable procedures of the broker or other agent to permit participation by the person exercising the stock option in the exercise or financing program. Notwithstanding any procedure of the broker or other agent-sponsored exercise or financing program, if the option price is paid in cash, the exercise of the stock option shall not be deemed to occur and no shares of the Common Stock will be issued until the Corporation has received full payment in cash (including check, bank draft or money order) for the option price from the broker or other agent. To facilitate the foregoing, the Corporation may, to the extent permitted by applicable law, enter into agreements for coordinated procedures with one or more brokerage firms. In the event the broker sells any shares on behalf of a Director, the broker shall be acting solely as the agent of the Director, and the Corporation disclaims any responsibility for the actions of the broker in making any such sales. The date of exercise of a stock option shall be determined under procedures established by the Committee, and as of the date of exercise the person exercising the stock option shall be considered for all purposes to be the owner of the shares with respect to which the stock option has been exercised.

(C) Upon the exercise of stock appreciation rights the Corporation shall pay to the person exercising the stock appreciation rights a number of shares of the Common Stock with a Fair Market Value, as defined in Section 17 hereof, equal to the difference between the aggregate Fair Market Value, as defined in Section 17 hereof**,** of the Common Stock on the date of exercise of the stock appreciation rights and the aggregate Base Prices for the stock appreciation rights which are exercised (the "Spread") (rounded down to the next whole number of shares). No fractional shares of the Common Stock shall be issued nor shall cash in lieu of a fraction of a share of Common Stock be paid. Notwithstanding the foregoing, at the sole discretion of the Committee, the Corporation may pay to the person exercising the stock appreciation rights an amount of cash, rather than shares of the Common Stock, equal to the Spread if and only if the payment of cash upon exercise of the stock appreciation rights would not cause the stock appreciation rights to provide for a deferral of compensation within the meaning of Section 409A of the Code. The date of exercise of a stock appreciation right shall be determined under procedures established by the Committee.

(D) Unless the Committee, in its sole discretion, shall otherwise determine and subject to the terms of Sections 11(G) and 11(H) hereof, stock options and stock appreciation rights shall be exercisable by a Director commencing on the second anniversary of the date of grant. Subject to the terms of Sections 11(G) and 11(H) hereof providing for earlier termination of a stock option or stock appreciation right, no stock option or stock appreciation right shall be exercisable after the expiration of ten years from the date of grant. Unless the Committee, in its sole discretion, shall otherwise determine, a stock option or stock appreciation right to the extent exercisable at any time may be exercised in whole or in part.

(E) Unless the Committee, in its sole discretion, shall otherwise determine:

(i) no stock option or stock appreciation right shall be transferable or assignable by the grantee otherwise than:

(a) by Will; or

(b) if the grantee dies intestate, by the laws of descent and distribution of the state of domicile of the grantee at the time of death; or

(c) to the trustee of a trust that is revocable by the grantee alone, both at the time of the transfer or assignment and at all times thereafter prior to such grantee's death; and

(ii) all stock options and stock appreciation rights shall be exercisable during the lifetime of the grantee only by the grantee (or the grantee's guardian or legal representative) or by the trustee of a trust described in Section 11(E)(i)(c) hereof.

A transfer or assignment of a stock option or a stock appreciation right by a trustee of a trust described in Section 11(E)(i)(c) to any person other than the grantee shall be permitted only to the extent approved in advance by the Committee in writing, in its sole discretion and subject to applicable law. Stock options or stock appreciation rights held by such trustee also shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement with the grantee as if such trustee were a party to such agreement as the grantee. In the event the grantee ceases to be a Director of the Corporation, the provisions set forth in the Plan and in the applicable agreement with the grantee shall continue to be applicable to the stock option or stock appreciation right and shall limit the ability of such trustee to exercise any such transferred stock options or stock appreciation rights to the same extent they would have limited the grantee. The Corporation shall not have any obligation to notify such trustee of any termination of a stock option or stock appreciation right due to the termination of service of the grantee as a Director of the Corporation.

(F) Unless otherwise specified by the Committee, the applicable Director shall have all of the rights of a shareholder of the Corporation holding Common Stock with respect to the shares of Common Stock to be issued upon the exercise of a stock option or stock appreciation right (including the right to vote the applicable shares and the right to receive dividends), when the Director (i) has given written notice of exercise in accordance with the procedures established by the Committee, (ii) if requested, has given the representation described in Section 18, and (iii) in the case of a stock option, has paid in full the option price for such shares.

(G) Unless the Committee, in its sole discretion, shall otherwise determine, if a grantee ceases to be a Director of the Corporation, any outstanding stock options and stock appreciation rights held by the grantee shall vest and be exercisable and shall terminate, according to the following provisions:

(i) Notwithstanding Section 11(D) hereof, if a grantee ceases to be a Director of the Corporation for any reason other than those set forth in Section 11(G)(ii) or (iii) hereof, any then outstanding stock option and stock appreciation right held by such grantee (whether or not vested and exercisable by the grantee immediately prior to such time) shall vest and be exercisable by the grantee (or, in the event of the grantee's death, by the person entitled to do so under the Will of the grantee, or, if the grantee shall fail to make testamentary disposition of the stock option or stock appreciation right or shall die intestate, by the legal representative of the grantee (the "**Grantee's Heir or Representative**")), at any time prior to the second anniversary of the date on which the grantee ceases to be a Director of the Corporation or the expiration date of the stock option or stock appreciation right, whichever is the shorter period;

(ii) Unless the exercise period of a stock option or stock appreciation right following termination of service as Director has been extended as provided in Section 15(c) hereof, if during his or her term of office as a non-employee Director a grantee is removed from office for cause or resigns without the consent of the Board, any then outstanding stock option and stock appreciation right held by such grantee shall terminate as of the close of business on the last day on which the grantee is a Director of the Corporation; and

(iii) Notwithstanding Section 11(D) hereof, following the death of a grantee during service as a Director of the Corporation, or upon the disability of a Director which requires his or her termination as a Director of the Corporation, any outstanding stock option and stock appreciation right held by the grantee at the time of death or termination as a Director due to disability (whether or not vested and exercisable by the grantee immediately prior to such time) shall vest and be exercisable, in the case of death of the grantee, by the Grantee's Heir or Representative, or, in the case of disability of the grantee, by the grantee at any time prior to the second anniversary of the date on which the grantee ceases to be a Director of the Corporation or the expiration date of the stock option or stock appreciation right, whichever is the shorter period.

Whether a resignation of a Director is with or without the consent of the Board and whether a grantee is disabled shall be determined in each case, in its sole discretion, by the Committee and such determination by the Committee shall be final and binding.

(H) If a grantee of a stock option or stock appreciation right engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise and whether during or after service as a Director of the Corporation) which is in competition with the Corporation or any of its Subsidiaries, or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, the Committee may immediately terminate all outstanding stock options and stock appreciation rights held by the grantee; provided, however, that this sentence shall not apply if the exercise period of a stock option or stock appreciation right following termination of service as a Director of the Corporation has been extended as provided in Section 15(c) hereof. Whether a grantee has engaged in the operation or management of a business which is in competition with the Corporation or any of its Subsidiaries, or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, shall be determined, in its sole discretion, by the Committee, and any such determination by the Committee shall be final and binding.

(I) All stock options and stock appreciation rights shall be confirmed by a written agreement or an amendment thereto in a form prescribed by the Committee, in its sole discretion. Each agreement or amendment thereto shall be executed on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President and by the grantee. The provisions of such agreements need not be identical.

Subject to the foregoing provisions of this Section 11 and the other provisions of the Plan, any stock option or stock appreciation right granted under the Plan may be exercised at such times and in such amounts and be subject to such restrictions and other terms and conditions, if any, as shall be determined, in its sole discretion, by the Committee and set forth in the agreement referred to in Section 11(I) hereof or an amendment thereto.

SECTION 12

Terms and Conditions of Restricted Share Awards

(a) Restricted Share Awards. RSAs shall be evidenced by a written agreement in a form prescribed by the Committee, in its sole discretion, which shall set forth the number of shares of the Common Stock awarded, the restrictions imposed thereon (including, without limitation, restrictions on the right of the awardee to sell, assign, transfer, pledge or otherwise encumber such shares while such shares are subject to the other restrictions imposed under this Section 12), the duration of such restrictions, events (which may, in the sole discretion of the Committee, include performance-based events) the occurrence of which would cause a forfeiture of the RSAs and such other terms and conditions as the Committee in its sole discretion deems appropriate. Restricted share awards shall be effective only upon execution of the applicable RSA agreement on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President, and by the awardee. The provisions of such agreements need not be identical. Notwithstanding the foregoing provisions of this Section, each Director may elect to defer the receipt of any such RSAs in accordance with the procedures set forth in Section 5; provided, that the receipt of any DSUs in lieu of restricted share awards shall remain subject to the same vesting and forfeiture restrictions as the original equity award.

(b) Transfers to Trusts. Neither this Section 12 nor any other provision of the Plan shall preclude an awardee from transferring or assigning RSAs to (i) the trustee of a trust that is revocable by such awardee alone, both at the time of the transfer or assignment and at all times thereafter prior to such awardee's death or (ii) the trustee of any other trust to the extent approved in advance by the Committee in writing. A transfer or assignment of RSAs from such trustee to any person other than such awardee shall be permitted only to the extent approved in advance by the Committee in writing, and RSAs held by such trustee shall be subject to all of the conditions and restrictions set forth in the Plan and in the applicable agreement as if such trustee were a party to such agreement.

(c) Default Vesting Restrictions. Unless otherwise determined by the Committee, RSAs awarded to a Director shall be forfeited if the awardee terminates as a Director of the Corporation within two (2) years following the grant of such RSAs due to the voluntary resignation of the Director without the consent of the Board or the removal of the Director with cause. Any RSAs which have not previously vested shall vest and the restrictions related to service as a Director shall lapse upon the death of a Director or the disability of a Director which requires his or her termination as a Director of the Corporation.

(d) Evidence of Shares. Following a grant of RSA and prior to the lapse or termination of the applicable restrictions, the Corporation, at its sole discretion, shall (i) issue share certificates in the name of the awardee and hold them in escrow together with related stock powers in blank signed by the awardee, (ii) issue such share certificates and deliver them to the awardee with an appropriate conspicuous legend referring to the terms, conditions, and restrictions applicable to such award, substantially in the following form:

> "The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Matthews International Corporation 2014 Director Fee Plan and a corresponding agreement. Copies of such Plan and agreement are on file at the offices of Matthews International Corporation, Two NorthShore Center, Pittsburgh, PA 15212-5851.";

or (iii) issue the shares in book-entry form in the name of the awardee. If share certificates are issued in the name of the awardee, the awardee shall execute and deliver to the Corporation a blank stock power in form acceptable to the Corporation with respect to each of the certificates subject to the RSAs. In the case of forfeiture of the shares, the Corporation shall use the stock power(s) to transfer ownership of the shares to the Corporation. Upon the lapse or termination of the applicable restrictions, certificate(s) without the legend referenced in (ii) above and the blank stock power(s) shall be delivered to the awardee (or the awardee's personal representative) upon the surrender by such person of the legended certificates if they were previously provided to such person. If shares are issued in book-entry form, the Corporation shall instruct its transfer agent that the shares are to be designated as restricted on the transfer agent's book-entry records of the owners of the Common Stock, and may not be transferred from the name of the awardee until the earlier of (i) in the case of forfeiture of the shares, when the Corporation instructs its transfer agent in writing to record the shares as owned by the Corporation (rather than by the awardee), or (ii) when requested in writing by the awardee (or the awardee's personal representative) after the Corporation has instructed its transfer agent in writing that such shares are no longer to be designated as restricted on the transfer agent's book-entry records due to the lapse or termination of the applicable restrictions.

(e) Dividends; Dividend Reinvestment. From the date a RSA is effective, the awardee shall be a shareholder with respect to all of the restricted shares and shall have all the rights of a shareholder with respect to the restricted shares, including the right to vote the restricted shares and to receive all dividends, and other distributions paid with respect to the restricted shares, subject only to the preceding provisions of this Section 12(e) and the other restrictions imposed by the Committee. Except as provided in Section 14 hereof, the Committee, in its sole discretion, may determine that dividends and other distributions on the shares shall not be paid to the awardee until the lapse or termination of the applicable restrictions. Unless otherwise provided, in its sole discretion, by the Committee, any such dividends or other distributions shall not bear interest. Upon the lapse or termination of the applicable restrictions (and not before such time), the unpaid dividends, if any, shall be delivered to the awardee. Further, the Committee shall have the ability, in its sole discretion following a written request of a Director, to authorize the automatic reinvestment of such dividends in additional shares of restricted stock at the time of any dividend payment (such shares referred to herein as "**Reinvested Shares**"), provided that sufficient shares of Common Stock are available under Section 1(B) for the issuance of such Reinvested Shares (taking into account then outstanding awards). In the event that sufficient shares of Common Stock are not available for such Reinvestment Shares to be issued, such reinvestment of dividends shall be made in the form of a grant of RSUs equal in number to the shares of Common Stock that would have been obtained by such reinvestment, the terms of which RSUs shall provide for settlement in cash and for dividend equivalent reinvestment in further RSUs on the terms contemplated by Section 13. Any Reinvestment Shares issued in connection with a Director's election hereunder shall be subject to the same terms and conditions, including vesting schedule, as the shares of restricted stock upon which the dividend was issued.

(f) Competition. If an awardee of restricted shares engages in the operation of management of a business (whether as owner, partner, officer, director, employee or otherwise) which is in competition with the Corporation or any of its Subsidiaries or solicits any of the Corporation's customers or employees other than for the benefit of the Corporation, the Committee may immediately declare forfeited all restricted shares, including any Reinvested Shares, held by the awardee as to which the restrictions have not yet lapsed. Whether an awardee has engaged in the operation or management of a business which is in competition with the Corporation or any of its Subsidiaries or has solicited any of the Corporation's customers or employees other than for the benefit of Corporation, shall also be determined, in its sole discretion, by the Committee, and any such determination by the Committee shall be final and binding.

SECTION 13

Restricted Stock Units

(a) Restricted Stock Unit Awards. An RSU award represents the unsecured right to receive in the future payment (in cash, shares of Common Stock or a combination of both, as contemplated in the award) equal to the Fair Market Value of a specified number of shares of Common Stock, which is subject to a risk of forfeiture or a restriction period or both. RSUs shall be evidenced by a written agreement in a form prescribed by the Committee, in its sole discretion. RSU awards shall be effective only upon execution of the applicable RSU agreement on behalf of the Corporation by the Chief Executive Officer (if other than the President), the President or any Vice President, and by the awardee. The provisions of such agreements need not be identical.

(b) Terms and Conditions. Restricted stock units shall be subject to the restrictions imposed thereon, the duration of such restrictions, events (which may, in the sole discretion of the Committee, include performance-based events) the occurrence of which would cause a forfeiture of the RSUs and such other terms and conditions as the Committee in its sole discretion deems appropriate. Unless otherwise determined by the Committee, RSUs awarded to a Director shall be forfeited if the awardee terminates as a Director of the Corporation within two (2) years following the grant of such RSU due to the voluntary resignation of the Director without the consent of the Board or the removal of the Director with cause. An award of RSUs shall be settled as and when the RSUs vest, as determined and certified by the Committee, or at a later time specified by the Committee or in accordance with an election of the Director, if the Committee so permits. Subject to the restrictions set forth in this Plan, the Committee at any time after the date of grant, in its sole discretion, may modify or waive any of the conditions applicable to an award of RSUs. During the period, if any, set by the Committee, commencing with the date of grant of such RSUs for which such vesting restrictions apply, and until the expiration thereof, the Director shall not be permitted to sell, assign, transfer, pledge or otherwise encumber RSUs.

(c) Dividends. RSUs shall not have any voting rights, and holders of RSUs shall not be shareholders of the Corporation unless and until shares of Common Stock are issued by the Corporation (in book-entry form or otherwise). An award of RSUs shall not entitle the Director to receive dividends during the Restriction Period, nor vote the Common Stock subject to such award, or to otherwise enjoy any other stockholder rights; provided, however that the Administrator may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to RSU awards, including but not limited to the issuance of any dividend equivalent units in tandem with a Restricted Stock Unit Award.

(d) Dividend Equivalent Units. Subject to the terms of this Plan, the Administrator will determine all terms and conditions of each award of dividend equivalent units, including but not limited to whether: (i) such award will be granted in tandem with another award; (ii) payment of the award shall be made currently or credited to an account for the Director that provides for the deferral of such amounts until a stated time; and (iii) the award will be settled in cash or shares; provided that dividend equivalent units may be granted only in connection with a “full-value award.” For this purpose, a “full-value award” includes Restricted Stock, RSUs and any other similar award under which the value of the award is measured as the full value of a share, rather than the increase in the value of a share.

SECTION 14

Adjustment and Substitution of Shares

In the event of a (i) merger, consolidation, acquisition of shares, stock rights offering, liquidation, separation, spinoff, disaffiliation of a Subsidiary from the Corporation, extraordinary dividend of cash or other property, or similar event affecting the Corporation or any of its Subsidiaries, including but not limited to a Section 15 Event (each, a "Corporate Transaction") or (ii) a stock dividend, stock split, reverse stock split, reorganization, share combination, or recapitalization or similar event affecting the capital structure of the Corporation (each, a "Share Change") the Committee or the Board shall make such substitutions or adjustments as it deems appropriate and equitable, to prevent the dilution or enlargement of the rights of Directors, to (A) the aggregate number and kind of shares of Common Stock reserved for issuance and delivery under the Plan, (B) the number of DSUs credited to any Account, (C) the number and kind of shares of Common Stock subject to outstanding grants and awards; (D) the option price and Base Price of outstanding stock options and stock appreciation rights, respectively, carried to at least three decimal places with the last decimal place being rounded up to the nearest whole number.

In the case of Corporate Transactions, such adjustments may include, without limitation, (1) the cancellation of outstanding stock options, stock appreciation rights or RSUs in exchange for payments of cash, property or a combination thereof having an aggregate value equal to the value of such grants and awards, as determined by the Committee or the Board in its sole discretion (it being understood that in the case of a Corporate Transaction with respect to which shareholders of Common Stock receive consideration other than publicly-traded equity securities of the ultimate surviving entity, any such determination by the Committee that the value of an option stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each share pursuant to such Corporate Transaction over the option price of such option or the Base Price of such stock appreciation right shall conclusively be deemed valid); (2) the substitution of other property (including, without limitation, cash or other securities of the Corporation and securities of entities other than the Corporation) for the shares subject to outstanding grants and awards; and (3) in connection with any disaffiliation of a Subsidiary, arranging for the assumption of grants and awards, or replacement of grants and awards with new grants and awards based on other property or other securities (including, without limitation, other securities of the Corporation and securities of entities other than the Corporation), by the affected Subsidiary, or by the entity that controls such Subsidiary following such disaffiliation (as well as any corresponding adjustments to grants and awards that remain based upon Corporation securities). No adjustment or substitution provided in this Section 14 shall require the Corporation or any other entity to issue or sell a fraction of a share or other security. Except as provided in this Section 14, a Director shall not have any rights with respect to any Corporate Transaction or Share Change. Notwithstanding the foregoing: (i) any adjustments made pursuant to this Section 14 to Accounts shall be made in compliance with the requirements of Section 409A of the Code; (ii) any adjustments made pursuant to this Section 14 to grants and awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the grants and awards either (A) continue not to be subject to Section 409A of the Code or (B) comply with the requirements of Section 409A of the Code; and (iii) in any event, neither the Committee nor the Board shall have the authority to make any adjustments pursuant to this Section 14 to the extent the existence of such authority would cause a grant or award that is not intended to be subject to Section 409A of the Code at the grant or award date of the Award to be subject thereto.

SECTION 15

Additional Rights in Certain Events

(a) Definitions. For purposes of this Section 15, the following terms shall have the following meanings:

(1) The term "Person" shall be used as that term is used in Sections 13(d) and 14(d) of the 1934 Act as in effect on the effective date of the Plan.

(2) "Beneficial Ownership" shall be determined as provided in Rule 13d-3 under the 1934 Act as in effect on the effective date of the Plan.

(3) "Voting Shares" shall mean all securities of a corporation entitling the holders thereof to vote in an annual election of directors (without consideration of the rights of any class of stock other than the Common Stock to elect directors by a separate class vote); and a specified percentage of "Voting Power" of a corporation shall mean such number of the Voting Shares as shall enable the holders thereof to cast such percentage of all the votes which could be cast in an annual election of directors (without consideration of the rights of any class of stock other than the Common Stock to elect Directors by a separate class vote).

(4) "Section 15 Event" shall mean the date upon which any of the following events occurs:

(i) The Corporation acquires actual knowledge that any Person other than the Corporation, a Subsidiary or any employee benefit plan(s) sponsored by the Corporation has acquired the Beneficial Ownership, directly or indirectly, of securities of the Corporation entitling such Person to 20% or more of the Voting Power of the Corporation;

(ii) At any time less than 60% of the members of the Board (excluding vacant rents) shall be individuals who were either (a) Directors on the effective date of the Plan or (b) individuals whose election, or nomination for election, was approved by a vote (including a vote approving a merger or other agreement providing the membership of such individuals on the Board) of at least two-thirds of the Directors then still in office who were Directors on the effective date of the Plan or who were so approved (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board relating to the election of Directors which would be subject to Rule 14a-11 under the 1934 Act, or any successor rule, including by reason of any agreement intended to avoid or settle any such election contest or proxy contest);

(iii) The consummation of a merger, consolidation, share exchange, division or sale or other disposition of assets of the Corporation as a result of which the shareholders of the Corporation immediately prior to such transaction shall not hold, directly or indirectly, immediately following such transaction, a majority of the Voting Power of (i) in the case of a merger or consolidation, the surviving or resulting corporation, (ii) in the case of a share exchange, the acquiring corporation or (iii) in the case of a division or a sale or other disposition of assets, each surviving, resulting or acquiring corporation which, immediately following the transaction, holds more than 30% of the consolidated assets of the Corporation immediately prior to the transaction; or

(iv) The commencement of any liquidation or dissolution of the Corporation (other than pursuant to any transfer of 70% or more of the consolidated assets of the Corporation to an entity or entities controlled by the Corporation and/or its shareholders following such liquidation or dissolution);

provided, however, that if securities beneficially owned by a Director are included in determining the Beneficial Ownership of a Person referred to in paragraph 4(a) above, then no Section 15 Event with respect to such Director shall be deemed to have occurred by reason of such event.

(b) Acceleration of the Exercise Date of Stock Options and Stock Appreciation Rights. Subject to Section 15(e), unless the agreement referred to in Section 11(I) hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, in case any Section 15 Event occurs all outstanding stock options and stock appreciation rights (other than those held by a Director referred to in the proviso to Section 15 (a)) shall become immediately and fully exercisable whether or not otherwise exercisable by their terms.

(c) Extension of the Expiration Date of Stock Options and Stock Appreciation Rights. Subject to Section 15 (e), unless the agreement referred to in Section 11(I) hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, all outstanding stock options and stock appreciation rights held by a grantee whose service with the Corporation as a Director terminates within one year of any Section 15 Event (other than those held by a Director referred to in the proviso to Section 15 (a)) for any reason shall be exercisable for the longer of (i) a period of three months from the date of such termination of service or (ii) the period specified in Section 11(G) hereof, but in no event after the expiration date of the stock option or stock appreciation right.

(d) Lapse of Restrictions on Restricted Share Awards and RSUs. Unless the agreement referred to in Section 12 hereof, or an amendment thereto, shall otherwise provide, notwithstanding any other provision contained in the Plan, if any Section 15 Event occurs prior to the scheduled lapse of all restrictions applicable to restricted share awards or RSUs under the Plan, all such restrictions (other than those applicable to a Director referred to in the proviso to Section 15 (a)) shall lapse upon the occurrence of any such Section 15 Event regardless of the scheduled lapse of such restrictions.

(e) Code Section 409A. Notwithstanding the foregoing, if any grant or award is subject to Section 409A of the Code, this Section 15 shall be applicable only to the extent specifically provided in the agreement under Sections 11(I) or 12 applicable to the grant or award and permitted pursuant to Section 409A.

SECTION 16

Administration of Plan; Hardship Withdrawal

(a) Administration of Plan. Except where the terms of the Plan specifically grant authority to the Committee of the Board or where the Board delegates authority to the Committee, full power and authority to construe, interpret, and administer the Plan shall be vested in the Board and it and the Committee shall have plenary authority to interpret the Plan and prescribe such rules, regulations and procedures in connection with the operations of the Plan as it shall deem to be necessary and advisable for the administration of the Plan consistent with the purposes of the Plan. Decisions of the Committee and the Board shall be final, conclusive, and binding upon all parties. Without limitation of the foregoing, the Committee shall have the authority, subject to the terms and conditions of the Plan:

(i) To determine the grants or awards to be made to the Directors pursuant to Sections 10-13 and all of the relevant terms thereof;

(ii) Subject to Sections 11(I) and 12(a), to modify, amend or adjust the terms and conditions of any such grant or award;

(iii) To adopt, alter and repeal such administrative rules, regulations, procedures, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(iv) To interpret the terms, provisions and conditions of the Plan and any such grant or award (and any agreement under Sections 11(I) and 12(a) relating thereto);

(v) Subject to Sections 11(I) and 12(a), to accelerate the vesting or lapse of restrictions on any outstanding award, based in each case on such considerations as the Committee in its sole discretion determines;

(vi) To decide all other matters that must be determined in connection with such grants and awards;

(vii) To establish any "blackout" period that the Committee in its sole discretion deems necessary or advisable; and

(viii) To otherwise administer the Plan in connection with such grants and awards.

The Committee may, except to the extent prohibited by applicable law or the listing standards of the stock exchange which is the principal market for the Common Stock, allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any officers of the Corporation or committee of officers of the Corporation selected by it. The Committee shall keep records of action taken at its meetings. A majority of the Committee shall constitute a quorum at any meeting and the acts of a majority of the members present at any meeting at which a quorum is present, or acts approved in writing by all members of the Committee, shall be the acts of the Committee. Any determination made by the Committee or by an appropriately delegated officer pursuant to delegated authority under the provisions of the Plan with respect to any grant or award pursuant to Section 10 shall be made in the sole discretion of the Committee or such officer at the time of such grant or award or, unless in contravention of any express term of the Plan, at any time thereafter. All decisions made by the Committee or any appropriately delegated officer pursuant to the provisions of the Plan and shall be final and binding on all persons, including the Corporation, its Subsidiaries, and the Directors eligible under the Plan.

(b) Hardship Withdrawal. Notwithstanding the terms of Deferral Election made by a Director hereunder, the Committee may, in its sole discretion, permit the issuance of shares in accordance with the number of DSUs held in an Account with respect to Director Fees or Meeting Fees previously payable upon the request of a Director or the Director's representative, or following the death of a Director upon the request of a Director's Beneficiary or such beneficiary's representative, if the Board determines that the Director or the Director's Beneficiary, as the case may be, is confronted with an unforeseeable emergency.

For this purpose, an unforeseeable emergency means a severe financial hardship to the Director or the Director's Beneficiary resulting from an illness or accident of the Director or the Director's Beneficiary, the spouse, or a dependent (as defined in Section 152(a) of the Code) of the Director or the Director's Beneficiary, loss of the Director or the Director's Beneficiary's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director or the Director's Beneficiary. The Director or the Director's Beneficiary shall provide to the Committee evidence as the Committee, in its sole discretion, may require to demonstrate that such emergency exists and financial hardship would occur if the withdrawal were not permitted. The withdrawal shall be limited to the amount reasonably necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise, by liquidation of the Director or the Director's Beneficiary's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship) or by the cessation of deferrals under the Plan. Cash needs arising from foreseeable events, such as the purchase or building of a house or education expenses, will not be considered to be the result of an unforeseeable financial emergency. Payment shall be made, as soon as practicable after the Committee approves the payment and determines the number of shares which shall be issued under and pursuant to the Account(s) providing for the latest payments or series of payments. No Director shall participate in any decision of the Committee regarding such Director's request for a withdrawal under this Section 16.

(c) Cancellation; Suspension; Clawback. Any or all outstanding grants and awards to a Director may, at any time between the date of grant or award and the third anniversary of any exercise, payment or vesting of such grant and award, in the Board's or the Committee's sole discretion and subject to such terms and conditions established by the Board or the Committee, be cancelled, suspended, or required to be repaid to the Corporation if the Director (whether during or after service as a Director of the Corporation) (i) engages in the operation or management of a business (whether as owner, partner, officer, director, employee or otherwise) which is in competition with the Corporation or any of its Subsidiaries, (ii) induces or attempts to induce any customer, supplier, licensee or other individual, corporation or other business organization having a business relationship with the Corporation or any of its Subsidiaries to cease doing business with the Corporation or any of its Subsidiaries or in any way interferes with the relationship between any such customer, supplier, licensee or other person and the Corporation or any of its Subsidiaries, (iii) solicits any employee of the Corporation or any of its Subsidiaries to leave the employment thereof or in any way interferes with the relationship of such employee with the Corporation or any of its Subsidiaries, or (iv) makes any statements or comments, orally or in writing, of a defamatory or disparaging nature regarding the Corporation or any of its Subsidiaries (including but not limited to regarding any of their respective businesses, officers, directors, personnel, products or policies), provided, however, that this sentence shall not apply following the occurrence of a Section 15 Event unless the agreement under Sections 11(I) or 12(a) specifically so provides. Whether a Director has engaged in any such activities shall also be determined, in its sole discretion, by the Board or the Committee, and any such determination by the Board or the Committee shall be final and binding.

SECTION 17

Fair Market Value

"**Fair Market Value**" of the Common Stock shall be the mean between the following prices, as applicable, for the date as of which Fair Market Value is to be determined as quoted in *The Wall Street Journal* (or in any other reliable publication (electronic or otherwise) as the Board of the Corporation or its delegate, in its sole discretion, may determine to rely upon):

(a) if the Common Stock is listed on the New York Stock Exchange, the highest and lowest sales prices per share of the Common Stock as quoted in the NYSE-Composite Transactions listing for such date; or

(b) if the Common Stock is not listed on such exchange, the highest and lowest sales prices per share of Common Stock for such date on (or on any composite index including) the NASDAQ Exchange or the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended (the "1934 Act") on which the Common Stock is listed.

If there are no such sale price quotations for the date as of which Fair Market Value is to be determined but there are such sale price quotations within a reasonable period both before and after such date, then Fair Market Value shall be determined by taking a weighted average of the means between the highest and lowest sales prices per share of the Common Stock as so quoted on the nearest date before and the nearest date after the date as of which Fair Market Value is to be determined. The average should be weighted inversely by the respective numbers of trading days between the selling dates and the date as of which Fair Market Value is to be determined. If there are no such sale price quotations on or within a reasonable period both before and after the date as of which Fair Market Value is to be determined, then Fair Market Value of the Common Stock shall be the weighted average of the means between such bona fide bid and asked prices on the nearest trading date before and the nearest trading date after the date as of which Fair Market Value is to be determined, if both such dates are within a reasonable period. The average is to be determined in the manner described above in this Section 17. If the Fair Market Value of the Common Stock cannot be determined on the basis previously set forth in this Section 17 on the date as of which Fair Market Value is to be determined, the Board or its delegate shall in good faith and in conformance with the requirements of Section 409A of the Code, to the extent applicable, determine the Fair Market Value of the Common Stock on such date. Fair Market Value shall be determined without regard to any restriction other than a restriction which, by its terms, will never lapse.

SECTION 18

Securities Laws; Issuance of Shares

The obligation of the Corporation to issue Common Stock or credit DSUs under the Plan shall be subject to:

(i) the effectiveness of a registration statement under the Securities Act of 1933, as amended, with respect to such shares, if deemed necessary or appropriate by counsel for the Corporation;

(ii) the condition that the shares shall have been listed (or authorized for listing upon official notice of issuance) upon each stock exchange, if any, on which the Common Stock shares may then be listed;

(iii) if required by the Committee, the representation and agreement of the Director that the Director is acquiring the shares only for investment and without a present view of the sale or distribution of such shares, with a corresponding legend on any stock certificates;

(iv) all other applicable laws, regulations, rules and orders which may then be in effect; and

(v) obtaining any other consent, approval, or permit from any state or federal governmental agency which the Committee shall, in its sole discretion, determine to be necessary or advisable.

The inability or impracticability of the Corporation to obtain or maintain authority from any regulatory body having jurisdiction, which authority is deemed by the Corporation's counsel to be necessary to the lawful issuance, sale or delivery of any shares of Common Stock or credit DSUs in an Account hereunder, shall relieve the Corporation of any liability in respect of the failure to issue, sell or deliver such shares of Common Stock or credit DSUs in an Account as to which such requisite authority shall not have been obtained. If, on the date on which any shares of Common Stock would be issued pursuant to a current stock payment under Section 3(a) hereof any DSUs or credited to an Account and after consideration of any shares of Common Stock subject to outstanding Equity Awards, sufficient shares of Common Stock are not available under the

Plan or the Corporation is not obligated to issue shares pursuant to this Section 18, then no shares of Common Stock shall be issued or DSUs credited but rather, in the case of a current stock payment under Section 3(a) hereof, cash shall be paid in payment of the Director Fees payable, and in the case of DSUs, Director Fees and Meeting Fees shall instead be credited in cash to a deferred cash compensation account in the name of the Director. The Board shall adopt appropriate rules and regulations to carry out the intent of the immediately preceding sentence if the need for such rules and regulations arises.

SECTION 19

Governing Law; Integration

(a) Governing Law. The provisions of this Plan shall be construed, administered and governed by the laws of the Commonwealth of Pennsylvania including its statute of limitations provisions, but without reference to conflicts of law principals. Titles of Sections of the Plan are for convenience of reference only and are not to be taken into account when construing and interpreting the Plan. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegal or invalid provision shall not affect the remaining parts of the Plan, but the Plan shall be construed and enforced without regard to such.

(b) Integration. The Plan contains all of the understandings and representations between the Corporation, its Subsidiaries and any of the Directors and supersedes any prior understandings and agreements entered into between them regarding the subject matter of the Plan. There are no representations, agreements, arrangements or understandings, oral or written, between the Corporation, its Subsidiaries and any of the Directors relating to the subject matter of the Plan which are not fully expressed in the Plan.

SECTION 20

Effect of the Plan on the Rights of Corporation and Shareholders

Nothing in the Plan or in any stock option, stock appreciation right or restricted share award under the Plan or in any agreement providing for any of the foregoing or any amendment thereto shall confer any right to any person to continue as a Director of the Corporation or interfere in any way with the rights of the shareholders of the Corporation or the Board to elect and remove Directors.

SECTION 21

Amendment and Termination

(a) General. The right to amend the Plan at any time and from time to time and the right to terminate the Plan at any time are hereby specifically reserved to the Board; provided that no amendment of the Plan shall:

(i) be made without shareholder approval if shareholder approval of the amendment is at the time required by the rules of any stock exchange on which the Common Stock may then be listed; or

(ii) otherwise amend the Plan in any manner that would cause the shares of Common Stock issued or DSUs credited under the Plan not to qualify for the exemption from Section 16(b) of the 1934 Act provided by Rule 16b-3.

No amendment or termination of the Plan shall, without the written consent of the holder of shares of Common Stock issued or credited under the Plan or the holder of an Equity Award theretofore granted or awarded under the Plan, adversely affect the rights of such holder with respect thereto.

(b) Rule 16b-3. Notwithstanding anything contained in the preceding paragraph or any other provision of the Plan, the Board shall have the power to amend the Plan in any manner deemed necessary or advisable for shares of Common Stock issued or DSUs credited under the Plan to qualify for the exemption provided by Rule 16b-3 (or any successor rule relating to exemption from Section 16(b) of the 1934 Act), and any such amendment shall, to the extent deemed necessary or advisable by the Board, be applicable to any outstanding shares of Common Stock theretofore issued or credited under the Plan.

(c) Termination Date. Notwithstanding any other provision of the Plan:

(i) no shares of Common Stock shall be issued or DSUs credited on a Payment Date under the Plan after March 31, 2019;

(ii) no shares of Common Stock shall be credited with respect to Meeting Fees payable under the Plan after March 31, 2019;

(iii) no stock option or stock appreciation right shall be granted under the Plan after March 31, 2019; and

(iv) no RSAs or vesting after 3/31/19 of RSAs or RSUs shall be awarded under the Plan after March 31, 2019;

provided, however, that the preceding provisions of this Section 21(c) shall not preclude the issuance of shares of Common Stock under the Plan in payment of the balance of a Director's Account or upon the exercise after March 31, 2019 of a stock option or stock appreciation right or vesting after 3/31/19 of RSAs or RSUs.

SECTION 22

Unsecured Creditor

The Plan constitutes a mere promise by the Corporation to make benefit payments in the future. The Corporation's obligations under the Plan shall be unfunded and unsecured promises to pay. Any amount payable under the Plan shall be established and maintained only on the books and records of the Corporation. The Corporation and its Subsidiaries shall not be obligated under any circumstance to fund the Corporation's financial obligations under the Plan and no assets or funds of the Corporation, any Subsidiary, or the Plan shall be removed from the claims of the Corporation's general or judgment creditors or otherwise made available until such amounts are actually paid to a Director as provided herein. Any of them may, in its sole discretion, set aside funds in a trust or other vehicle, subject to the claims of its creditors, in order to assist it in meeting its obligations under the Plan, if such arrangement will not cause the Plan to be considered a funded deferred compensation plan. To the extent that any Director or Director's Beneficiary or other person acquires a right to receive payments under the Plan, such right shall be no greater than the right, and each Director and Director's Beneficiary shall at all times have the status, of a general unsecured creditor of the Corporation.

SECTION 23

Limitation of Liability

Any grant or award under the Plan shall not give a Director or Director's Beneficiary any rights except as expressly set forth in the Plan and in any such grant or award or create (i) any fiduciary or other obligation of the Corporation or any Subsidiary to take any action or provide to the Director or Director's

Beneficiary any assistance or dedicate or permit the use of any assets of the Corporation or any Subsidiary in any manner; (ii) any trust, fiduciary or other duty or obligation of the Corporation or any Subsidiary to engage in any particular business, continue to engage in any particular business, engage in any particular business practices or sell any particular product or products; or (iii) any obligation of the Corporation that shall be greater than the obligation of the Corporation to any of its general unsecured creditors.

SECTION 24

Dispute Resolution

Since fees are paid and grants or awards are made under the Plan in Western Pennsylvania, records relating to the Plan and fees, grants or awards thereunder are located in Western Pennsylvania, and the Plan and fees, grants or awards are administered in Western Pennsylvania, the Corporation and the Director participating in the Plan, for themselves and their heirs, representatives, successors and assigns (collectively, the "Parties") irrevocably submit to the exclusive and sole jurisdiction and venue of the state courts of Allegheny County, Pennsylvania and the federal courts of the Western District of Pennsylvania with respect to any and all disputes arising out of or relating to the Plan, the subject matter of the Plan or fees, grants or awards under the Plan, including but not limited to any disputes arising out of or relating to the interpretation and enforceability of any fees, grants or awards or the terms and conditions of the Plan. To achieve certainty regarding the appropriate forum in which to prosecute and defend actions arising out of or relating to the Plan, and to ensure consistency in application and interpretation of the governing law under Section 19 of the Plan, the Parties agree that (a) sole and exclusive appropriate venue for any such action shall be the Pennsylvania courts described in the immediately preceding sentence, and no other, (b) all claims with respect to any such action shall be heard and determined exclusively in such Pennsylvania courts, and no other, (c) such Pennsylvania courts shall have sole and exclusive jurisdiction over the Parties and over the subject matter of any dispute relating hereto and (d) the Parties waive any and all objections and defenses to bringing any such action before such Pennsylvania courts, including but not limited to those relating to lack of personal jurisdiction, improper venue or *forum non conveniens*.

SECTION 25

Non-Uniform Determinations

The Committee's determinations under the Plan (including without limitation its determinations of the grants and awards under Section 10, the form, amount and timing of such grants and awards and the terms and provisions of such grants and awards) need not be uniform and may be made by it selectively among Directors who receive, or are eligible to receive, grants and awards under the Plan, whether or not such persons are similarly situated.

SECTION 26

Indemnification

Subject to the requirements of Pennsylvania state law, each individual who is or shall have been a member of the Board or the Committee, or an officer of the Corporation to whom authority was delegated in accordance with Section 16, shall be indemnified and held harmless by the Corporation against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under this Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Corporation's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Corporation an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his/her own behalf, unless such loss, cost, liability, or expense is a result of his/her own willful misconduct or except as expressly provided by statute. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such individuals may be entitled under the Corporation's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Corporation may have to indemnify them or hold them harmless.

SECTION 27

No Representations or Covenants With Respect to Tax Qualification

Although the Corporation may endeavor to (i) qualify the payment of fees or a grant or award for favorable United States tax treatment or avoid adverse tax treatment (e.g., under Section 409A of the Code), the Corporation makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment. The Corporation shall be unconstrained in its corporate activities without regard to any potential negative tax impact to Directors under the Plan.

SECTION 28

Compliance With Laws

Without limitation, payment of fees or a grant or award under the Plan and any issuance of shares of Common Stock under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or stock exchanges on which the Corporation is listed as may be required.

SECTION 29

Effective Date

The effective date and date of adoption of the original Plan was November 14, 2013, the date of adoption of the Plan by the Board, provided that on or prior to November 13, 2014 such adoption of the Plan by the Board was approved by the affirmative vote of holders of record of a majority of the shares of voting stock of the Corporation represented in person or by proxy and entitled to vote at a duly called and convened meeting of such holders at which a quorum is present.

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 3, 2017

/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 3, 2017

/s/Steven F. Nicola

Steven F. Nicola
Chief Financial Officer
and Secretary

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, 2017 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 3, 2017

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, 2017 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 and Secretary

May 3, 2017

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.