MATTHEWS INTERNATIONAL CORP
Form 10-K
November 21, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10 K
Annual Report Pursuant to Section 13 of 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended September 30, 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)
Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant 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
The aggregate market value of the Class A Common Stock held by non-affiliates of the registrant, based upon the closing sale price of the Class A Common Stock on the Nasdaq Global Select Market on March 31, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $2.1 billion.
As of October 31, 2017, shares of common stock outstanding were: Class A Common Stock 32,148,579 shares.
Documents incorporated by reference: Specified portions of the Proxy Statement for the 2018 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION:

Any forward-looking statements contained in this Annual Report on Form 10-K (specifically those contained in Item 1, "Business," Item 1A, "Risk Factors" and Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations") are included in this report pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the actual results of Matthews International Corporation ("Matthews" or the "Company") in future periods to be materially different from management's expectations. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. In addition to the risk factors previously disclosed and those discussed elsewhere in this Annual Report on Form 10-K, 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-K. In addition, although the Company does not have any customers that would be considered individually significant to consolidated sales, changes in the distribution of the Company's products or the potential loss of one or more of the Company's larger customers are also considered risk factors.

ITEM 1. BUSINESS.

Matthews, founded in 1850 and incorporated in Pennsylvania in 1902, is a provider principally of brand solutions, memorialization products and industrial technologies. Brand solutions include brand development, deployment and delivery (consisting of brand management, pre-media services, printing plates and cylinders, 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 consumables, industrial automation solutions and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products.

At October 31, 2017, the Company and its majority-owned subsidiaries had approximately 11,000 employees. The Company's principal executive offices are located at Two NorthShore Center, Pittsburgh, Pennsylvania 15212, its telephone number is (412) 442-8200 and its website is www.matw.com. The Company files or furnishes all required reports with the Securities and Exchange Commission ("SEC") in accordance with the Exchange Act. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are available free of charge on the Company's website as soon as reasonably practicable after being filed or furnished to the SEC. The Company's reports filed or furnished with the SEC, including exhibits attached to such reports, are also available to read and copy at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by contacting the SEC at 1-800-732-0330. All Company reports filed with or furnished to the SEC can be found on its website at www.sec.gov.

The Company has three reporting segments, SGK Brand Solutions, Memorialization, and Industrial Technologies. The following table sets forth reported sales and operating profit for the Company's business segments for the past three fiscal years. Detailed financial information relating to business segments and to domestic and international operations is presented in Note 18, "Segment Information" in Item 8 - "Financial Statements and Supplemental Data."

ITEM 1. BUSINESS, (continued)

	Years Ended September 30,		
	2017	2016	2015
	(Amounts in thousands)		
Sales to unaffiliated customers:			
SGK Brand Solutions	$770,181	$755,975	$798,339
Memorialization	615,882	610,142	508,058
Industrial Technologies	129,545	114,347	119,671
Consolidated	$1,515,608	$1,480,464	$1,426,068
Operating profit:			
SGK Brand Solutions	$24,919	$42,909	$21,864
Memorialization	80,652	68,252	70,064
Industrial Technologies	7,032	7,654	13,095
Consolidated	$112,603	$118,815	$105,023

In fiscal 2017, approximately 67% of the Company's sales were made from the United States, 26% were made from Europe, 3% were made from Asia, and 4% were made from other regions. For further information on segments, see Note 18, "Segment Information" in Item 8 - "Financial Statements and Supplementary Data" on page 69 of this Report. Products and services of the SGK Brand Solutions segment are sold throughout the world, with principal locations in the United States, Europe and Asia. Memorialization segment products are sold throughout the world, with the segment's principal operations located in the United States, Europe, Canada, and Australia. The Industrial Technologies segment sells equipment and consumables directly to industrial consumers and distributors in the United States and internationally through the Company's subsidiaries in Canada, Sweden, Germany and China, and through other foreign distributors. Matthews owns a minority interest in Industrial Technologies product distributors in Asia, Australia and Europe.

SGK Brand Solutions:

The SGK Brand Solutions segment provides brand development, deployment and delivery (consisting of brand management, pre-media services, printing plates and cylinders, and imaging services for consumer packaged goods and retail customers, merchandising display systems, and marketing and design services). The Company has extensive product offerings and capabilities related to brand development and brand management, serving the consumer packaged goods and retail industries. The primary packaging industry consists of manufacturers of printed packaging materials such as boxes, flexible packaging, folding cartons and bags commonly displayed at retailers of consumer goods. The corrugated packaging industry consists of manufacturers of printed corrugated containers. Other major industries served include the wallpaper, flooring, automotive, and textile industries.

The principal products and services of this segment include brand development, deployment, delivery, brand management, pre-media graphics services, 3-D graphics renderings, printing plates, gravure cylinders, steel bases, embossing tools, special purpose machinery, engineering assistance, print process assistance, print production management, digital asset management, content management, and package design. These products and services are used by brand owners and packaging manufacturers to develop and print packaging graphics that help identify and sell the product in the marketplace. Other packaging graphics can include nutritional information, directions for product use, consumer warning statements and UPC codes. The primary packaging manufacturer produces printed packaging from paper, film, foil and other composite materials used to display, protect and market the product. The corrugated packaging manufacturer produces printed containers from corrugated sheets. Using the Company's products, these sheets are printed and die cut to make finished containers.

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ITEM 1. BUSINESS, (continued)

The segment offers a wide array of value-added services and products. These include print process and print production management services; print engineering consultation; pre-media preparation, which includes computer-generated art, film and proofs; plate mounting accessories and various press aids; and press-side print production assurance. The segment also provides creative digital graphics services to brand owners and packaging markets.

The segment's sales are also derived from the design, engineering, manufacturing and execution of merchandising and display systems. These systems include permanent and temporary displays, custom store fixtures, brand concept shops, interactive media, custom packaging, and screen and digitally printed promotional signage. Design and engineering services include concept and model development, graphics design and prototyping. Merchandising and display systems are manufactured to specifications developed by the segment in collaboration with the customer.

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

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

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

The SGK Brand Solutions segment is one of several providers of brand management, brand development and pre-media services and manufacturers of printing plates and cylinders with an international presence. The combination of the Company's businesses in North America, Europe and Asia is an important part of Matthews' strategy to be a worldwide leader in the graphics industry by providing consistent service to multinational customers on a global basis. Competition is on the basis of product quality, timeliness of delivery and price. The merchandising and display business operates in a fragmented industry consisting primarily of a number of small, locally operated companies. The segment competes on the basis of reliability, creativity and ability to provide a broad array of merchandising products and services. The segment is unique in its ability to provide in-depth marketing and merchandising services as well as design, engineering and manufacturing capabilities. These capabilities allow the segment to deliver complete turnkey merchandising solutions quickly and cost effectively. The Company differentiates itself from the competition by consistently meeting these customer demands, providing service to customers both nationally and globally, and providing a variety of value-added support services.

Memorialization:

The Memorialization segment manufactures and markets a full line of memorialization products used primarily in cemeteries, funeral homes and crematories. The segment's products, which are sold principally in the United States, Europe, Canada and Australia, include cast bronze memorials, granite memorials, caskets, cremation equipment and other memorialization products. The segment also manufactures and markets architectural products that are used to identify or commemorate people, places, events and accomplishments.

ITEM 1. BUSINESS, (continued)

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

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

The segment is also a leading manufacturer and distributor of caskets and other funeral home products in North America. The segment produces and markets metal, wood and cremation caskets. Caskets are offered in a variety of colors, interior designs, handles and trim in order to accommodate specific religious, ethnic or other personal preferences. The segment also markets other funeral home products such as urns, jewelry and stationery. The segment offers individually personalized caskets through its distribution network.

Metal caskets are made from various gauges of cold-rolled steel, stainless steel, copper and bronze. Metal caskets are generally categorized by whether the casket is non-gasketed or gasketed, and by material (i.e., bronze, copper, or steel) and in the case of steel, by the gauge (thickness) of the metal. Wood caskets are primarily manufactured from nine different species of wood. The species of wood used are poplar, pine, ash, oak, pecan, maple, cherry, walnut and mahogany. The Memorialization segment is a leading manufacturer of all-wood constructed caskets, which are manufactured using pegged and dowelled construction, and include no metal parts. Cremation caskets are made primarily from wood or cardboard covered with cloth or veneer. These caskets appeal primarily to cremation consumers, environmentally concerned consumers, and value buyers.

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

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

The segment also provides cremation systems, crematory management, cremation service and supplies, waste management and incineration systems, and environmental and energy solutions to the human, pet and specialized incineration markets. The primary market areas for these products and services are North America and Europe, although the segment also sells into Latin America and the Caribbean, Australia, the Middle East and Asia.

ITEM 1. BUSINESS, (continued)

Cremation systems include flame-based systems for cremation of humans and pets, as well as equipment for processing the cremated remains and other related equipment (ventilated work stations, tables, cooler racks, vacuums). The principal markets for these products are funeral homes, cemeteries, crematories, pet crematories, animal disposers and veterinarians. These products primarily are marketed directly by segment personnel. Human crematory management/operations represent the actual operation and management of client-owned crematories. Currently the segment provides these services primarily to municipalities in Europe and private operators in the United States. Cremation service and supplies consist of operator training, preventative maintenance and "at need" service work performed on various makes and models of equipment. This work can be as simple as replacing defective bulbs or as complex as complete reconstruction and upgrading or retro-fitting on site. Supplies are consumable items associated with normal operations.

Waste management/incineration systems encompass both batch load and continuous feed, static and rotary systems for incineration of all waste types, as well as equipment for in-loading waste, out-loading ash and energy recovery. The principal markets for these products are medical waste disposal, oil and gas "work camp" wastes, industrial wastes and bio-mass generators. Environmental and energy systems include emissions filtration units, waste heat recovery equipment, waste gas treatment products, as well as energy recovery. The principal markets are municipalities or public/state agencies, the cremation industry and other industries which utilize incinerators for waste reduction and energy production.

The Memorialization segment also manufactures a full line of other products, including urns in a variety of sizes, styles and shapes as well as standard and custom designed granite cremation pedestals and benches. The segment manufactures bronze and granite niche units, which are comprised of numerous compartments used to display cremation urns in mausoleums and churches. The Company also markets turnkey cremation gardens, which include the design and all related products for a cremation memorial garden.

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

Raw materials used by the Memorialization segment to manufacture memorials consist principally of bronze and aluminum ingot, granite, sheet metal, coating materials, photopolymers and construction materials and are generally available in adequate supply. Ingot is obtained from various North American, European and Australian smelters. The primary materials required for casket manufacturing are cold-rolled steel and lumber. The segment also purchases copper, bronze, stainless steel, particleboard, corrugated materials, paper veneer, cloth, ornamental hardware and coating materials. Purchase orders or supply agreements are typically negotiated with large, integrated steel producers that have demonstrated timely delivery, high quality material and competitive prices. Lumber is purchased from a number of sawmills and lumber distributors. Raw materials used to manufacture cremation and incineration products consist principally of structural steel, sheet metal, electrical components, combustion devices and refractory materials. These are generally available in adequate supply from numerous suppliers.

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

ITEM 1. BUSINESS, (continued)

The Memorialization segment markets its casket products in the United States through a combination of Company-owned and independent casket distribution facilities. The Company operates approximately 100 distribution centers in the United States. Approximately 85% of the segment's casket products are currently sold through Company-owned distribution centers. The casket business is highly competitive and the Company competes with other manufacturers on the basis of product quality, price, service, design availability and breadth of product line. The Memorialization segment provides a line of casket products that it believes is as comprehensive as any of its major competitors. There are a large number of casket industry participants operating in North America and also a few foreign casket manufacturers, primarily from China, participating in the North American market.

The Company competes with several manufacturers in the cremation and accessory equipment market principally on the basis of product design, quality and price. The Memorialization segment and its three largest global competitors account for a substantial portion of the U.S. and European cremation equipment market.

The Memorialization segment works to provide a total solution to customers that own and operate businesses in both the cemetery and funeral home markets. The Company's memorial and casket products serve the relatively stable casketed and in-ground burial death market, while its memorial products and cremation equipment also serve the growing cremation market.

Industrial Technologies:

The Industrial Technologies segment designs, manufactures and distributes a wide range of marking and coding equipment and consumables, industrial automation solutions, and order fulfillment systems. Manufacturers, suppliers and distributors worldwide rely on Matthews' integrated systems to identify, track, convey and pick their products.

Marking systems range from mechanical marking solutions to microprocessor-based ink-jet printing systems that integrate into a customer's manufacturing, inventory tracking and material handling control systems. The Company manufactures and markets products and systems that employ different marking technologies, including contact printing, indenting, etching, laser and ink-jet printing. Customers frequently use a combination of these methods to achieve an appropriate mark. These technologies apply product information required for identification and traceability, as well as to facilitate inventory and quality control, regulatory compliance and brand name communication.

Fulfillment systems complement the tracking and distribution of a customer's products with automated order fulfillment technologies, motor-driven rollers for product conveyance, and controls for material handling systems. Material handling customers include some of the largest automated assembly and distribution companies in the United States. The Company also engineers innovative, custom solutions to address specific customer requirements in a variety of industries, including oil exploration and security scanning.

A significant portion of the revenue of the Industrial Technologies segment is attributable to the sale of consumables and replacement parts required by the marking, coding and tracking products sold by Matthews. The Company develops inks, rubber and steel consumables in conjunction with the marking equipment in which they are used, which is critical to ensure ongoing equipment reliability and mark quality.

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

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

ITEM 1. BUSINESS, (continued)

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

Competitors in the marking and fulfillment systems industries are diverse, with some companies offering limited product lines for well-defined specialty markets, while others operate similarly to the Company, offering a broad product line and competing in multiple product markets and countries. Competition for marking and fulfillment systems products is based on product performance, ease of integration into the manufacturing and/or distribution process, service and price. The Company typically competes with specialty companies in specific brand marking solutions and traceability applications. The Company believes that, in general, its Industrial Technologies segment offers one of the broadest lines of products to address a wide variety of marking, coding and industrial automation applications.

PATENTS, TRADEMARKS AND LICENSES:

The Company holds a number of trademarks and in excess of 100 domestic and foreign patents for its products and related technologies. However, the Company believes the loss of any individual or a significant number of patents or trademarks would not have a material impact on consolidated operations or revenues.

BACKLOG:

Because the nature of the Company's SGK Brand Solutions, Memorialization and Industrial Technologies businesses are primarily custom products made to order and services with short lead times, backlogs are not generally material except for roto-gravure engineering projects in the SGK Brand Solutions segment, mausoleums and cremation equipment in the Memorialization segment and industrial automation and order fulfillment systems in the Industrial Technologies segment. Backlogs vary in a range of approximately six to twelve months of sales for roto-gravure engineering projects and mausoleums. Cremation equipment sales backlogs vary in a range of eight to ten months of sales. Backlogs for Industrial Technologies segment sales generally vary in a range of up to six weeks for standard products and twelve weeks for custom systems. The Company's current backlog is expected to be substantially filled in fiscal 2018.

REGULATORY MATTERS:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company is party to various environmental matters which 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. Refer to Note 16, "Environmental Matters" in Item 8 - "Financial Statements and Supplementary Data," for further details.

ITEM 1A. RISK FACTORS, (continued)

ITEM 1A. RISK FACTORS.

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

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

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

Foreign Operations. The Company conducts business in more than 25 countries around the world, and in fiscal 2017 approximately 33% of the Company's sales to external customers were to customers outside the United States. In addition, the Company's manufacturing operations, suppliers and employees are located in many places around the world. As such, the Company's future success depends in part on its ability to grow sales in non-U.S. markets. Sales and operations outside of the United States are subject to certain inherent risks, including fluctuations in the value of the U.S. dollar relative to foreign currencies, global economic uncertainties, tariffs, quotas, taxes and other market barriers, political and economic instability, restrictions on the export or import of technology, potentially limited intellectual property protection, difficulties in staffing and managing international operations, potentially adverse tax consequences, and required compliance with non-U.S. laws and regulations.

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

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

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

ITEM 1A. RISK FACTORS, (continued)

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

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

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

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

Protection of Intellectual Property. Certain of the Company's businesses rely on various intellectual property rights, including patents, copyrights, trademarks and trade secrets, as well as confidentiality provisions and licensing arrangements, to establish proprietary rights. If the Company does not enforce its intellectual property rights successfully, its competitive position may suffer which could harm the Company's operating results. In addition, the Company's patents, copyrights, trademarks and other intellectual property rights may not provide a significant competitive advantage. The Company may need to spend significant resources monitoring its intellectual property rights and may or may not be able to detect infringement by third parties. The Company's competitive position may be harmed if it cannot detect infringement and enforce its intellectual property rights quickly or at all. In some circumstances, the Company may choose to not pursue enforcement because an infringer has a dominant intellectual property position or for other business reasons. In addition, competitors might avoid infringement by designing around the Company's intellectual property rights or by developing non-infringing competing technologies. Intellectual property rights and the Company's ability to enforce them may be unavailable or limited in some countries which could make it easier for competitors to capture market share and could result in lost revenues.

ITEM 1A. RISK FACTORS, (continued)

Environmental Remediation and Compliance. The Company is subject to the risk of environmental liability and limitations on its operations due to environmental laws and regulations. The Company is subject to extensive federal, state, local and foreign environmental, health and safety laws and regulations concerning matters such as air emissions, wastewater discharges, solid and hazardous waste handling and disposal and the investigation and remediation of contamination. The risks of potentially substantial costs and liabilities related to compliance with these laws and regulations are an inherent part of the Company's business, and future conditions may develop, arise or be discovered that create substantial environmental compliance or remediation liabilities and costs. Compliance with environmental, health and safety legislation and regulatory requirements may prove to be more limiting and costly than the Company anticipates, and there is no assurance that significant expenditures related to such compliance may not be required in the future.

From time to time, the Company may be subject to legal proceedings brought by private parties or governmental authorities with respect to environmental matters, including matters involving alleged noncompliance with or liability under environmental, health and safety laws, property damage or personal injury. New laws and regulations, including those which may relate to emissions of greenhouse gases, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require the Company to incur costs or become the basis for new or increased liabilities that could have a material adverse effect on the Company's business, financial condition or results of operations.

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

Cybersecurity and Data Breaches. In the course of business, the Company collects and stores sensitive data and proprietary business information. The Company could be subject to service outages or breaches of security systems which may result in disruption, unauthorized access, misappropriation, or corruption of this information. Security breaches of the Company's network or data including physical or electronic break-ins, vendor service outages, computer viruses, attacks by hackers or similar breaches can create system disruptions, shutdowns, or unauthorized disclosure of confidential information. Although the Company is not aware of any significant incidents to date, if it is unable to prevent such security or privacy breaches, its operations could be disrupted or the Company may suffer legal claims, loss of reputation, financial loss, property damage, or regulatory penalties because of lost or misappropriated information.

Compliance with Foreign Laws and Regulations. Due to the international scope of the Company's operations, Matthews is subject to a complex system of commercial and trade regulations around the world, and the Company's foreign operations are governed by laws, rules and business practices that often differ from those of the United States. The Company cannot predict the nature, scope or effect of future regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted, which could have a material and negative impact on the Company's business and results of operation. For example, recent years have seen an increase in the development and enforcement of laws regarding trade compliance and anti-corruption, such as the U.S. Foreign Corrupt Practices Act and similar laws in other countries. While Matthews maintains a variety of internal policies and controls and takes steps, including periodic training and internal audits, that the Company believes are reasonably calculated to discourage, prevent and detect violations of such laws, the Company cannot guarantee that such actions will be effective or that individual employees will not engage in inappropriate behavior in contravention of the Company's policies and instructions. Such conduct, or even the allegation thereof, could result in costly investigations and the imposition of severe criminal or civil sanctions, could disrupt the

Company's business, and could materially and adversely affect the Company's reputation, business and results of operations or financial condition.

ITEM 1A. RISK FACTORS, (continued)

Further, the Company is subject to laws and regulations worldwide affecting its operations outside the United States in areas including, but not limited to, intellectual property ownership and infringement, tax, customs, import and export requirements, anti-corruption and anti-bribery, foreign exchange controls and cash repatriation restrictions, foreign investment, data privacy requirements, anti-competition, pensions and social insurance, employment, and environment, health, and safety. Compliance with these laws and regulations may be onerous and expensive and requirements may differ among jurisdictions. Further, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on the Company's business and prospects. In addition, certain laws and regulations are relatively new and their interpretation and enforcement involve significant uncertainties. There can be no assurance that any of these factors will not have a material adverse effect on the Company's business, results of operations or financial condition.

Effectiveness of Internal Controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires a comprehensive evaluation of the Company's internal control over financial reporting. To comply with this statute, the Company is required to document and test its internal control over financial reporting, management is required to assess and issue a report concerning internal control over financial reporting, and the Company's independent registered public accounting firm is required to attest to and report on the Company's assessment of the effectiveness of internal control over financial reporting. Any failure to maintain or implement required new or improved controls could cause the Company to fail to meet its periodic reporting obligations or result in material misstatements in the consolidated financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If the Company cannot produce reliable financial reports, investors could lose confidence in the Company's reported financial information, the market price of the Company's common stock could decline significantly, and its business, financial condition, and reputation could be harmed.

Compliance with Securities Laws and Regulations; Conflict Minerals Reporting. The Company is required to comply with various securities laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Dodd-Frank contains provisions, among others, designed to improve transparency and accountability concerning the supply chains of certain minerals originating from the Democratic Republic of Congo and adjoining countries that are believed to be benefiting armed groups ("Conflict Minerals"). While Dodd-Frank does not prohibit companies from using Conflict Minerals, the SEC mandates due diligence, disclosure and reporting requirements for companies for which Conflict Minerals are necessary to the functionality or production of a product. The Company's efforts to comply with Dodd-Frank and other evolving laws, regulations and standards could result in increased costs and expenses related to compliance and potential violations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not Applicable.

ITEM 2. PROPERTIES, (continued)

ITEM 2. PROPERTIES.

Principal properties of the Company and its majority-owned subsidiaries as of October 31, 2017 were as follows (properties are owned by the Company except as noted):

Location	Description of Property	
SGK Brand Solutions:		
Antwerp, Belgium	Manufacturing	
Chennai, India	Operating facility	(1)
Chicago, IL	Operating facilities	(1)
Cincinnati, OH	Operating facility	(1)
Cleckheaton, England	Operating facility	(1)
Des Plaines, IL	Operating facility	(1)
Dachnow, Poland	Manufacturing	
Gateshead, England	Operating facility	(1)
East Butler, PA	Manufacturing	
Goslar, Germany	Manufacturing	(1)
Grenzach-Wyhlen, Germany	Manufacturing	
Istanbul, Turkey	Manufacturing	(1)
Izmir, Turkey	Manufacturing	
Julich, Germany	Manufacturing	
Kalamazoo, MI	Operating facility	
Kempen, Germany	Manufacturing	(1)
Kowloon, Hong Kong	Operating facility	(1)
London, England	Operating facility	(1)
Manchester, England	Manufacturing	(1)
Marietta, GA	Manufacturing	
Minneapolis, MN	Operating facility	
Mississauga, Canada	Operating facility	(1)
Monchengladbach, Germany	Manufacturing	
Monchengladbach, Germany	Manufacturing	(1)
Munich, Germany	Manufacturing	(1)
New Berlin, WI	Manufacturing	(1)
Novgorod, Russia	Manufacturing	
Nuremberg, Germany	Manufacturing	(1)
Penang, Malaysia	Operating facility	
Portland, OR	Operating facility	(1)
Queretaro, Mexico	Operating facility	
Redmond, WA	Operating facility	(1)
St. Louis, MO	Manufacturing	
San Francisco, CA	Operating facility	(1)
Shanghai, China	Operating facilities	(1)
Shenzhen, China	Operating facility	(1)

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ITEM 2. PROPERTIES, (continued)

Location	Description of Property	
SGK Brand Solutions, (continued):		
Tarnowo Podgorne, Poland	Manufacturing	(1)
Vreden, Germany	Manufacturing	
Vreden, Germany	Operating facility	
Wilsonville, OR	Operating facility	(1)
Memorialization (2):		
Pittsburgh, PA	Manufacturing / Division Offices	
Pittsburgh, PA	Division Offices	(1)
Apopka, FL	Manufacturing / Division Offices	
Apopka, FL	Operating facility	
Aurora, IN	Manufacturing	
Bristol, TN	Distribution	
Colorno, Italy	Manufacturing	(1)
Dallas, TX	Distribution Hub	(1)
Dandenong, Australia	Manufacturing	(1)
Edmunston, Canada	Manufacturing	
Elberton, GA	Manufacturing	(1)
Fontana, CA	Distribution Hub	(1)
Harrisburg, PA	Distribution Hub	(1)
Hyde, England	Manufacturing	(1)
Indianapolis, IN	Distribution Hub	(1)
Kingwood, WV	Manufacturing	
Kingwood, WV	Manufacturing	(1)
Monterrey, Mexico	Manufacturing	(1)
Richmond, IN	Manufacturing	(1)
Richmond, IN	Manufacturing	
Searcy, AR	Manufacturing	
Stone Mountain, GA	Distribution Hub	(1)
Udine, Italy	Manufacturing	(1)
Vestone, Italy	Manufacturing	(1)
West Point, MS	Distribution	
Whittier, CA	Manufacturing	(1)
York, PA	Manufacturing	
Industrial Technologies:		
Pittsburgh, PA	Manufacturing / Division Offices	
Beijing, China	Manufacturing	(1)
Cincinnati, OH	Manufacturing	(1)
Cincinnati, OH	Manufacturing	
Germantown, WI	Manufacturing	(1)
Gothenburg, Sweden	Manufacturing / Distribution	(1)
Lima, Costa Rica	Manufacturing	(1)
Portland, OR	Manufacturing	
Tianjin City, China	Manufacturing	(1)

ITEM 2. PROPERTIES, (continued)

Location	Description of Property
Corporate Office:	
Pittsburgh, PA	General Offices

(1) These properties are leased by the Company under operating lease arrangements.
(2) In addition to the properties listed, the Memorialization segment leases warehouse facilities totaling approximately 1.1 million square feet in 38 states under operating leases.

Rent expense incurred by the Company for all leased facilities was approximately $36.4 million in fiscal 2017.

All of the owned properties are unencumbered. The Company believes its facilities are generally well suited for their respective uses and are of adequate size and design to provide the operating efficiencies necessary for the Company to be competitive. The Company's facilities provide adequate space for meeting its near-term production requirements and have availability for additional capacity. The Company intends to continue to expand and modernize its facilities as necessary to meet the demand for its products.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES.

Not applicable.

OFFICERS AND EXECUTIVE MANAGEMENT OF THE REGISTRANT

The following information is furnished with respect to officers and executive management as of October 31, 2017:

Name	Age	Positions with Registrant
Joseph C. Bartolacci	57	President and Chief Executive Officer
Gregory S. Babe	59	Chief Technology Officer
David F. Beck	65	Vice President and Controller
Marcy L. Campbell	54	Vice President, Human Resources
Brian J. Dunn	60	Executive Vice President, Strategy and Corporate Development
Steven D. Gackenbach	54	Group President, Memorialization
Robert M. Marsh	49	Vice President and Treasurer
Steven F. Nicola	57	Chief Financial Officer and Secretary
Paul F. Rahill	60	President, Environmental Solutions Division
David A. Schawk	61	Group President, SGK Brand Solutions
Brian D. Walters	48	Vice President and General Counsel

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

Gregory S. Babe was appointed Chief Technology Officer effective November 2015. Prior thereto he had been the interim Executive Vice President, Global Information Technology and Integration since November 2014 when he joined the Company. Prior to joining the Company, Mr. Babe was the President and Chief Executive Officer of Liquid X Printed Metals, Inc., from June 2013 to November 2014 and Chief Executive Officer of Orbital Engineering, Inc., from July 2012 to June 2013.

David F. Beck was appointed Vice President and Controller effective February 2010.

Marcy L. Campbell was appointed Vice President, Human Resources effective November 2014. Ms. Campbell served as Director, Regional Human Resources from January 2013, and as Manager, Regional Human Resources from November 2005 to December 2012.

Brian J. Dunn was appointed Executive Vice President, Strategy and Corporate Development effective July 2014. Prior thereto, he served as Group President, Brand Solutions since February 2010.

Steven D. Gackenbach was appointed Group President, Memorialization effective October 31, 2011.

Robert M. Marsh was appointed Vice President and Treasurer in February 2016. He served as Treasurer since December 2014 when he joined the Company. Prior to joining the Company, Mr. Marsh was a partner of PNC Mezzanine Capital, the principal mezzanine investment business of The PNC Financial Services Group, LLC ("PNC"). Mr. Marsh joined PNC in 1997.

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

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

David A. Schawk joined the Company in July 2014 as President, SGK Brand Solutions upon Matthews' acquisition of Schawk. Mr. Schawk served as Schawk's Chief Executive Officer from July 2012 and was a member of the Schawk Board of Directors since 1992.

Brian D. Walters was appointed Vice President and General Counsel effective February 2009.

PART II

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

Market Information:

The authorized common stock of the Company consists of 70,000,000 shares of Class A Common Stock, $1.00 par value. At September 30, 2017, 32,148,579 shares were outstanding. The Company's Class A Common Stock is traded on the NASDAQ Global Select Market under the symbol "MATW". The following table sets forth the high, low and closing prices as reported by Nasdaq for the periods indicated:

		High	Low	Close
Fiscal 2017:				
Quarter ended:	September 30, 2017	$66.65	$57.40	$62.25
June 30, 2017		72.60	60.40	61.25
March 31, 2017		77.85	64.45	67.65
December 31, 2016		77.10	57.65	76.85
Fiscal 2016:				
Quarter ended:	September 30, 2016	$62.85	$54.76	$60.76
June 30, 2016		56.05	49.37	55.64
March 31, 2016		54.80	45.00	51.47
December 31, 2015		61.10	46.05	53.45

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 has authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 1,816,146 shares remain available for repurchase as of September 30, 2017. All purchases of the Company's common stock during fiscal 2017 were part of this repurchase program.

In May 2016, the Company purchased 970,000 common shares under the buy-back program from members of the Schawk family, including David A. Schawk (who is a member of the Board of Directors of the Company and the Company's President, SGK Brand Solutions) and certain family members of Mr. Schawk and/or trusts established for the benefit of Mr. Schawk or his family members. The purchase price for the shares purchase was $50.6921625 per share, which was equal to 96.76% of the average of the high and low trading prices for the common stock as reported on the Nasdaq Global Select Market on May 12, 2016.

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

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
April 2017	126	67.66	126	1,893,297
May 2017	38,499	63.70	38,499	1,854,798
June 2017	260	62.55	260	1,854,538
July 2017	5,500	65.60	5,500	1,849,038
August 2017	13,666	65.45	13,666	1,835,372
September 2017	19,226	58.22	19,226	1,816,146
Total	212,424	$ 66.03	212,424	

Holders:

Based on records available to the Company, the number of record holders of the Company's common stock was 611 at October 31, 2017.

Dividends:

A quarterly dividend of $0.19 per share was declared to shareholders of record on November 16, 2017. The Company paid quarterly dividends of $0.17, $0.15, and $0.13 per share for each of the quarters during fiscal 2017, 2016, and 2015, respectively.

Cash dividends have been paid on common shares in every year for at least the past forty-eight years. It is the present intention of the Company to continue to pay quarterly cash dividends on its common stock. However, there is no assurance that dividends will be declared and paid as the declaration and payment of dividends is at the discretion of the Board of Directors of the Company and is dependent upon many factors, including but not limited to the Company's financial condition, results of operations, cash requirements, future prospects and other factors deemed relevant by the Board.

Securities Authorized for Issuance Under Equity Compensation Plans:

See Equity Compensation Plans in Item 12 "Security Ownership of Certain Beneficial Owners and Management" on page 77 of this report.

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

PERFORMANCE GRAPH

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

* Total return assumes dividend reinvestment

Note: Performance graph assumes $100 invested on October 1, 2012 in Matthews International Corporation Common Stock, Standard & Poor's (S&P) 500 Index, S&P MidCap 400 Index and S&P SmallCap 600 Index. The results are not necessarily indicative of future performance.

ITEM 6. SELECTED FINANCIAL DATA.

	Years Ended September 30,				
	2017(1)	2016(2)	2015(3)	2014(4)	2013(5)
	(Amounts in thousands, except per share data) (Unaudited)				
Net sales	$1,515,608	$1,480,464	$1,426,068	$1,106,597	$985,357
Operating profit	112,603	118,815	105,023	81,522	94,615
Interest expense	26,371	24,344	20,610	12,628	12,925
Net income attributable to Matthews shareholders	$74,368	$66,749	$63,449	$42,625	$54,121
Earnings per common share:					
Basic	$2.31	$2.04	$1.93	$1.51	$1.96
Diluted	2.28	2.03	1.91	1.49	1.95
Weighted-average common shares outstanding:					
Basic	32,240	32,642	32,939	28,209	27,255
Diluted	32,570	32,904	33,196	28,483	27,423
Cash dividends per share	$0.68	$0.60	$0.54	$0.46	$0.41
Total assets	$2,244,649	$2,091,041	$2,143,611	$2,008,026	$1,209,245
Long-term debt, non-current	881,602	844,807	891,217	714,027	351,068

(1) Fiscal 2017 included net pre-tax charges of $38,458 and income of $10,483, which impacted operating profit and other deductions, respectively. These pre-tax charges primarily consisted of acquisition-related costs, and strategic cost-reduction initiatives. The pre-tax income primarily consisted of loss recoveries, net of related costs, related to the previously disclosed theft of funds by a former employee.

(2) Fiscal 2016 included net pre-tax charges of $36,057 and income of $78, which impacted operating profit and other deductions, respectively. These amounts primarily consisted of acquisition-related costs and strategic cost-reduction initiatives.

(3) Fiscal 2015 included pre-tax charges of $36,883 and income of $8,726, which impacted operating profit and other deductions, respectively, and also included the unfavorable effect of related adjustments of $1,334 to income tax expense. These amounts primarily consisted of acquisition-related costs, trade name write-offs, strategic cost-reduction initiatives, and losses related to a theft of funds, partially offset by a gain on the settlement of a multi-employer pension plan obligation, and the impact of the favorable settlement of litigation, net of related expenses.

(4) Fiscal 2014 included net pre-tax charges of approximately $41,289, primarily related to acquisition-related costs, strategic cost-reduction initiatives, and litigation expenses related to a legal dispute in the Memorialization segment. Charges of $38,598 and $2,691 impacted operating profit and other deductions, respectively. In addition, fiscal 2014 included the unfavorable effect of adjustments of $1,347 to income tax expense related to non-deductible expenses related to acquisition activities.

(5) Fiscal 2013 included net pre-tax charges of approximately $15,352, which primarily related to strategic cost-reduction initiatives, incremental costs related to an ERP implementation in the Memorialization segment, acquisition-related costs and an impairment charge related to the carrying value of a trade name. The charges were

partially offset by a gain on the final settlement of the purchase price of the remaining ownership interest in one of the Company's subsidiaries and the benefit of adjustments to contingent consideration.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the consolidated financial statements of Matthews and related notes thereto. In addition, see "Cautionary Statement Regarding Forward-Looking Information" included in Part I of this Annual Report on Form 10-K.

RESULTS OF OPERATIONS:

The following table sets forth sales and operating profit for the Company's SGK Brand Solutions, Memorialization and Industrial Technologies segments for each of the last three fiscal years.

	Years Ended September 30,		
	2017	2016	2015
	(Dollars in thousands)		
Sales to unaffiliated customers:			
SGK Brand Solutions	$770,181	$755,975	$798,339
Memorialization	615,882	610,142	508,058
Industrial Technologies	129,545	114,347	119,671
Consolidated	$1,515,608	$1,480,464	$1,426,068
Operating Profit:			
SGK Brand Solutions	$24,919	$42,909	$21,864
Memorialization	80,652	68,252	70,064
Industrial Technologies	7,032	7,654	13,095
Consolidated	$112,603	$118,815	$105,023

Comparison of Fiscal 2017 and Fiscal 2016:

Sales for the year ended September 30, 2017 were $1.52 billion, compared to $1.48 billion for the year ended September 30, 2016. The increase in fiscal 2017 sales of $35.1 million principally reflected higher sales of cemetery memorial products and cremation equipment, increased sales in the U.K. and Asia Pacific brand markets, higher sales of marking products, and the benefits from recently completed acquisitions (see "Acquisitions" below). These increases were partially offset by slower market conditions in North America and Europe for the SGK Brand Solutions segment, lower unit sales of caskets, and the unfavorable impact of changes in foreign currencies against the U.S. dollar of $12.8 million compared to a year ago.

In the SGK Brand Solutions segment, sales for fiscal 2017 were $770.2 million, compared to $756.0 million in fiscal 2016. The increase in sales reflected 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 $12.1 million. Memorialization segment sales for fiscal 2017 were $615.9 million compared to $610.1 million for fiscal 2016. The sales increase reflected higher sales of cemetery memorial products and cremation equipment, partially offset by lower unit sales of caskets (reflecting an estimated decline in U.S. casketed deaths). Industrial Technologies segment sales for fiscal 2017 were $129.5 million, compared to $114.3 million for fiscal 2016. The increase reflected higher sales of marking products and OEM solutions, 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 $690,000.

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

Gross profit for the year ended September 30, 2017 was $563.4 million, compared to $556.5 million for fiscal 2016. The increase in gross profit primarily reflected the impact of higher sales from recent acquisitions, the benefits of productivity initiatives, and realization of acquisition synergies, partially offset by unfavorable changes in foreign currency values against the U.S. dollar, and slower market conditions in North America and Europe for the SGK Brand Solutions segment. Fiscal 2017 gross profit also included an expense of $2.0 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 year ended September 30, 2017 were $450.8 million, compared to $437.6 million for fiscal 2016. Consolidated selling and administrative expenses as a percent of sales were 29.7% for fiscal 2017, compared to 29.6% in fiscal 2016. The increase in selling and administrative expenses reflected the impact of recently completed acquisitions, partially offset by the benefits from cost-reduction initiatives, including acquisition integration synergies. Selling and administrative expenses in fiscal 2017 also included an increase of $3.7 million in intangible asset amortization related to recently completed acquisitions, and $3.3 million of incremental stock-based compensation expense that was recognized in the first fiscal quarter of fiscal 2017 as a result of required accounting treatment for retirement-eligible employees. Selling and administrative expenses also included acquisition integration and related systems-integration costs, and other charges in connection with cost structure initiatives totaling $35.2 million in fiscal 2017, compared to $32.1 million in fiscal 2016.

Operating profit for fiscal 2017 was $112.6 million, compared to $118.8 million for fiscal 2016. The SGK Brand Solutions segment operating profit for fiscal 2017 was $24.9 million, compared to $42.9 million for fiscal 2016. Fiscal 2017 operating profit for the SGK Brand Solutions segment included acquisition integration costs and other charges totaling $29.7 million, compared to $25.0 million in fiscal 2016. Segment operating profit in fiscal 2017 also included an increase of $3.1 million in intangible asset amortization related to recently completed acquisitions. Additionally, fiscal 2017 operating profit for SGK Brand Solutions reflected slower market conditions in North America and Europe, and the unfavorable impact of changes in foreign currencies against the U.S. dollar of approximately $1.3 million, partially offset by the favorable impact of recent acquisitions. Memorialization segment operating profit for fiscal 2017 was $80.7 million, compared to $68.3 million for 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 $7.8 million, compared to $10.4 million in fiscal 2016. Operating profit for the Industrial Technologies segment for fiscal 2017 was $7.0 million, compared to $7.7 million in fiscal 2016. The benefits of higher sales were offset by higher investments in the segment's product development, and an increase in acquisition related charge.

Investment income for the year ended September 30, 2017 was $2.5 million, compared to $2.1 million for the year ended September 30, 2016. The increase reflected higher rates of return on investments held in trust for certain of the Company's benefit plans. Interest expense for fiscal 2017 was $26.4 million, compared to $24.3 million in fiscal 2016. The increase in interest expense reflected higher average interest rates in the current fiscal year and an increase in average borrowing levels, primarily related to acquisitions. Other income (deductions), net, for the year ended September 30, 2017 represented an increase in pre-tax income of $7.6 million, compared to a decrease in pre-tax income of $1.3 million in fiscal 2016. 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. Fiscal 2017 other income and deductions also included loss recoveries of $11.3 million related to the previously disclosed theft of funds by a former employee initially identified in fiscal 2015.

The Company's effective tax rate for fiscal 2017 was 23.2%, compared to 30.5% for fiscal 2016. Fiscal 2017 reflects the benefits from lower foreign taxes, organizational structure changes, primarily initiated in connection with acquisition integration, increased benefits from credits and incentives, and the impact of other tax benefits specific to the current year. The difference between the Company's effective tax rate and the Federal statutory rate of 35.0% primarily reflected lower foreign income taxes and the benefit of credits and incentives, offset by the impact of state taxes.

Net losses attributable to noncontrolling interests was $435,000 in fiscal 2017, compared to $588,000 in fiscal 2016. The net losses attributable to noncontrolling interests primarily reflected losses in less than wholly-owned Memorialization and Industrial Technologies businesses.

Comparison of Fiscal 2016 and Fiscal 2015:

Sales for the year ended September 30, 2016 were $1.48 billion, compared to $1.43 billion for the year ended September 30, 2015. The increase in fiscal 2016 sales of $54.4 million principally reflected the acquisition of Aurora and higher sales volume of memorial products. The unfavorable impact of changes in foreign currencies against the U.S. dollar of approximately $25.2 million partially offset this increase.

In the SGK Brand Solutions segment, sales for fiscal 2016 were $756.0 million, compared to $798.3 million in fiscal 2015. The decrease in sales reflected the unfavorable impact of changes in foreign currency values against the U.S. dollar of approximately $21.4 million and the fiscal 2015 divestiture of a small software business. In addition, the segment experienced slower market conditions in the U.S. and Europe during fiscal 2016. Memorialization segment sales for fiscal 2016 were $610.1 million compared to $508.1 million for fiscal 2015. The increase in sales resulted principally from the acquisition of Aurora ($113.3 million) and higher sales of bronze and granite memorials, partially offset by lower unit sales of caskets and the unfavorable impact of changes in foreign currency values against the U.S. dollar of approximately $2.8 million. Based on published CDC data, the Company estimated that the number of casketed deaths in the U.S. declined compared to fiscal 2015. Industrial Technologies segment sales for fiscal 2016 were $114.3 million, compared to $119.7 million for fiscal 2015. Industrial Technologies segment sales reflected lower fulfillment systems sales primarily due to slower market conditions in the current year. Changes in foreign currency values against the U.S. dollar also had an unfavorable impact of approximately $1.0 million on the segment's sales. These declines in segment sales were partially offset by the favorable impact of the Digital Designs, Inc. ("DDI") acquisition.

Gross profit for the year ended September 30, 2016 was $556.5 million, compared to $529.4 million for fiscal 2015. Consolidated gross profit as a percent of sales was 37.6% and 37.1% for fiscal 2016 and fiscal 2015, respectively. The increase in gross profit primarily reflected the impact of higher sales. Gross profit included expenses for the write-off of inventory step-up value related to the Aurora acquisition totaling $4.0 million and $1.8 million in fiscal 2016 and 2015, respectively. The improvement in gross profit as a percent of sales reflected the favorable impact of cost-reduction initiatives (including acquisition synergy realization), and lower commodity costs, partially offset by the write-off of Aurora inventory step-up value.

Selling and administrative expenses for the year ended September 30, 2016 were $437.6 million, compared to $424.4 million for fiscal 2015. Consolidated selling and administrative expenses as a percent of sales were 29.6% for fiscal 2016, compared to 29.8% in fiscal 2015. The increase in selling and administrative expenses was primarily attributable to the acquisition of Aurora, partially offset by benefits from cost-reduction initiatives in the SGK Brand Solutions segment, resulting primarily from acquisition integration activities. In addition, fiscal 2016 selling and administrative expenses included acquisition integration costs and other charges totaling $32.1 million, and an increase of $3.1 million in intangible asset amortization related to the Aurora acquisition. Fiscal 2015 selling and administrative expenses included acquisition-related expenses of $37.1 million primarily related to the Schawk, Inc. ("Schawk") acquisition integration activities and Aurora transaction expenses, trade name write-offs of $4.8 million and expenses related to strategic cost-reduction initiatives of $2.2 million, partially offset by the impact of the favorable settlement of litigation, net of related expenses, in the Memorialization segment of $9.0 million.

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

Operating profit for fiscal 2016 was $118.8 million, compared to $105.0 million for fiscal 2015. The SGK Brand Solutions segment operating profit for fiscal 2016 was $42.9 million, compared to $21.9 million for fiscal 2015. The increase in segment operating profit principally resulted from cost reductions primarily as a result of acquisition integration activities, partially offset by a decline in sales, and the unfavorable impact of changes in foreign currency values against the U.S. dollar of approximately $1.2 million. Additionally, operating profit for the SGK Brand Solutions segment included expenses of $25.0 million for cost reduction initiatives (primarily related to acquisition integration) in fiscal 2016. SGK Brand Solutions operating profit in fiscal 2015 included charges totaling $39.5 million representing acquisition integration expenses, trade name write-offs, and expenses related to strategic cost-reduction initiatives. Memorialization segment operating profit for fiscal 2016 was $68.3 million, compared to $70.1 million for fiscal 2015. Segment operating profit was favorably impacted by the Aurora acquisition, which was more than offset by charges totaling $10.4 million primarily representing acquisition integration costs, a $3.1 million increase in intangible asset amortization as a result of the Aurora acquisition, and lower casket sales. Memorialization segment operating profit in fiscal 2015 was unfavorably impacted by charges totaling $6.4 million, primarily consisting of acquisition-related costs, and expenses related to productivity improvements and strategic cost-reduction initiatives. Memorialization segment operating profit in fiscal 2015 also reflected the favorable impact of the settlement of litigation, net of related expenses, of $9.0 million. Operating profit for the Industrial Technologies segment for fiscal 2016 was $7.7 million, compared to $13.1 million in fiscal 2015, primarily reflecting lower sales and an unfavorable change in product mix in fiscal 2016.

Investment income for the year ended September 30, 2016 was $2.1 million, compared to $175,000 for the year ended September 30, 2015. The increase reflected higher rates of return on investments held in trust for certain of the Company's benefit plans. Interest expense for fiscal 2016 was $24.3 million, compared to $20.6 million in fiscal 2015. The increase in interest expense primarily reflected higher average debt levels resulting from the acquisition of Aurora in August 2015. Other income (deductions), net, for the year ended September 30, 2016 represented a decrease in pre-tax income of $1.3 million, compared to an increase in pre-tax income of $5.1 million in fiscal 2015. Other income and deductions generally include banking-related fees and the impact of currency gains and losses on certain intercompany debt and foreign denominated receivables and payables. Fiscal 2015 other income and deductions included an $11.5 million gain on the settlement of a multi-employer pension plan installment payment obligation, and $2.3 million of losses related to a theft of funds by an employee that had occurred over a multi-year period.

The Company's effective tax rate for fiscal 2016 was 30.5%, compared to 29.4% for fiscal 2015. The effective tax rates for both years primarily reflected the favorable impact of the utilization of certain tax attributes with the Company’s U.S. and foreign legal entity structure. 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 $588,000 in fiscal 2016, compared to $161,000 in fiscal 2015. 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 $149.3 million for the year ended September 30, 2017, compared to $140.3 million and $141.1 million for fiscal years 2016 and 2015, respectively. Operating cash flow for fiscal 2017 principally included net income adjusted for depreciation and amortization, stock-based compensation expense, and non-cash pension expense, and a decrease in working capital items, partially offset by cash contributions of $8.7

million to the Company's pension and other postretirement plans. Operating cash flow for fiscal 2016 principally included net income adjusted for depreciation and amortization, stock-based compensation expense, and non-cash pension expense, and a decrease in working capital items, partially offset by cash contributions of $18.9 million to the Company's pension and other postretirement plans. Operating cash flow for fiscal 2015 principally included net income adjusted for depreciation and amortization, stock-based compensation expense, trade name write-offs, and an increase in deferred taxes, partially offset by an increase in working capital items and cash contributions of $3.3 million to the Company's pension and other postretirement plans.

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

Cash used in investing activities was $141.6 million for the year ended September 30, 2017, compared to $47.1 million and $263.2 million for fiscal years 2016 and 2015, respectively. Investing activities for fiscal 2017 primarily reflected capital expenditures of $44.9 million and acquisition payments (net of cash acquired or received from sellers) of $98.2 million (see "Acquisitions" below). Investing activities for fiscal 2016 primarily reflected capital expenditures of $41.7 million and acquisition payments (net of cash acquired or received from sellers) of $6.9 million, primarily for the DDI acquisition. Investing activities for fiscal 2015 primarily reflected capital expenditures of $48.3 million, acquisition payments (net of cash acquired) of $213.5 million, primarily for the Aurora acquisition, net proceeds of $10.4 million from the sale of a subsidiary, and payment of $12.9 million related to a letter of credit issued for a customer (see discussion below).

Capital expenditures were $44.9 million for the year ended September 30, 2017, compared to $41.7 million and $48.3 million for fiscal 2016 and 2015, respectively. Capital expenditures in each of the last three fiscal years reflected reinvestments 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 spending for property, plant and equipment has averaged $45.0 million for the last three fiscal years. Capital expenditures for the last three fiscal years were primarily financed through operating cash. Capital spending for fiscal 2018 is currently expected to be in the range of $45 million to $50 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the year ended September 30, 2017 was $7.2 million, and reflected proceeds, net of repayments, on long-term debt of $28.6 million, purchases of treasury stock of $14.0 million, and payment of dividends to the Company's shareholders of $21.8 million ($0.68 per share). Cash used in financing activities for the year ended September 30, 2016 was $108.8 million, and reflected repayments, net of proceeds, on long-term debt of $30.0 million, purchases of treasury stock of $58.0 million, proceeds from stock option exercises of $6.4 million, payment of dividends to the Company's shareholders of $19.4 million ($0.60 per share), acquisition of noncontrolling interest of $5.6 million, and payment of deferred financing fees of $2.3 million. Cash provided by financing activities for the year ended September 30, 2015 was $131.2 million, and reflected proceeds, net of repayments, on long-term debt of $179.2 million, purchases of treasury stock of $14.6 million, payment of contingent consideration of $484,000, proceeds from stock option exercises of $4.0 million, payment of dividends to the Company's shareholders of $17.8 million ($0.54 per share), and payment of $18.2 million to settle a multi-employer pension plan installment payment obligation.

The Company has a domestic credit facility with a syndicate of financial institutions that 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 September 30, 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 September 30, 2017 and 2016 were $525.0 million and $608.0 million, respectively. Outstanding borrowings on the term loan at September 30, 2017 and 2016 were $232.5 million and $246.4 million, respectively. The weighted-average interest rate on outstanding borrowings for the domestic credit facility (including the effects of interest rate swaps) at September 30, 2017 and 2016 was 3.01% and 2.59%, respectively.

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

During fiscal 2017, 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 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% of the unused portion of the Securitization Facility. The Company had $95.8 million in outstanding borrowings under the Securitization Facility as of September 30, 2017. At September 30, 2017, the interest rate on borrowings under this facility was 1.98%.

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

	September 30, 2017	September 30, 2016
	(Dollars in thousands)	
Pay fixed swaps - notional amount	$414,063	$403,125
Net unrealized gain (loss)	$3,959	$(5,834)
Weighted-average maturity period (years)	3.3	3.9
Weighted-average received rate	1.23 %	0.53 %
Weighted-average pay rate	1.34 %	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 $4.0 million ($2.4 million after tax) and an unrealized loss, net of unrealized gains, of $5.8 million ($3.6 million after tax) at September 30, 2017 and 2016, respectively, that is included in shareholders' equity as part of accumulated other comprehensive income ("AOCI"). Assuming market rates remain constant with the rates at September 30, 2017, a gain (net of tax) of approximately $666,000 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, which is guaranteed by Matthews International Corporation. The maximum amount of borrowings available under this facility is €35.0 million ($41.3 million). The credit facility matures in December 2018 and the Company intends to extend this facility. Outstanding borrowings under this facility were €22.1 million ($26.1 million) at September 30, 2017. There were no outstanding borrowings under this facility at September 30, 2016. The weighted-average interest rate on this facility at September 30, 2017 was 1.75%.

In November 2016, the Company's German subsidiary, Matthews Europe GmbH & Co. KG, issued €15.0 million ($17.7 million at September 30, 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 1.40%, and the remainder bear interest at Euro LIBOR plus 1.40%. The weighted-average interest rate on the notes at September 30, 2017 was 1.40%.

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

The Company, through its Italian subsidiary, Matthews International S.p.A., has several loans with various Italian banks. Outstanding borrowings on these loans totaled €2.6 million ($3.1 million) and €3.2 million ($3.5 million) at September 30, 2017 and 2016, respectively. The maturity dates for these loans range from October 2017 through November 2019. Matthews International S.p.A. also has multiple on-demand lines of credit totaling €11.3 million ($13.4 million) with the same Italian banks. Outstanding borrowings on these lines were €4.0 million ($4.7 million) and €5.2 million ($5.8 million) at September 30, 2017 and 2016, respectively. The weighted-average interest rate on outstanding Matthews International S.p.A. borrowings at September 30, 2017 and 2016 was 2.2% and 1.8%, respectively.

Other debt totaled $1.0 million and $4.6 million at September 30, 2017 and 2016, respectively. The weighted-average interest rate on these outstanding borrowings was 5.04% and 3.31% at September 30, 2017 and 2016, respectively.

In September 2014, a claim was filed seeking to draw upon a letter of credit issued by the Company of £8.6 million ($11.5 million at September 30, 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 September 30, 2017, the Company has determined that resolution of this matter may take an extended period of time and therefore has reclassified the funded letter of credit from other current assets to other assets on the Consolidated Balance Sheet. The Company will continue to assess collectability related to this matter as facts and circumstances evolve. As of September 30, 2016, the Company presented the funded letter of credit within other current assets on the Consolidated Balance Sheet.

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 has authorized the repurchase of a total of 5,000,000 shares of Matthews' common stock under the program, of which 1,816,146 shares remain available for repurchase as of September 30, 2017.

In May 2016, the Company purchased 970,000 common shares under the buy-back program from members of the Schawk family, including David A. Schawk (who is a member of the Board of Directors of the Company and the Company's President, SGK Brand Solutions) and certain family members of Mr. Schawk and/or trusts established for the benefit of Mr. Schawk or his family members. The purchase price for the shares purchase was $50.6921625 per share, which was equal to 96.76% of the average of the high and low trading prices for the common stock as reported on the Nasdaq Global Select Market on May 12, 2016.

At September 30, 2017, approximately $56.2 million of cash and cash equivalents were held by international subsidiaries whose undistributed earnings are considered permanently reinvested. The Company's intent is to reinvest these funds in our international operations and current plans do not demonstrate a need to repatriate them to fund U.S. operations. If the Company decides at a later date to repatriate these funds to the U.S., it may be required to provide taxes on these amounts based on the applicable U.S. tax rates net of credits for foreign taxes already paid.

Consolidated working capital was $309.9 million at September 30, 2017, compared to $314.8 million at September 30, 2016. Cash and cash equivalents were $57.5 million at September 30, 2017, compared to $55.7 million at September 30, 2016. The Company's current ratio was 2.1 and 2.2 at September 30, 2017 and 2016, respectively.

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

ENVIRONMENTAL MATTERS:

The Company's operations are subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company is party to various environmental matters which 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. Refer to Note 16, "Environmental Matters" in Item 8 - "Financial Statements and Supplementary Data," for further details.

ACQUISITIONS:

Refer to Note 19, "Acquisitions" in Item 8 - "Financial Statements and Supplementary Data," for further details on the Company's acquisitions.

FORWARD-LOOKING INFORMATION:

The Company's current strategy to attain annual growth in earnings per share primarily 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 integration activities to achieve synergy benefits.

With respect to fiscal 2018, the Company expects to continue to devote a significant level of effort to the integration of recent acquisitions, including systems integration. 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 2018. 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," of this Annual Report on Form 10-K.

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

30, 2017.

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

Long-Lived Assets, including Property, Plant and Equipment:

Long-lived assets are recorded at their respective cost basis on the date of acquisition. Depreciation on property, plant and equipment is computed primarily on the straight-line method over the estimated useful lives of the assets. Intangible assets with finite useful lives are amortized over their estimated useful lives. The Company reviews long-lived assets, including property, plant and equipment, and intangibles with finite useful lives, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets is determined by evaluating the estimated undiscounted net cash flows of the operations to which the assets relate. An impairment loss would be recognized when the carrying amount of the assets exceeds the fair value, which is based on a discounted cash flow analysis.

Goodwill and Indefinite-Lived Intangibles:

Goodwill and intangible assets with indefinite useful lives are not amortized, but are tested annually for impairment, or when circumstances indicate that a possible impairment may exist. In general, when the carrying value of these assets exceeds the implied fair value, an impairment loss must be recognized. A significant decline in cash flows generated from these assets may result in a write-down of the carrying values of the related assets. For purposes of testing goodwill for impairment, the Company uses a combination of valuation techniques, including discounted cash flows. A number of assumptions and estimates are involved in the application of the discounted cash flow model to forecast operating cash flows, including sales volumes and pricing, costs to produce, tax rates, capital spending, working capital changes, and discount rates. The Company estimates future cash flows using volume and pricing assumptions based largely on existing customer relationships and contracts, and operating cost assumptions management believes are reasonable based on historical performance and projected future performance as reflected in its most recent operating plans and projections. The discount rates used in the discounted cash flow analyses are developed with the assistance of valuation experts and management believes the discount rates appropriately reflect the risks associated with the Company's operating cash flows. In order to further validate the reasonableness of the estimated fair values of the reporting units as of the valuation date, a reconciliation of the aggregate fair values of all reporting units to market capitalization is performed using a reasonable control premium.

The Company performed its annual impairment review of goodwill and indefinite-lived intangible assets in the second quarter of fiscal 2017. The Company determined that the estimated fair value for all goodwill reporting units exceeded carrying value, therefore no adjustments to the carrying value of goodwill were necessary at March 31, 2017. There were no impairments identified during the Company's annual assessment of indefinite-lived intangible assets.

Pension and Postretirement Benefits:

Pension assets and liabilities are determined on an actuarial basis and are affected by the market value of plan assets, estimates of the expected return on plan assets and the discount rate used to determine the present value of benefit obligations. Actual changes in the fair market value of plan assets and differences between the actual return on plan assets, the expected return on plan assets and changes in the selected discount rate will affect the amount of pension cost.

The Company's principal pension plan maintains a substantial portion of its assets in equity securities in accordance with the investment policy established by the Company's pension board. Based on an analysis of the historical performance of the plan's assets and information provided by its independent investment advisor, the Company set the long-term rate of return assumption for these assets at 6.75% at September 30, 2016 for purposes of determining fiscal

2017 pension cost. The Company's discount rate assumption used in determining the present value of the projected benefit obligation is based upon published indices as of September 30, 2017 and September 30, 2016 for the fiscal year end valuation. The discount rate was 3.76%, 3.51% and 4.25% in fiscal 2017, 2016 and 2015, respectively. Refer to Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," of this Annual Report on Form 10-K, for disclosure about the hypothetical impact of changes in actuarial assumptions.

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

Income Taxes:

Deferred tax assets and liabilities are provided for the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Deferred income taxes for U.S. tax purposes have not been provided on certain undistributed earnings of foreign subsidiaries, as such earnings are considered to be reinvested indefinitely. To the extent earnings are expected to be returned in the foreseeable future, the associated deferred tax liabilities are provided. The Company has not determined the deferred tax liability associated with these undistributed earnings, as such determination is not practicable, due to the complexities of the hypothetical calculation.

LONG-TERM CONTRACTUAL OBLIGATIONS AND COMMITMENTS:

The following table summarizes the Company's contractual obligations at September 30, 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	2018	2019 to 2020	2021 to 2022	After 2022
Contractual Cash Obligations:	(Dollar amounts in thousands)				
Revolving credit facilities	$551,126	$—	$26,126	$525,000	$—
Securitization facility	95,825	—	95,825	—	—
Senior secured term loan	232,479	20,313	50,000	162,166	—
Notes payable to banks	21,831	3,375	18,456	—	—
Short-term borrowings	4,735	4,735	—	—	—
Capital lease obligations	6,519	1,281	1,371	1,074	2,793
Non-cancelable operating leases	75,708	21,939	27,554	13,835	12,380
Total contractual cash obligations	$988,223	$51,643	$219,332	$702,075	$15,173

A significant portion of the loans included in the table above bear interest at variable rates. At September 30, 2017, the weighted-average interest rate was 3.01% on the Company's domestic credit facility, 1.98% on the Company's Securitization Facility, 1.75% on the credit facility through the Company's European subsidiaries, 1.40% on notes issued by the Company's wholly-owned subsidiary, Matthews Europe GmbH & Co. KG, 2.20% on bank loans to the Company's wholly-owned subsidiary, Matthews International S.p.A., and 5.04% on other outstanding debt.

Benefit payments under the Company's principal retirement plan are made from plan assets, while benefit payments under the supplemental retirement plan and postretirement benefit plan are funded from the Company's operating cash. Under I.R.S. regulations, the Company was required to make a $5.1 million contribution to its principal retirement plan in fiscal 2017.

The Company is not required to make any significant cash contributions to its principal retirement plan in fiscal 2018. The Company estimates that benefit payments to participants under its retirement plans (including its supplemental retirement plan) and postretirement benefit payments will be approximately $10.1 million and $1.0 million, respectively, in fiscal 2018. The amounts are expected to increase incrementally each year thereafter, to $12.8 million and $1.1 million, respectively, in 2022. The Company believes that its current liquidity sources, combined with its operating cash flow and borrowing capacity, will be sufficient to meet its capital needs for the foreseeable future.

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

Unrecognized tax benefits are positions taken, or expected to be taken, on an income tax return that may result in additional payments to tax authorities. If a tax authority agrees with the tax position taken, or expected to be taken, or the applicable statute of limitations expires, then additional payments will not be necessary. As of September 30, 2017, the Company had unrecognized tax benefits, excluding penalties and interest, of approximately $8.0 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.

INFLATION:

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

Refer to Note 3, "Accounting Pronouncements" in Item 8 - "Financial Statements and Supplementary Data," for further details on recently issued accounting pronouncements.

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

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

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

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

	September 30, 2017	September 30, 2016
	(Dollars in thousands)	
Pay fixed swaps - notional amount	$414,063	$403,125
Net unrealized gain (loss)	$3,959	$(5,834)
Weighted-average maturity period (years)	3.3	3.9
Weighted-average received rate	1.23 %	0.53 %
Weighted-average pay rate	1.34 %	1.26 %

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

The fair value of the interest rate swaps reflected an unrealized gain, net of unrealized losses, of $4.0 million ($2.4 million after-tax) at September 30, 2017 that is included in equity as part of AOCI. A decrease of 10% in market interest rates (e.g., a decrease from 5.0% to 4.5%) would result in a decrease of approximately $223,800 in the fair value of the interest rate swaps.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK, (continued)

Commodity Price Risks - In the normal course of business, the Company is exposed to commodity price fluctuations related to the purchases of certain materials and supplies (such as bronze ingot, steel, fuel and wood) used in its manufacturing operations. The Company obtains competitive prices for materials and supplies when available. In addition, based on competitive market conditions and to the extent that the Company has established pricing terms with customers through contracts or similar arrangements, the Company's ability to immediately increase the price of its products to offset the increased costs may be limited.

Foreign Currency Exchange Rates - The Company is subject to changes in various foreign currency exchange rates, primarily including the Euro, British Pound, Canadian Dollar, and Australian Dollar in the conversion from local currencies to the U.S. dollar of the reported financial position and operating results of its non-U.S. based subsidiaries. An adverse change (strengthening U.S. dollar) of 10% in exchange rates would have resulted in a decrease in reported sales of $50.1 million and a decrease in reported operating income of $4.2 million for the year ended September 30, 2017.

Actuarial Assumptions - The most significant actuarial assumptions affecting pension expense and pension obligations include the valuation of retirement plan assets, the discount rates and the estimated return on plan assets. The estimated return on plan assets is currently based upon projections provided by the Company's independent investment advisor, considering the investment policy of the plan and the plan's asset allocation. The fair value of plan assets and discount rates are "point-in-time" measures, and the recent volatility of the debt and equity markets makes estimating future changes in fair value of plan assets and discount rates more challenging. The Company elected to value its principal retirement and other postretirement benefit plan liabilities using a modified assumption of future mortality that reflects a significant improvement in life expectancy over the previous mortality assumptions. Refer to Note 12, "Pension and Other Postretirement Plans" in Item 8 – "Financial Statements and Supplementary Data" for additional information.

The following table summarizes the impact on the September 30, 2017 actuarial valuations of changes in the primary assumptions affecting the Company's retirement plans and supplemental retirement plan.

	Impact of Changes in Actuarial Assumptions					
	Change in Discount Rates		Change in Expected Return		Change in Market Value of Assets	
	+1%	-1%	+1%	-1%	+5%	-5%
	(Dollar amounts in thousands)					
(Decrease) increase in net benefit cost	$(3,931)	$4,830	$(1,502)	$1,502	$(1,473)	$1,473
(Decrease) increase in projected benefit obligation	(31,982)	39,902	—	—	—	—
Increase (decrease) in funded status	31,982	(39,902)	—	—	7,782	(7,782)

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

MANAGEMENT'S REPORT TO SHAREHOLDERS

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

Management's Report on Financial Statements

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

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Exchange Act Rule 13a-15f. In order to evaluate the effectiveness of internal control over financial reporting management has conducted an assessment using the criteria in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Internal controls over financial reporting is a process under the supervision of, our Chief Executive Officer and Chief Financial Officer, and effected by the Company's board of directors, management and other personnel 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 and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting based on criteria in Internal Control – Integrated Framework (2013) issued by the COSO, and has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2017. The effectiveness of the Company's internal control over financial reporting as of September 30, 2017 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Management's Certifications

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Matthews International Corporation and Subsidiaries:

We have audited Matthews International Corporation and Subsidiaries’ internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). Matthews International Corporation and Subsidiaries’ management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

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

In our opinion, Matthews International Corporation and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Matthews International Corporation and Subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended of Matthews International Corporation and Subsidiaries and our report dated November 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
November 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Matthews International Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Matthews International Corporation and Subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Matthews International Corporation and Subsidiaries at September 30, 2017 and 2016, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Matthews International Corporation and Subsidiaries’ internal control over financial reporting as of September 30, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated November 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Pittsburgh, Pennsylvania
November 21, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

In our opinion, the consolidated statements of income, comprehensive income (loss), shareholders’ equity and cash flows for the year ended September 30, 2015 present fairly, in all material respects, the results of operations and cash flows of Matthews International Corporation and its subsidiaries for the year ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended September 30, 2015 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit. We conducted our audit of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Pittsburgh, Pennsylvania
November 24, 2015

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
September 30, 2017 and 2016
(Dollar amounts in thousands, except per share data)

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	$57,515	$55,711
Accounts receivable, net of allowance for doubtful accounts of $11,622 and $11,516, respectively	319,566	294,915
Inventories	171,445	162,472
Other current assets	46,533	61,086
Total current assets	595,059	574,184
Investments	37,667	31,365
Property, plant and equipment, net	235,533	219,492
Deferred income taxes	2,456	775
Other assets	51,758	19,895
Goodwill	897,794	851,489
Other intangible assets, net	424,382	393,841
Total assets	$2,244,649	$2,091,041

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS, continued
September 30, 2017 and 2016
(Dollar amounts in thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	2017	2016
Current liabilities:		
Long-term debt, current maturities	$29,528	$27,747
Trade accounts payable	66,607	58,118
Accrued compensation	62,210	63,737
Accrued income taxes	21,386	15,527
Other current liabilities	105,401	94,219
Total current liabilities	285,132	259,348
Long-term debt	881,602	844,807
Accrued pension	103,273	110,941
Postretirement benefits	19,273	22,143
Deferred income taxes	139,430	107,038
Other liabilities	25,680	37,430
Total liabilities	1,454,390	1,381,707
Shareholders' equity-Matthews:		
Class A common stock, $1.00 par value; authorized 70,000,000 shares; 36,333,992 shares issued	36,334	36,334
Preferred stock, $100 par value, authorized 10,000 shares, none issued	—	—
Additional paid-in capital	123,432	117,088
Retained earnings	948,830	896,224
Accumulated other comprehensive loss	(154,115)	(181,868)
Treasury stock, 4,185,413 and 4,192,307 shares, respectively, at cost	(164,774)	(159,113)
Total shareholders' equity-Matthews	789,707	708,665
Noncontrolling interests	552	669
Total shareholders' equity	790,259	709,334
Total liabilities and shareholders' equity	$2,244,649	$2,091,041

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
for the years ended September 30, 2017, 2016 and 2015
(Dollar amounts in thousands, except per share data)

	2017	2016	2015
Sales	$1,515,608	$1,480,464	$1,426,068
Cost of sales	(952,221)	(924,010)	(896,693)
Gross profit	563,387	556,454	529,375
Selling expense	(144,174)	(140,924)	(143,299)
Administrative expense	(306,610)	(296,715)	(281,053)
Operating profit	112,603	118,815	105,023
Investment income	2,468	2,061	175
Interest expense	(26,371)	(24,344)	(20,610)
Other income (deductions), net	7,587	(1,298)	5,064
Income before income taxes	96,287	95,234	89,652
Income taxes	(22,354)	(29,073)	(26,364)
Net income	73,933	66,161	63,288
Net loss (income) attributable to noncontrolling interests	435	588	161
Net income attributable to Matthews shareholders	$74,368	$66,749	$63,449
Earnings per share attributable to Matthews shareholders:			
Basic	$2.31	$2.04	$1.93
Diluted	$2.28	$2.03	$1.91

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
for the years ended September 30, 2017, 2016 and 2015
(Dollar amounts in thousands)

	Year Ended September 30, 2017		
	Matthews	Noncontrolling Interest	Total
Net income (loss)	$74,368	$ (435)	$73,933
Other comprehensive income, net of tax:			
Foreign currency translation adjustment	9,352	119	9,471
Pension plans and other postretirement benefits	12,427	—	12,427
Unrecognized gain (loss) on derivatives:			
Net change from periodic revaluation	7,043	—	7,043
Net amount reclassified to earnings	(1,069)	—	(1,069)
Net change in unrecognized gain (loss) on derivatives	5,974	—	5,974
Other comprehensive income, net of tax	27,753	119	27,872
Comprehensive income (loss)	$102,121	$ (316)	$101,805

	Year Ended September 30, 2016		
	Matthews	Noncontrolling Interest	Total
Net income (loss)	$66,749	$ (588)	$66,161
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(17,655)	(89)	(17,744)
Pension plans and other postretirement benefits	(12,576)	—	(12,576)
Unrecognized gain (loss) on derivatives:			
Net change from periodic revaluation	(3,230)	—	(3,230)
Net amount reclassified to earnings	1,919	—	1,919
Net change in unrecognized gain (loss) on derivatives	(1,311)	—	(1,311)
Other comprehensive income (loss), net of tax	(31,542)	(89)	(31,631)
Comprehensive income (loss)	$35,207	$ (677)	$34,530

	Year Ended September 30, 2015		
	Matthews	Noncontrolling Interest	Total
Net income (loss)	$63,449	$ (161)	$63,288
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	(77,237)	(150)	(77,387)
Pension plans and other postretirement benefits	(3,823)	—	(3,823)
Unrecognized gain (loss) on derivatives:			
Net change from periodic revaluation	(4,841)	—	(4,841)
Net amount reclassified to earnings	2,392	—	2,392
Net change in unrecognized gain (loss) on derivatives	(2,449)	—	(2,449)
Other comprehensive income (loss), net of tax	(83,509)	(150)	(83,659)
Comprehensive loss	$(20,060)	$ (311)	$(20,371)

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended September 30, 2017, 2016 and 2015
(Dollar amounts in thousands, except per share data)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income (net of tax)	Treasury Stock	Non-controlling Interests	Total
Balance, September 30, 2014	$ 36,334	$ 113,225	$ 798,353	$ (66,817)	$ (109,950)	$ 4,061	$ 775,206
Net income	—	—	63,449	—	—	(161)	63,288
Minimum pension liability	—	—	—	(3,823)	—	—	(3,823)
Translation adjustment	—	—	—	(77,237)	—	(150)	(77,387)
Fair value of derivatives	—	—	—	(2,449)	—	—	(2,449)
Total comprehensive income							(20,371)
Stock-based compensation	—	9,097	—	—	—	—	9,097
Purchase of 304,859 shares of treasury stock	—	—	—	—	(14,567)	—	(14,567)
Issuance of 334,850 shares of treasury stock	—	(7,336)	—	—	10,768	—	3,432
Cancellation of 34,789 shares of treasury stock	—	1,284	—	—	(1,284)	—	—
Dividends, $.54 per share	—	—	(17,847)	—	—	—	(17,847)
Distribution to noncontrolling interests	—	—	—	—	—	(95)	(95)
Acquisition of noncontrolling interests	—	(380)	—	—	—	(429)	(809)
Balance, September 30, 2015	36,334	115,890	843,955	(150,326)	(115,033)	3,226	734,046
Net income	—	—	66,749	—	—	(588)	66,161
Minimum pension liability	—	—	—	(12,576)	—	—	(12,576)
Translation adjustment	—	—	—	(17,655)	—	(89)	(17,744)
Fair value of derivatives	—	—	—	(1,311)	—	—	(1,311)
Total comprehensive income							34,530
Stock-based compensation	—	10,612	—	—	—	—	10,612
Purchase of 1,132,452 shares of treasury stock	—	—	—	—	(57,998)	—	(57,998)
Issuance of 404,307 shares of treasury stock	—	(5,972)	—	—	14,162	—	8,190
Cancellation of 5,237 shares of treasury stock	—	244	—	—	(244)	—	—
Dividends	—	—	(14,480)	—	—	—	(14,480)
Transactions with noncontrolling interests	—	(3,686)	—	—	—	(1,880)	(5,566)
Balance, September 30, 2016	36,334	117,088	896,224	(181,868)	(159,113)	669	709,334
Net income	—	—	74,368	—	—	(435)	73,933
Minimum pension liability	—	—	—	12,427	—	—	12,427
Translation adjustment	—	—	—	9,352	—	119	9,471
Fair value of derivatives	—	—	—	5,974	—	—	5,974
Total comprehensive income							101,805
Stock-based compensation	—	14,562	—	—	—	—	14,562

Purchase of 212,424 shares of treasury stock	—	—	—	—	(14,025)	—	(14,025)
Issuance of 221,958 shares of treasury stock	—	(8,397)	—	—	8,543	—	146
Cancellation of 2,640 shares of treasury stock	—	179	—	—	(179)	—	—
Dividends	—	—	(21,762)	—	—	—	(21,762)
Transactions with noncontrolling interests	—	—	—	—	—	199	199
Balance, September 30, 2017	$ 36,334	$ 123,432	$ 948,830	$ (154,115)	$ (164,774)	$ 552	$ 790,259

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

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended September 30, 2017, 2016 and 2015
(Dollar amounts in thousands)

	2017	2016	2015
Cash flows from operating activities:			
Net income	$73,933	$66,161	$63,288
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	67,981	65,480	62,620
Stock-based compensation expense	14,562	10,612	9,097
Change in deferred taxes	9,725	(3,971)	9,188
Gain on sale of assets	(776)	(73)	(276)
Unrealized (gain) loss on investments	(2,660)	(1,426)	377
Trade name write-offs	—	—	4,842
Changes in working capital items	5,784	13,715	(2,751)
(Increase) decrease in other assets	(17,256)	(5,591)	4,064
(Decrease) increase in other liabilities	(7,150)	5,397	(8,041)
Increase (decrease) in pension and postretirement benefit obligations	9,689	(2,465)	8,652
Other operating activities, net	(4,533)	(7,565)	(9,996)
Net cash provided by operating activities	149,299	140,274	141,064
Cash flows from investing activities:			
Capital expenditures	(44,935)	(41,682)	(48,251)
Acquisitions, net of cash acquired	(98,235)	(6,937)	(213,470)
Proceeds from sale of assets	3,764	1,478	1,062
Proceeds from sale of subsidiary	—	—	10,418
Purchases of investments	(2,211)	—	—
Restricted cash	—	—	(12,925)
Net cash used in investing activities	(141,617)	(47,141)	(263,166)
Cash flows from financing activities:			
Proceeds from long-term debt	417,043	90,421	279,377
Payments on long-term debt	(388,447)	(120,380)	(100,218)
Payment on contingent consideration	—	—	(484)
Purchases of treasury stock	(14,025)	(57,998)	(14,567)
Proceeds from the exercise of stock options	14	6,406	4,015
Dividends	(21,762)	(19,413)	(17,847)
Transactions with noncontrolling interests	—	(5,566)	(904)
Settlement of multi-employer pension plan obligation	—	—	(18,157)
Other financing activities	—	(2,318)	—
Net cash (used in) provided by financing activities	(7,177)	(108,848)	131,215
Effect of exchange rate changes on cash	1,299	(770)	80
Net change in cash and cash equivalents	1,804	(16,485)	9,193
Cash and cash equivalents at beginning of year	55,711	72,196	63,003
Cash and cash equivalents at end of year	$57,515	$55,711	$72,196
Cash paid during the year for:			
Interest	$26,271	$24,133	$19,663
Income taxes	8,472	11,855	11,663

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

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

1.