



*A Tradition of Quality Since 1850*

## THIRD QUARTER REPORT

For the Period Ended  
June 30, 2010

## To Our Shareholders

Net income for the fiscal 2010 third quarter was \$20,411,000, or \$0.68 per share, compared to \$18,068,000, or \$0.60 per share, a year ago. The fiscal 2010 third quarter included a favorable adjustment of \$0.02 per share related to the closure of certain prior income tax periods. The fiscal 2009 third quarter results included unusual charges of \$0.03 per share. Sales for the quarter ended June 30, 2010 were \$213,329,000, compared to \$192,047,000 a year ago. All of the Company's segments reported higher sales for the current quarter. Higher unit volumes in several segments and the impact of recent acquisitions were significant factors in the sales improvement. Operating profit for the three months ended June 30, 2010 was \$34,514,000, compared to \$29,810,000 last year. Operating profit for the current quarter included an increase in pension costs of \$1,300,000 compared to a year ago. Operating profit for the fiscal 2009 third quarter included \$2,100,000 of unusual charges.

Net income for the nine months ended June 30, 2010 was \$49,338,000, or \$1.64 per share, compared to \$42,099,000, or \$1.38 per share, last year. Fiscal 2010 included the favorable income tax adjustment of \$0.02 per share noted above. The first nine months last year were negatively affected by unusual items of \$0.24 per share, which consisted of unusual charges of \$0.28 per share offset partially by favorable income tax adjustments of \$0.04 per share. Sales for the nine months ended June 30, 2010 were \$607,168,000, compared to \$580,695,000 last year, representing an increase of 4.6%. The increase was primarily attributable to higher unit volume in several of the Company's segments and the impact of recent acquisitions. Operating profit for the nine months ended June 30, 2010 was \$83,808,000, compared to \$73,328,000 a year ago. Operating profit for the current period included an increase in pension costs of \$3,900,000 compared to a year ago. Fiscal 2009 operating profit included \$12,800,000 of unusual charges.

We are pleased with our fiscal 2010 third quarter results. Unit volumes increased in many of our businesses, with higher sales and the benefit of our recent cost structure initiatives contributing nicely to the improvement in our results. In addition, the results for the current year were achieved despite an increase in pension expense of approximately \$0.03 per share for the quarter and \$0.08 year-to-date over the comparable periods last year.

In November 2009, we provided guidance that our fiscal 2010 earnings per share would approximate fiscal 2009, excluding unusual items. Our results for the fiscal 2010 third quarter and year-to-date were slightly ahead of our internal expectations. As a result, we are now projecting results for fiscal 2010 to be slightly ahead of our original guidance. We continue to remain cautious given the continued decline in U.S. deaths, uncertain economic conditions and recent volatility in the value of the Euro relative to the U.S. dollar.

**Joseph C. Bartolacci**

*President and Chief Executive Officer*

**August 4, 2010**

## Consolidated Statements of Income (Unaudited)

Dollar amounts in thousands, except per share data

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
Sales	<b>\$213,329</b>	\$192,047	<b>\$607,168</b>	\$580,695
Cost of sales	<b>(128,360)</b>	(116,581)	<b>(371,028)</b>	(364,260)
Gross profit	<b>84,969</b>	75,466	<b>236,140</b>	216,435
Selling and administrative expenses	<b>(50,455)</b>	(45,656)	<b>(152,332)</b>	(143,107)
Operating profit	<b>34,514</b>	29,810	<b>83,808</b>	73,328
Investment income (loss)	<b>(96)</b>	1,324	<b>1,908</b>	629
Interest expense	<b>(1,869)</b>	(2,759)	<b>(5,620)</b>	(9,053)
Other income (deductions), net	<b>(329)</b>	80	<b>(1,060)</b>	83
Income before income taxes	<b>32,220</b>	28,455	<b>79,036</b>	64,987
Income taxes	<b>(11,011)</b>	(9,645)	<b>(27,876)</b>	(22,069)
Net income	<b>21,209</b>	18,810	<b>51,160</b>	42,918
Less: Net income attributable to noncontrolling interests	<b>(798)</b>	(742)	<b>(1,822)</b>	(819)
<b>Net income attributable to Matthews' shareholders:</b>	<b>\$ 20,411</b>	\$ 18,068	<b>\$ 49,338</b>	\$ 42,099
<b>Earnings per share attributable to Matthews' shareholders:</b>				
Basic	<b>\$ .68</b>	\$ .60	<b>\$1.65</b>	\$1.39
Diluted	<b>\$ .68</b>	\$ .60	<b>\$1.64</b>	\$1.38
<b>Dividends per share</b>	<b>\$ .07</b>	\$ .065	<b>\$ .21</b>	\$ .195
<b>Weighted-average number of common shares outstanding:</b>				
Basic	<b>29,640,501</b>	30,117,360	<b>29,816,009</b>	30,311,529
Diluted	<b>29,837,461</b>	30,222,110	<b>30,047,057</b>	30,503,758

Dollar amounts in thousands

	June 30, 2010 <sup>1</sup>	September 30, 2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 55,974	\$ 57,732
Short-term investments	1,396	62
Accounts receivable, net	142,633	138,927
Inventories	99,462	94,455
Other current assets	15,253	14,246
<b>Total current assets</b>	<b>314,718</b>	<b>305,422</b>
Investments	13,062	13,389
Property, plant and equipment, net	123,911	138,060
Deferred income taxes and other assets	59,136	52,562
Goodwill and other intangible assets, net	436,759	440,220
<b>Total assets</b>	<b>\$947,586</b>	<b>\$949,653</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Long-term debt, current maturities	\$ 12,379	\$ 14,188
Accounts payable	38,110	28,604
Accrued compensation	34,797	35,592
Accrued income taxes	15,211	8,120
Other current liabilities	46,149	45,836
<b>Total current liabilities</b>	<b>146,646</b>	<b>132,340</b>
Long-term debt	219,951	237,530
Accrued pension	56,884	53,734
Postretirement benefits	25,364	24,599
Deferred income taxes	11,267	13,464
Environmental reserve	6,067	6,482
Other liabilities	20,842	15,489
<b>Total liabilities</b>	<b>487,021</b>	<b>483,638</b>
Arrangement with noncontrolling interest	—	27,121
<b>SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity – Matthews:</b>		
Common stock	36,334	36,334
Additional paid-in capital	46,509	47,436
Retained earnings	604,557	559,786
Accumulated other comprehensive loss	(60,595)	(29,884)
Treasury stock, at cost	(193,724)	(179,454)
<b>Total shareholders' equity – Matthews</b>	<b>433,081</b>	<b>434,218</b>
Noncontrolling interests	27,484	4,676
<b>Total shareholders' equity</b>	<b>460,565</b>	<b>438,894</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$947,586</b>	<b>\$949,653</b>

<sup>1</sup>Unaudited.

## Corporate Information

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*Matthews International Corporation, headquartered in Pittsburgh, Pennsylvania, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products, and merchandising solutions. The Company's products and services include cast bronze memorials and other memorialization products; caskets; cast and etched architectural products; granite memorials; cremation equipment and cremation-related products; mausoleums; brand management, printing plates and cylinders, pre-press services and imaging services for the primary packaging and corrugated industries; marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers; and merchandising display systems and marketing and design services.*

### COMMON STOCK

Matthews International Corporation common stock is traded on the NASDAQ Global Select Market System under the symbol "MATW."

### TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSEMENT AGENT

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