



A Tradition of Quality Since 1850

## FIRST QUARTER REPORT

For the Period Ended

December 31, 2011

## To Our Shareholders

Matthews reported net income attributable to the Company of \$11.3 million for the fiscal 2012 first quarter, compared to \$13.2 million for the first three months of fiscal 2011. Earnings per share for the fiscal 2012 first quarter were \$0.40 per share, compared to \$0.45 per share for the same quarter a year ago. Earnings for the fiscal 2012 first quarter were impacted by costs resulting from the implementation of a new ERP system for the Cemetery Products (formerly Bronze) segment, severance costs and an increase in pension and post-retirement costs (resulting principally from a decline in discount rates). Further, delayed sales resulting from the ERP implementation, which are expected to be recovered over the next several quarters, unfavorably impacted earnings for the current quarter.

Sales for the fiscal 2012 first quarter increased approximately 5% to \$217.2 million, compared to \$207.3 million in the same quarter a year ago. The increase was principally attributable to sales growth in the Company's Brand Solutions businesses and Cremation segment, and the impact of recent acquisitions. In the Brand Solutions group, Graphics Imaging segment sales and operating profit increased over the first fiscal quarter last year, reflecting higher sales volume in Europe and the impact of the acquisition of a Turkish graphics operation (acquired July 2011). The Merchandising Solutions segment also reported improved operating results for the current quarter on higher sales volume. Sales and operating profit for the Marking Products segment increased compared to a year ago, primarily as a result of acquisitions completed in fiscal 2011. In the Memorialization group, the Cremation segment reported an increase in operating results compared to a year ago primarily reflecting higher U.S. equipment sales. Fiscal 2012 first quarter sales for the Cemetery Products segment and Funeral Home Products (formerly Casket) segment were lower than the same quarter a year ago, principally reflecting a modest decline in casketed deaths in the United States, and Cemetery Products sales were further impacted by sales delays related to the implementation of the new ERP system.

On a consolidated level, the Company's results for the quarter were generally in line with our internal expectations. We continue to be encouraged by a steadily increasing demand for the products and services of our Brand Solutions businesses. In addition, demand for our Cremation equipment has increased in the U.S. and currently remains steady overseas. Our Cemetery Products and Funeral Home Products segments continue to be challenged by death rate trends and volatile commodity costs (primarily bronze ingot). The implementation of the new ERP system for the Cemetery Products segment also created some short-term challenges in the first quarter.

Market demographics (death rates), commodity costs and global economic conditions will remain significant factors that will influence the Company's results going forward. We continue to build momentum from the commercial and cost structure initiatives in each of our businesses. In addition, we expect our recent acquisitions to favorably impact fiscal 2012 results. On this basis, we currently project fiscal 2012 earnings to grow in the mid-single digit percentage range over fiscal 2011 (excluding unusual items from both years).

A handwritten signature in black ink that reads "Joseph C. Bartolacci".

**Joseph C. Bartolacci**

*President and Chief Executive Officer*

**February 3, 2012**

## Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	THREE MONTHS ENDED DECEMBER 31,	
	2011	2010
Sales	\$ 217,213	\$ 207,344
Cost of sales	(139,218)	(127,599)
Gross profit	77,995	79,745
Selling and administrative expenses	(59,070)	(57,779)
Operating profit	18,925	21,966
Investment income	1,601	1,151
Interest expense	(2,557)	(1,752)
Other deductions, net	(515)	(269)
Income before income taxes	17,454	21,096
Income taxes	(6,034)	(7,573)
Net income	11,420	13,523
Net income attributable to noncontrolling interests	(135)	(309)
<b>Net income attributable to Matthews shareholders</b>	<b>\$ 11,285</b>	<b>\$ 13,214</b>
<b>Earnings per share attributable to Matthews shareholders:</b>		
Basic	\$ .40	\$ .46
Diluted	\$ .40	\$ .45
<b>Dividends per share</b>	<b>\$ .09</b>	<b>\$ .08</b>
<b>Weighted-average number of common shares outstanding:</b>		
Basic	27,893	29,027
Diluted	27,918	29,070

## Condensed Consolidated Balance Sheets

Dollar amounts in thousands

	December 31, 2011 <sup>1</sup>	September 30, 2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 54,474	\$ 61,662
Accounts receivable, net	163,318	164,738
Inventories	130,333	125,567
Other current assets	19,605	17,879
<b>Total current assets</b>	<b>367,730</b>	<b>369,846</b>
Investments	16,387	15,105
Property, plant and equipment, net	131,979	134,504
Deferred income taxes and other assets	48,444	50,172
Goodwill and other intangible assets, net	521,636	527,828
<b>Total assets</b>	<b>\$1,086,176</b>	<b>\$1,097,455</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Long-term debt, current maturities	\$ 18,852	\$ 18,014
Accounts payable	41,284	46,655
Accrued compensation	25,811	31,339
Accrued income taxes	16,040	10,272
Other current liabilities	55,210	55,461
<b>Total current liabilities</b>	<b>157,197</b>	<b>161,741</b>
Long-term debt	297,936	299,170
Accrued pension	67,830	66,714
Postretirement benefits	26,762	26,417
Deferred income taxes	16,465	17,007
Environmental reserve	5,301	5,406
Other liabilities	37,957	42,745
<b>Total liabilities</b>	<b>609,448</b>	<b>619,200</b>
<b>Arrangement with noncontrolling interest</b>	<b>9,822</b>	<b>10,162</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity – Matthews:</b>		
Common stock	36,334	36,334
Additional paid-in capital	45,193	48,554
Retained earnings	690,394	681,658
Accumulated other comprehensive loss	(62,900)	(58,658)
Treasury stock, at cost	(245,734)	(243,246)
<b>Total shareholders' equity – Matthews</b>	<b>463,287</b>	<b>464,642</b>
Noncontrolling interests	3,619	3,451
<b>Total shareholders' equity</b>	<b>466,906</b>	<b>468,093</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$1,086,176</b>	<b>\$1,097,455</b>

<sup>1</sup>Unaudited.

## Corporate Information

### Matthews International Corporation

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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 and granite memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products, and merchandising solutions. The Company's products and services include cast bronze and granite memorials and other memorialization products; caskets; cast and etched architectural products; 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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### INVESTOR CONTACT

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