



A Tradition of Quality Since 1850

SECOND QUARTER REPORT

For the Period Ended

March 31, 2012

To Our Shareholders

Matthews reported net income of \$15.3 million for the fiscal 2012 second quarter, compared to \$16.6 million for the same quarter a year ago. Earnings per share for the fiscal 2012 second quarter were \$0.54 per share, compared to \$0.56 per share for the second quarter of fiscal 2011. On a non-GAAP adjusted basis, earnings for the current quarter were \$0.61 per share, compared to \$0.60 per share a year ago. Sales for the fiscal 2012 second quarter increased to \$225.5 million from \$220.2 million in the same quarter a year ago. The increase was principally attributable to sales growth in the Company's Merchandising Solutions and Cremation segments, and the impact of recent acquisitions. Earnings for the fiscal 2012 second quarter were impacted by a significant decline in casketed (non-cremation) deaths. In addition, the current quarter was unfavorably affected by costs resulting from the implementation of a new ERP system for the Cemetery Products segment, severance costs and an increase in pension and post-retirement costs.

For the six months ended March 31, 2012, net income was \$26.5 million, compared to \$29.8 million for the same period a year ago. Earnings per share for the first six months of fiscal 2012 were \$0.93 per share, compared to \$1.01 per share for the same period a year ago. On a non-GAAP adjusted basis, earnings for the current year-to-date period were \$1.08 per share, compared to \$1.09 per share a year ago. Sales for the six months ended March 31, 2012 were \$442.8 million, compared to \$427.5 million for the same period 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, second quarter operating results for the Merchandising Solutions segment improved over the same quarter last year, reflecting significantly higher sales volume. Sales and operating profit for the Marking Products segment increased 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 equipment sales in the U.S. and Europe. Fiscal 2012 second quarter sales for the Cemetery Products segment were also higher than a year ago, primarily reflecting the benefit of delayed sales from the fiscal 2012 first quarter. Cemetery Products sales in the first quarter were unfavorably impacted by sales delays related to the implementation of the new ERP system. Sales for the Funeral Home Products segment for the current quarter were lower than the same quarter a year ago, resulting principally from a significant decline in the number of deaths in the United States.

Looking forward, the demand for the products and services of our Merchandising Solutions and Marking Products businesses continues to be solid. In addition, Cremation equipment sales volume has increased in the U.S. and currently remains steady overseas. One of the more critical elements to our performance for the balance of the fiscal year will be the impact of the U.S. casketed death rate on the Cemetery Products and Funeral Home Products segments.

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

Joseph C. Bartolacci

President and Chief Executive Officer

May 4, 2012

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2012	2011	2012	2011
Sales	\$ 225,545	\$ 220,151	\$ 442,758	\$ 427,495
Cost of sales	(140,838)	(132,038)	(280,056)	(259,637)
Gross profit	84,707	88,113	162,702	167,858
Selling and administrative expenses	(59,420)	(59,628)	(118,490)	(117,407)
Operating profit	25,287	28,485	44,212	50,451
Investment income	1,243	498	2,844	1,649
Interest expense	(2,727)	(2,087)	(5,284)	(3,839)
Other income (deductions), net	(638)	(697)	(1,153)	(966)
Income before income taxes	23,165	26,199	40,619	47,295
Income taxes	(7,973)	(9,080)	(14,007)	(16,653)
Net income	15,192	17,119	26,612	30,642
Net (income) loss attributable to noncontrolling interests	66	(532)	(69)	(841)
Net income attributable to Matthews shareholders	\$ 15,258	\$ 16,587	\$ 26,543	\$ 29,801
Earnings per share attributable to Matthews shareholders:				
Basic	\$.54	\$.56	\$.93	\$ 1.01
Diluted	\$.54	\$.56	\$.93	\$ 1.01
Dividends per share	\$.09	\$.08	\$.18	\$.16
Weighted-average number of common shares outstanding:				
Basic	27,926	28,961	27,933	28,993
Diluted	27,968	29,005	28,013	29,037

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

	March 31, 2012 ¹	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,671	\$ 61,662
Accounts receivable, net	166,613	164,738
Inventories	128,164	125,567
Other current assets	20,901	17,879
Total current assets	370,349	369,846
Investments	18,409	15,105
Property, plant and equipment, net	139,874	134,504
Deferred income taxes and other assets	49,006	50,172
Goodwill and other intangible assets, net	529,905	527,828
Total assets	\$1,107,543	\$1,097,455
LIABILITIES		
Current liabilities:		
Long-term debt, current maturities	\$ 21,874	\$ 18,014
Accounts payable	37,131	46,655
Accrued compensation	25,793	31,339
Accrued income taxes	19,426	10,272
Other current liabilities	55,970	55,461
Total current liabilities	160,194	161,741
Long-term debt	295,808	299,170
Accrued pension	68,920	66,714
Postretirement benefits	27,125	26,417
Deferred income taxes	16,723	17,007
Environmental reserve	5,218	5,406
Other liabilities	36,481	42,745
Total liabilities	610,469	619,200
Arrangement with noncontrolling interest	10,562	10,162
SHAREHOLDERS' EQUITY		
Shareholders' equity – Matthews:		
Common stock	36,334	36,334
Additional paid-in capital	45,864	48,554
Retained earnings	703,108	681,658
Accumulated other comprehensive loss	(53,206)	(58,658)
Treasury stock, at cost	(248,870)	(243,246)
Total shareholders' equity – Matthews	483,230	464,642
Noncontrolling interests	3,282	3,451
Total shareholders' equity	486,512	468,093
Total liabilities and shareholders' equity	\$1,107,543	\$1,097,455

¹Unaudited.

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 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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