



Matthews
INTERNATIONAL

A Tradition of Quality Since 1850

THIRD QUARTER REPORT

For the Period Ended
June 30, 2012

To Our Shareholders

Matthews reported net income of \$16.3 million, or \$0.58 per share, for the fiscal 2012 third quarter, compared to \$21.9 million, or \$0.74 per share, for the same quarter a year ago. On a non-GAAP adjusted basis, earnings for the current quarter were \$0.65 per share, compared to \$0.76 per share a year ago. Sales for the fiscal 2012 third quarter were \$227.5 million, compared to \$231.5 million in the same quarter a year ago. Sales growth in the Merchandising Solutions, Marking Products and Cremation segments combined with the benefit of recent acquisitions were offset by lower European sales (including the impact of a decline in the value of the Euro) and decreases in Cemetery Products and Funeral Home Products sales. Earnings for the fiscal 2012 third quarter were also impacted by ERP implementation costs for the Cemetery Products segment, acquisition-related costs and an increase in pension and post-retirement costs.

For the nine months ended June 30, 2012, net income attributable to the Company was \$42.9 million, or \$1.51 per share, compared to \$51.7 million, or \$1.75 per share, for the first nine months of fiscal 2011. On a non-GAAP adjusted basis, earnings for the current year-to-date period were \$1.73 per share, compared to \$1.85 per share a year ago. Sales for the nine months ended June 30, 2012 were \$670.2 million, compared to \$659.0 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 acquisitions, which were partially offset by lower European sales and decreases in Cemetery Products and Funeral Home Products sales.

In the Brand Solutions group, the Merchandising Solutions segment reported higher sales for the current quarter as a result of an increase in sales volume. Sales for the Marking Products segment increased compared to a year ago, reflecting higher equipment sales and the benefit of an acquisition completed in the fiscal 2011 fourth quarter. The Graphics Imaging segment reported a decline in sales for the fiscal 2012 third quarter on lower sales in the segment's European markets. In the Memorialization group, the Cremation segment reported higher sales in each of its principal markets. Sales for the Cemetery Products and Funeral Home Products segments for the current quarter were lower than the same quarter a year ago, principally reflecting a decline in the number of deaths in the United States.

Our earnings for the fiscal 2012 third quarter were unfavorably affected by three significant factors: the impact of the decline in U.S. deaths on sales of bronze memorial and casket products, a slow-down of the European economy (including the impact on the value of the Euro), and costs and related inefficiencies in connection with the ERP implementation in our Cemetery Products segment. In the near-term, we expect these factors will continue to impact our financial results. In response, we are planning more aggressive cost reduction programs and plan to accelerate our initiatives to resolve the remaining ERP implementation issues, which are expected to result in additional one-time costs.



Joseph C. Bartolacci

President and Chief Executive Officer

August 3, 2012

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2012	2011	2012	2011
Sales	\$ 227,478	\$ 231,511	\$ 670,236	\$ 659,006
Cost of sales	(139,769)	(139,567)	(419,825)	(399,204)
Gross profit	87,709	91,944	250,411	259,802
Selling and administrative expenses	(60,196)	(56,863)	(178,686)	(174,270)
Operating profit	27,513	35,081	71,725	85,532
Investment income	176	595	3,020	2,244
Interest expense	(2,881)	(2,166)	(8,165)	(6,005)
Other income (deductions), net	(602)	(559)	(1,755)	(1,525)
Income before income taxes	24,206	32,951	64,825	80,246
Income taxes	(7,821)	(10,780)	(21,828)	(27,433)
Net income	16,385	22,171	42,997	52,813
Net income attributable to noncontrolling interests	(60)	(296)	(129)	(1,137)
Net income attributable to Matthews shareholders	\$ 16,325	\$ 21,875	\$ 42,868	\$ 51,676
Earnings per share attributable to Matthews shareholders:				
Basic	\$.58	\$.74	\$1.51	\$1.75
Diluted	\$.58	\$.74	\$1.51	\$1.75
Dividends per share	\$.09	\$.08	\$.27	\$.24
Weighted-average number of common shares outstanding:				
Basic	27,749	28,849	27,865	28,945
Diluted	27,786	28,881	27,948	28,981

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

	June 30, 2012 ¹	September 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,692	\$ 61,662
Accounts receivable, net	172,247	164,738
Inventories	133,171	125,567
Other current assets	23,962	17,879
Total current assets	384,072	369,846
Investments	18,393	15,105
Property, plant and equipment, net	140,796	134,504
Deferred income taxes and other assets	47,404	50,172
Goodwill and other intangible assets, net	530,910	527,828
Total assets	\$1,121,575	\$1,097,455
LIABILITIES		
Current liabilities:		
Long-term debt, current maturities	\$ 23,785	\$ 18,014
Accounts payable	43,381	46,655
Accrued compensation	28,491	31,339
Accrued income taxes	18,350	10,272
Other current liabilities	61,251	55,461
Total current liabilities	175,258	161,741
Long-term debt	296,498	299,170
Accrued pension	70,097	66,714
Postretirement benefits	27,484	26,417
Deferred income taxes	15,875	17,007
Environmental reserve	5,033	5,406
Other liabilities	38,471	42,745
Total liabilities	628,716	619,200
Arrangement with noncontrolling interest	10,406	10,162
SHAREHOLDERS' EQUITY		
Shareholders' equity – Matthews:		
Common stock	36,334	36,334
Additional paid-in capital	46,502	48,554
Retained earnings	716,929	681,658
Accumulated other comprehensive loss	(64,489)	(58,658)
Treasury stock, at cost	(256,132)	(243,246)
Total shareholders' equity – Matthews	479,144	464,642
Noncontrolling interests	3,309	3,451
Total shareholders' equity	482,453	468,093
Total liabilities and shareholders' equity	\$1,121,575	\$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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