

MATTHEWS INTERNATIONAL CORPORATION



A TRADITION OF QUALITY SINCE 1850



## First Quarter Report

For the Period Ended December 31, 2008

Matthews reported net income for the Company's fiscal 2009 first quarter was \$11,289,000, representing earnings per share of \$0.37. The fiscal 2009 first quarter results included unusual charges of approximately \$6,600,000 (pre-tax), or \$0.14 per share, which primarily consisted of severance and other costs related to cost structure initiatives in certain of the Company's businesses and asset adjustments resulting from current market conditions. In addition, earnings for the fiscal 2009 first quarter included the favorable effect of a one-time adjustment of \$0.03 per share to income tax expense related to the Company's ability to utilize a European tax loss carryover. Net income for the quarter ended December 31, 2007 was \$17,431,000, or \$0.56 per share. Earnings for the fiscal 2008 first quarter included the favorable effect of a one-time adjustment of \$0.06 per share to income tax expense, reflecting the impact on deferred income taxes from certain income tax rate reductions in Europe. Sales for the quarter ended December 31, 2008 were \$191,286,000, compared to \$182,348,000 in the same quarter a year ago, representing an increase of 4.9%. The increase in sales was principally attributable to the acquisition of Saueressig GmbH & Co. KG in May 2008. Operating profit for the three months ended December 31, 2008 was \$20,079,000, which included approximately \$5,800,000 of the unusual charges noted above. Operating profit was \$26,778,000 for the same period last year.

During the fiscal 2009 first quarter, domestic and global economic conditions worsened significantly and, as we reported in November 2008, have also impacted our Memorialization and Brand Solutions businesses. As evidenced by the unusual charges, our businesses have taken actions to adjust their cost structures in light of the current market conditions. We expect these actions to contribute to improved results as the fiscal year progresses. We also expect to continue our cost reduction efforts.

The current market conditions will continue to challenge all of our businesses. While it is unclear whether conditions will improve as the fiscal year progresses, each of our business leaders are continuing their efforts to adjust their cost structures during these difficult times. In November 2008, we set our guidance for fiscal 2009 earnings per share to increase in a range of 5% to 10% (excluding unusual items from both periods), representing at least \$2.62 per share. Based on the results for the fiscal 2009 first quarter and our current projections for the fiscal year, we are maintaining our guidance at this time, but we continue to remain cautious in this economic environment. This range excludes the impact of the unusual items reported in the first quarter and other unusual items which are expected to occur during the remainder of the fiscal year from further cost reduction actions.



**Joseph C. Bartolacci**

*President and Chief Executive Officer*

**February 5, 2009**

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Dollar amounts in thousands, except per share data

	THREE MONTHS ENDED DECEMBER 31,	
	2008	2007
Sales	\$191,286	\$182,348
Cost of sales	(123,434)	(110,360)
Gross profit	67,852	71,988
Selling and administrative expenses	(47,773)	(45,210)
Operating profit	20,079	26,778
Investment income (loss)	(388)	512
Interest expense	(3,264)	(2,144)
Other income (deductions), net	(110)	245
Minority interest	13	(552)
Income before income taxes	16,330	24,839
Income taxes	(5,041)	(7,408)
<b>Net income</b>	<b>\$ 11,289</b>	<b>\$ 17,431</b>
<b>Earnings per share:</b>		
Basic	\$ .37	\$ .56
Diluted	\$ .37	\$ .56
<b>Dividends per share</b>		
	<b>\$ .065</b>	<b>\$ .060</b>
<b>Weighted-average number of common shares outstanding:</b>		
Basic	30,482,249	30,998,879
Diluted	30,554,071	31,151,825

Dollar amounts in thousands

December 31, 2008<sup>1</sup>

September 30, 2008

**ASSETS****Current assets:**

Cash and cash equivalents	\$ 53,151	\$ 50,667
Short-term investments	62	62
Accounts receivable, net	122,280	145,288
Inventories	102,661	96,388
Other current assets	11,756	10,710

<b>Total current assets</b>	<b>289,910</b>	303,115
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Investments	12,048	10,410
Property, plant and equipment, net	134,057	145,738
Deferred income taxes and other assets	39,368	35,468
Goodwill and other intangible assets, net	421,987	419,551

<b>Total assets</b>	<b>\$897,370</b>	\$914,282
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**LIABILITIES AND SHAREHOLDERS' EQUITY****Current liabilities:**

Long-term debt, current maturities	\$ 24,608	\$ 35,144
Accounts payable	24,487	26,647
Accrued compensation	27,969	40,188
Accrued income taxes	14,984	12,075
Other current liabilities	42,068	47,656

<b>Total current liabilities</b>	<b>134,116</b>	161,710
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Long-term debt	247,113	219,124
Accrued pension	18,617	17,208
Postretirement benefits	21,530	20,918
Deferred income taxes	10,513	10,594
Environmental reserve	7,103	7,382
Other liabilities and deferred revenue	16,317	12,500

<b>Total liabilities</b>	<b>455,309</b>	449,436
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Minority interest and minority interest arrangement	28,236	30,891
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**Shareholders' equity:**

Common stock	36,334	36,334
Additional paid-in capital	43,963	47,250
Retained earnings	519,531	511,130
Accumulated other comprehensive income (loss)	(17,322)	(2,979)
Treasury stock, at cost	(168,681)	(157,780)

<b>Total shareholders' equity</b>	<b>413,825</b>	433,955
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<b>Total liabilities and shareholders' equity</b>	<b>\$897,370</b>	\$914,282
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<sup>1</sup>Unaudited.

## 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 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; 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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Chief Financial Officer, Secretary and Treasurer

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