



Matthews

I N T E R N A T I O N A L

A Tradition of Quality Since 1850

FIRST QUARTER REPORT

For the Period Ended December 31, 2012

Matthews reported consolidated sales of \$225.6 million for the fiscal 2013 first quarter, compared to \$217.2 million a year ago, representing an increase of \$8.4 million, or 3.9%. Net income attributable to the Company for the current quarter was \$8.3 million, or \$0.30 per share, compared to \$11.3 million, or \$0.40 per share, a year ago. On a non-GAAP adjusted basis, earnings for the current quarter were \$0.42 per share, compared to \$0.47 per share in fiscal 2012.

The Cemetery Products and Funeral Home Products segments reported higher sales for the fiscal 2013 first quarter as a result of an increase in unit volume of memorial products and caskets, respectively, in the United States. The acquisition of Everlasting Granite also contributed to the increase in Cemetery Products sales. The Cremation segment reported an increase in sales, primarily reflecting higher equipment sales in the U.K. market. The Merchandising Solutions segment reported improved operating results for the current quarter on higher sales volume. Sales for the Marking and Fulfillment Systems segment were higher than a year ago mainly attributable to the recent acquisition of Pyramid Controls. The Graphics Imaging segment reported lower sales for the current quarter compared to last year with the economic weakness in Europe being a significant factor in the decline.

The Company's consolidated results for the current quarter were generally in line with our internal expectations. The Memorialization group performed better than expected and our Merchandising Solutions segment reported increased profits as we continue to build sales volume and improve operating margins. In addition, with respect to the operating results for our Graphics Imaging segment, much of the sales decline was anticipated because our first quarter a year ago

was particularly strong as we had not yet experienced the impact of the European market issues. Excluding unusual items from both periods, our operating results were relatively consistent with the first quarter last year. The decline in adjusted non-GAAP earnings primarily reflected higher interest costs and lower investment income during the current quarter.

The Company recently accelerated programs to resolve the remaining ERP implementation issues and we launched more aggressive cost reduction programs throughout our businesses. We are substantially through our ERP implementation issues and are making good progress toward our cost reduction programs. As a result, we are confident in our ability to improve our operating results. These initiatives, which resulted in unusual charges in the fiscal 2013 first quarter, are still in progress. We remain cautious concerning the economic uncertainty in Europe, where we have a significant presence in our Graphics Imaging segment. In addition, these European issues have also affected the operating results of our other businesses, including the Marking and Fulfillment Systems segment. We expect the acquisitions of Wetzel Group and Pyramid Controls to ease the impact of the slow European market on our consolidated results.



Joseph C. Bartolacci

President and Chief Executive Officer

February 4, 2013

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

Three Months Ended December 31,

2012

2011

Sales	\$225,609	\$217,213
Cost of sales	(145,635)	(139,218)
Gross profit	79,974	77,995
Selling and administrative expenses	(63,475)	(59,070)
Operating profit	16,499	18,925
Investment income	233	1,601
Interest expense	(3,247)	(2,557)
Other deductions, net	(1,105)	(515)
Income before income taxes	12,380	17,454
Income taxes	(4,377)	(6,034)
Net income	8,003	11,420
Net (income) loss attributable to noncontrolling interests	252	(135)
Net income attributable to Matthews shareholders	\$ 8,255	\$ 11,285

Earnings per share attributable to Matthews shareholders:

Basic	\$.30	\$.40
Diluted	\$.30	\$.40

Dividends per share

\$.10	\$.09
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Weighted-average number of common shares outstanding:

Basic	27,275	27,893
Diluted	27,388	27,918

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

December 31, 2012¹

September 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 53,606	\$ 58,259
Accounts receivable, net	183,841	174,632
Inventories	138,187	130,690
Other current assets	23,911	21,644

Total current assets	399,545	385,225
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Investments	18,839	18,842
Property, plant and equipment, net	173,555	144,049
Deferred income taxes and other assets	46,558	44,730
Goodwill and other intangible assets, net	596,538	535,196

Total assets	\$1,235,035	\$1,128,042
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LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 23,018	\$ 21,566
Accounts payable	41,526	44,294
Accrued compensation	29,887	30,222
Accrued income taxes	11,310	7,632
Other current liabilities	82,115	77,159

Total current liabilities	187,856	180,873
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Long-term debt	379,322	298,148
Accrued pension	84,538	78,563
Postretirement benefits	27,935	27,725
Deferred income taxes	19,720	18,624
Other liabilities	33,178	33,194

Total liabilities	732,549	637,127
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Arrangement with noncontrolling interest	10,554	10,481
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SHAREHOLDERS' EQUITY

Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	43,834	47,893
Retained earnings	732,590	727,176
Accumulated other comprehensive loss	(55,778)	(65,083)
Treasury stock, at cost	(267,108)	(268,499)

Total shareholders' equity – Matthews	489,872	477,821
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Noncontrolling interests	2,060	2,613
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Total shareholders' equity	491,932	480,434
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Total liabilities and shareholders' equity	\$1,235,035	\$1,128,042
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¹Unaudited.