



SECOND QUARTER REPORT For the Period Ended **March 31, 2016**

Net income attributable to the Company for the quarter ended March 31, 2016 was \$14.4 million, or \$0.43 per share, compared to \$9.0 million, or \$0.27 per share, for the second fiscal quarter last year. On a non-GAAP adjusted basis, earnings for the fiscal 2016 second quarter were \$0.75 per share, compared to \$0.67 per share a year ago. The increase primarily reflected the impact of the acquisition of Aurora Casket Company (“Aurora”), higher sales of bronze and granite memorials, and the realization of acquisition integration synergies. Non-GAAP adjustments for the current quarter included costs in connection with the integrations of Aurora and Schawk, Inc. (“SGK”) and an increase in intangible amortization expense due to the Aurora acquisition. Non-GAAP adjustments a year ago primarily included SGK integration costs, including the write-off of certain intangible assets, and costs in connection with the Company’s strategic initiatives. The Company’s consolidated sales for the quarter ended March 31, 2016 were \$367.2 million, compared to \$349.4 million a year ago, representing an increase of \$17.8 million. Higher sales for the current period resulted principally from the acquisition of Aurora and an increase in bronze and granite memorial sales.

Net income attributable to the Company for the six months ended March 31, 2016 was \$19.0 million, or \$0.57 per share, compared to \$23.3 million, or \$0.70 per share, last year. On a non-GAAP adjusted basis, earnings for the first six months of fiscal 2016 were \$1.35 per share, compared to \$1.22 a year ago. Non-GAAP adjustments for the current year-to-date period included costs in connection with the integrations of the SGK and Aurora acquisitions, including an increase in intangible amortization expense. Non-GAAP adjustments a year ago primarily included SGK integration costs (including the write-off of intangible assets), costs in

connection with strategic initiatives and a net gain on a litigation settlement. The Company’s consolidated sales for the six months ended March 31, 2016 were \$721.4 million, compared to \$693.0 million a year ago.

Although our businesses faced some very challenging market conditions during the fiscal second quarter, we were still able to generate earnings performance nicely ahead of last year. Despite slower brand market conditions in North America and Europe, the SGK Brand Solutions segment reported higher operating income as a result of focused efforts on cost structure improvements and synergy benefits achieved from acquisition integration activities. In addition, although the warmer winter climate and milder flu season in North America resulted in a significant decline in the number of deaths, our Memorialization segment reported an increase in operating profit from a year ago. Our operating cash flow continues to be strong, and we reduced our consolidated debt levels during the recent quarter.

Effective April 26, 2016, the Company entered into an amendment to its credit facility. The amended facility, which generally maintains the interest rate structure of the existing revolving credit facility, increases total borrowing capacity from \$900 million to \$1.15 billion through the addition of a \$250 million five-year term loan.

Joseph C. Bartolacci

President and Chief Executive Officer

April 29, 2016

Consolidated Statements of Income (Unaudited)

<i>Amounts in thousands, except per share data</i>	Three Months Ended March 31,		Six Months Ended March 31,	
	2016	2015 ¹	2016	2015 ¹
Sales	\$367,176	\$349,394	\$721,408	\$692,978
Cost of sales	(229,416)	(221,699)	(457,081)	(440,613)
Gross profit	137,760	127,695	264,327	252,365
Selling and administrative expenses	(111,325)	(108,420)	(225,854)	(207,505)
Operating profit	26,435	19,275	38,473	44,860
Investment income	235	702	936	973
Interest expense	(6,049)	(4,934)	(11,889)	(10,267)
Other income (deductions), net	(192)	(2,121)	(1,066)	(3,425)
Income before income taxes	20,429	12,922	26,454	32,141
Income taxes	(6,163)	(4,095)	(7,685)	(9,069)
Net income	14,266	8,827	18,769	23,072
Net loss attributable to noncontrolling interests	91	148	202	263
Net income attributable to				
Matthews shareholders	\$ 14,357	\$ 8,975	\$ 18,971	\$ 23,335
Earnings per share attributable to				
Matthews shareholders:				
Basic	\$.44	\$.27	\$.58	\$.71
Diluted	\$.43	\$.27	\$.57	\$.70
Dividends per share	\$.15	\$.13	\$.30	\$.26
Weighted-average number of common shares outstanding:				
Basic	33,005	32,970	32,970	32,940
Diluted	33,202	33,182	33,220	33,184

¹Prior period amounts have been revised to reflect adjustments in connection with a theft of funds identified during fiscal 2015 third quarter.

Consolidated Balance Sheets

Amounts in thousands

March 31, 2016¹

September 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 59,332	\$ 72,196
Accounts receivable, net	273,785	283,963
Inventories	169,304	171,423
Other current assets	76,194	77,319

Total current assets	578,615	604,901
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Investments	26,139	25,517
Property, plant and equipment, net	229,402	227,408
Other assets	37,185	34,464
Goodwill and other intangible assets, net	1,272,560	1,270,728

Total assets	\$2,143,901	\$2,163,018
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LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 12,857	\$ 11,737
Accounts payable	59,998	68,896
Accrued compensation	56,258	63,931
Accrued income taxes	9,214	11,448
Other current liabilities	91,725	92,731

Total current liabilities	230,052	248,743
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Long-term debt	875,316	891,217
Accrued pension	98,939	95,753
Postretirement benefits	19,435	19,415
Deferred income taxes	144,305	144,705
Other liabilities	31,700	29,139

Total liabilities	1,399,747	1,428,972
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SHAREHOLDERS' EQUITY

Shareholders' equity - Matthews:

Common stock	36,334	36,334
Additional paid-in capital	110,750	115,890
Retained earnings	853,280	843,955
Accumulated other comprehensive loss	(144,080)	(150,326)
Treasury stock, at cost	(113,666)	(115,033)

Total shareholders' equity - Matthews	742,618	730,820
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Noncontrolling interests	1,536	3,226
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Total shareholders' equity	744,154	734,046
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Total liabilities and shareholders' equity	\$2,143,901	\$2,163,018
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¹Unaudited.