

Matthews

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

A Tradition of Quality Since 1850

FIRST QUARTER REPORT

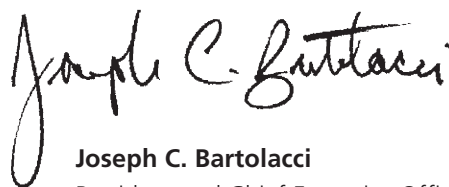
For the Period Ended December 31, 2013

Matthews reported consolidated sales of \$229.9 million for the fiscal 2014 first quarter, compared to \$225.6 million a year ago, representing an increase of \$4.3 million. Net income attributable to the Company for the current quarter was \$7.9 million, or \$0.29 per share. On a non-GAAP adjusted basis, earnings for the current quarter were \$0.38 per share. Net income attributable to the Company was \$8.3 million, or \$0.30 per share, for the fiscal 2013 first quarter. On a non-GAAP adjusted basis, earnings for the fiscal 2013 first quarter were \$0.42 per share. Earnings for both periods were impacted by unusual items.

In the Brand Solutions group, the Marking and Fulfillment Systems segment reported improved operating results for the current quarter on higher sales volume and the benefit of the acquisition of Pyramid Controls, Inc. (December 2012). Sales for the Graphics Imaging segment were also higher than a year ago mainly attributable to the acquisition of Wetzel GmbH (December 2012). The Merchandising Solutions segment reported lower sales for the current quarter compared to last year due primarily to a decline in sales to several national accounts. The decline is generally attributable to timing of customer projects as the segment is projecting higher sales for the fiscal year. In the Memorialization group, the Cemetery Products and Funeral Home Products segments reported lower sales for the fiscal 2014 first quarter, compared to a year ago, principally reflecting a decline in the estimated number of U.S. casketed, in-ground burial deaths. The Cremation segment also reported a decrease in sales for the current quarter primarily reflecting timing of anticipated equipment installations. Average U.S. order rates in this segment remained relatively stable for the quarter.

The Company's operating results for the quarter were generally in line with our expectations. Our consolidated sales improvement reflected the benefit of volume growth in the Marking and Fulfillment Systems segment and the contributions of recent acquisitions. As we anticipated, Cremation and Merchandising Solutions segment sales were impacted by the timing of customer projects; both of these businesses are expected to report sales growth in fiscal 2014. In addition, the Funeral Home Products segment reported improved operating margins, excluding unusual items, despite a recent decline in the estimated number of casketed, in-ground burial deaths in the U.S. We are beginning to realize the benefits of our recent strategic cost initiatives in this business. These initiatives are continuing as we have recently expanded our lean efforts into this segment and the Merchandising Solutions segment.

Looking forward into fiscal 2014, we are seeing favorable trends in order rates in many of our businesses. Unit volume in our Cemetery Products and Funeral Home Products segments will be driven mainly by U.S. death rates. We will remain focused on the strategic initiatives toward improving our cost structure, particularly in the areas of lean and sourcing.



Joseph C. Bartolacci

President and Chief Executive Officer

February 5, 2014

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

Three Months Ended December 31,

	2013	2012
Sales	\$229,945	\$225,609
Cost of sales	(148,569)	(145,635)
Gross profit	81,376	79,974
Selling and administrative expenses	(66,380)	(63,475)
Operating profit	14,996	16,499
Investment income	874	233
Interest expense	(2,901)	(3,247)
Other income (deductions), net	(982)	(1,105)
Income before income taxes	11,987	12,380
Income taxes	(4,081)	(4,377)
Net income	7,906	8,003
Net (income) loss attributable to noncontrolling interests	8	252
Net income attributable to Matthews shareholders	\$ 7,914	\$ 8,255

Earnings per share attributable to Matthews shareholders:

Basic	\$.29	\$.30
Diluted	\$.29	\$.30

Dividends per share

	\$.11	\$.10
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Weighted-average number of common shares outstanding:

Basic	27,125	27,275
Diluted	27,352	27,389

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

December 31, 2013¹

September 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 62,866	\$ 58,959
Accounts receivable, net	172,182	188,405
Inventories	140,140	130,768
Other current assets	32,783	28,823

Total current assets	407,971	406,955
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Investments	22,983	22,288
Property, plant and equipment, net	178,119	180,731
Deferred income taxes and other assets	17,303	16,273
Goodwill and other intangible assets, net	590,925	589,653

Total assets	\$1,217,301	\$1,215,900
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LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 24,925	\$ 23,587
Accounts payable	42,407	45,232
Accrued compensation	31,497	41,916
Accrued income taxes	8,545	5,910
Other current liabilities	66,330	68,334

Total current liabilities	173,704	184,979
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Long-term debt	352,218	351,068
Accrued pension	62,894	61,642
Postretirement benefits	18,153	17,956
Deferred income taxes	20,734	20,332
Other liabilities	28,148	26,993

Total liabilities	655,851	662,970
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SHAREHOLDERS' EQUITY

Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	45,689	47,315
Retained earnings	780,650	775,762
Accumulated other comprehensive loss	(22,633)	(26,940)
Treasury stock, at cost	(282,190)	(283,006)

Total shareholders' equity – Matthews	557,850	549,465
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Noncontrolling interests	3,600	3,465
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Total shareholders' equity	561,450	552,930
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Total liabilities and shareholders' equity	\$1,217,301	\$1,215,900
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¹Unaudited.