



Matthews

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

A Tradition of Quality Since 1850

SECOND QUARTER REPORT

For the Period Ended March 31, 2013

Matthews reported consolidated sales of \$256.4 million for the fiscal 2013 second quarter, compared to \$225.5 million a year ago, representing an increase of \$30.9 million, or 13.7%. Net income attributable to the Company for the current quarter was \$14.2 million, or \$0.51 per share, and on a non-GAAP adjusted basis were \$0.61 per share. Earnings for the fiscal 2013 second quarter were impacted by unusual items which included costs in connection with the Company's recent strategic initiatives (including the resolution of ERP implementation issues), an impairment of certain intangible assets, and a gain on the final settlement of an acquisition (net of related expenses). For the Memorialization group, the Funeral Home Products segment reported higher sales for the fiscal 2013 second quarter, compared to a year ago, as a result of an increase in unit volume of caskets. Sales for the Cemetery Products segment improved for the current quarter, primarily reflecting the acquisition of Everlasting Granite. The Cremation segment also reported an increase in sales for the current quarter primarily reflecting higher equipment sales. For the Brand Solutions group, the Graphics Imaging segment reported higher sales for the fiscal 2013 second quarter, compared to the same quarter a year ago, resulting mainly from the acquisition of The Wetzel Group. Fiscal 2013 second quarter sales for the Merchandising Solutions segment increased over last year on higher sales volume. Sales for the Marking and Fulfillment Systems segment were also higher than a year ago mainly attributable to the acquisition of Pyramid Controls.

Consolidated sales for the six months ended March 31, 2013 were \$482.0 million, compared to \$442.8 million a year ago, representing an increase of \$39.2 million, or 8.9%. Net income attributable to the Company for the first six months

of the current fiscal year was \$22.4 million, or \$0.81 per share, and on a non-GAAP adjusted basis were \$1.03 per share.

The Company's consolidated results for the current quarter are very encouraging. The key demographics for Memorialization favorably affected the results of this Group, particularly our Funeral Home Products segment. In addition, our recent acquisitions have performed well and contributed to our second quarter operating results. While operating results in several of our Brand Solutions businesses continued to be challenged by soft economic conditions, particularly in Europe, we recently have started to see evidence of some firming in many of these markets.

Our strategic initiatives are progressing well. We have a strategic sourcing project underway that should begin to generate cost savings by the end of this fiscal year. In addition, we are currently initiating lean projects in several of our businesses, from which we are expecting to see the benefits next fiscal year. Also, the recent ERP implementation issues within our Cemetery Products business are substantially behind us; however, we still have some work ahead of us to maximize the benefits of this system, including the launch of a new e-services capability for our customers.



Joseph C. Bartolacci
President and Chief Executive Officer

May 3, 2013

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Sales	\$256,390	\$225,545	\$481,999	\$442,758
Cost of sales	(161,524)	(140,838)	(307,159)	(280,056)
Gross profit	94,866	84,707	174,840	162,702
Selling and administrative expenses	(69,796)	(59,420)	(133,271)	(118,490)
Operating profit	25,070	25,287	41,569	44,212
Investment income	607	1,243	840	2,844
Interest expense	(3,051)	(2,727)	(6,298)	(5,284)
Other income (deductions), net	(1,067)	(638)	(2,172)	(1,153)
Income before income taxes	21,559	23,165	33,939	40,619
Income taxes	(7,504)	(7,973)	(11,881)	(14,007)
Net income	14,055	15,192	22,058	26,612
Net (income) loss attributable to noncontrolling interests	137	66	389	(69)
Net income attributable to Matthews shareholders	\$ 14,192	\$ 15,258	\$ 22,447	\$ 26,543
Earnings per share attributable to Matthews shareholders:				
Basic	\$.51	\$.54	\$.81	\$.93
Diluted	\$.51	\$.54	\$.81	\$.93
Dividends per share	\$.10	\$.09	\$.18	\$.18
Weighted-average number of common shares outstanding:				
Basic	27,369	27,926	27,312	27,933
Diluted	27,512	27,968	27,411	28,013

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

March 31, 2013¹

September 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 51,528	\$ 58,259
Accounts receivable, net	185,235	174,632
Inventories	137,440	130,690
Other current assets	23,519	21,644

Total current assets	397,722	385,225
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Investments	19,242	18,842
Property, plant and equipment, net	169,553	144,049
Deferred income taxes and other assets	45,489	44,730
Goodwill and other intangible assets, net	585,697	535,196

Total assets	\$1,217,703	\$1,128,042
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LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 18,746	\$ 21,566
Accounts payable	46,197	44,294
Accrued compensation	31,503	30,222
Accrued income taxes	7,896	7,632
Other current liabilities	75,907	77,159

Total current liabilities	180,249	180,873
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Long-term debt	377,069	298,148
Accrued pension	85,656	78,563
Postretirement benefits	28,364	27,725
Deferred income taxes	19,160	18,624
Other liabilities	29,891	33,194

Total liabilities	720,389	637,127
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Arrangement with noncontrolling interest	—	10,481
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SHAREHOLDERS' EQUITY

Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	44,391	47,893
Retained earnings	749,040	727,176
Accumulated other comprehensive loss	(67,135)	(65,083)
Treasury stock, at cost	(268,975)	(268,499)

Total shareholders' equity – Matthews	493,655	477,821
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Noncontrolling interests	3,659	2,613
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Total shareholders' equity	497,314	480,434
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Total liabilities and shareholders' equity	\$1,217,703	\$1,128,042
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¹Unaudited.