



Matthews

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

A Tradition of Quality Since 1850

THIRD QUARTER REPORT

For the Period Ended June 30, 2013

Matthews reported consolidated sales of \$250.7 million for the fiscal 2013 third quarter, compared to \$227.5 million a year ago, representing an increase of \$23.2 million, or 10.2%. Net income attributable to the Company increased to \$18.0 million, or \$0.65 per share, and on a non-GAAP adjusted basis were \$0.72. Earnings for the fiscal 2013 third quarter were impacted by unusual items which primarily included charges in connection with the Company's recent cost-structure initiatives. In addition, the fiscal 2013 third quarter included a net gain from acquisition-related items resulting primarily from a favorable adjustment to contingent consideration in connection with a previous acquisition.

For the Memorialization group, the Funeral Home Products segment reported higher sales for the fiscal 2013 third quarter, compared to a year ago, as a result of an increase in unit volume of caskets and an improvement in product mix. Sales for the Cemetery Products segment also increased for the current quarter, primarily reflecting the acquisition of Everlasting Granite. The Cremation segment reported a decrease in sales for the fiscal 2013 third quarter reflecting higher equipment sales in the United States, which were offset by a decline in international sales. For the Brand Solutions group, the Graphics Imaging segment reported higher sales for the fiscal 2013 third quarter, compared to the same quarter a year ago, resulting principally from the acquisition of Wetzel Holding AG. Sales for the Marking and Fulfillment Systems segment were also higher than a year ago mainly attributable to the acquisition of Pyramid Controls. Fiscal 2013 third quarter sales for the Merchandising Solutions segment decreased from last year on lower volume.

Consolidated sales for the nine months ended June 30, 2013 were \$732.7 million, compared to \$670.2 million a year ago, representing an increase of \$62.4 million, or 9.3%. Net income attributable to the Company for the first nine months of the current fiscal year was \$40.4 million, or \$1.46 per share, and on a non-GAAP adjusted basis were \$1.75 per share.

The Company's consolidated results for the current quarter (on an adjusted basis) were in line with our internal expectations. The key demographics for Memorialization favorably affected this group as the operating results of the Funeral Home Products segment increased and our Cemetery Products sales improved with the seasonal increase in its markets. The Cremation segment also reported higher operating results in the U.S. for the recent quarter, which were offset by a decline in Europe and the impact of unusual charges. Overall operating results for the Brand Solutions group improved for the current quarter. Our recent acquisitions are performing well and European markets were relatively stable overall for this group during the current quarter; however, recent softness in our U.S. and Chinese markets was a challenge.



Joseph C. Bartolacci

President and Chief Executive Officer

August 5, 2013

Consolidated Statements of Income (Unaudited)

Amounts in thousands, except per share data

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
Sales	\$250,652	\$227,478	\$732,651	\$670,236
Cost of sales	(159,261)	(139,769)	(466,420)	(419,825)
Gross profit	91,391	87,709	266,231	250,411
Selling and administrative expenses	(60,631)	(60,196)	(193,902)	(178,686)
Operating profit	30,760	27,513	72,329	71,725
Investment income	634	176	1,474	3,020
Interest expense	(3,486)	(2,881)	(9,784)	(8,165)
Other income (deductions), net	(986)	(602)	(3,158)	(1,755)
Income before income taxes	26,922	24,206	60,861	64,825
Income taxes	(9,024)	(7,821)	(20,905)	(21,828)
Net income	17,898	16,385	39,956	42,997
Net (income) loss attributable to noncontrolling interests	93	(60)	482	(129)
Net income attributable to Matthews shareholders	\$ 17,991	\$ 16,325	\$ 40,438	\$ 42,868
Earnings per share attributable to Matthews shareholders:				
Basic	\$.65	\$.58	\$1.47	\$1.51
Diluted	\$.65	\$.58	\$1.46	\$1.51
Dividends per share	\$.10	\$.09	\$.30	\$.27
Weighted-average number of common shares outstanding:				
Basic	27,299	27,749	27,303	27,865
Diluted	27,460	27,786	27,419	27,948

Condensed Consolidated Balance Sheets

Dollar amounts in thousands

June 30, 2013¹

September 30, 2012

ASSETS

Current assets:

Cash and cash equivalents	\$ 54,861	\$ 58,259
Accounts receivable, net	183,437	174,632
Inventories	131,839	130,690
Other current assets	22,047	21,644

Total current assets	392,184	385,225
-----------------------------	----------------	----------------

Investments	19,709	18,842
Property, plant and equipment, net	167,531	144,049
Deferred income taxes and other assets	45,044	44,730
Goodwill and other intangible assets, net	586,092	535,196

Total assets	\$1,210,560	\$1,128,042
---------------------	--------------------	--------------------

LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 17,520	\$ 21,566
Accounts payable	41,644	44,294
Accrued compensation	36,985	30,222
Accrued income taxes	11,284	7,632
Other current liabilities	69,822	77,159

Total current liabilities	177,255	180,873
----------------------------------	----------------	----------------

Long-term debt	359,561	298,148
Accrued pension	87,028	78,563
Postretirement benefits	28,633	27,725
Deferred income taxes	19,431	18,624
Other liabilities	28,536	33,194

Total liabilities	700,444	637,127
--------------------------	----------------	----------------

Arrangement with noncontrolling interest	—	10,481
--	---	--------

SHAREHOLDERS' EQUITY

Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	45,805	47,893
Retained earnings	764,294	727,176
Accumulated other comprehensive loss	(64,603)	(65,083)
Treasury stock, at cost	(274,831)	(268,499)

Total shareholders' equity – Matthews	506,999	477,821
--	----------------	----------------

Noncontrolling interests	3,117	2,613
--------------------------	-------	-------

Total shareholders' equity	510,116	480,434
-----------------------------------	----------------	----------------

Total liabilities and shareholders' equity	\$1,210,560	\$1,128,042
---	--------------------	--------------------

¹Unaudited.