



THIRD QUARTER REPORT For the Period Ended **June 30, 2016**

Net income attributable to the Company for the quarter ended June 30, 2016 was \$23.9 million, or \$0.73 per share, compared to \$23.1 million, or \$0.70 per share, for the third fiscal quarter last year. The Company's consolidated sales for the quarter ended June 30, 2016 were \$382.1 million, compared to \$364.8 million a year ago, representing an increase of \$17.3 million. Higher sales for the current period resulted principally from the acquisition of Aurora Casket Company ("Aurora") and an increase in sales in international markets for the SGK Brand Solutions segment. On a non-GAAP adjusted basis, earnings for the fiscal 2016 third quarter were \$0.97 per share, compared to \$0.88 per share a year ago. The increase primarily reflected the impact of the acquisition of Aurora, the realization of acquisition integration synergies and the benefits of lower commodity costs. Non-GAAP adjustments for the current quarter included costs in connection with the acquisitions of Aurora and Schawk, Inc. ("SGK"). Non-GAAP adjustments a year ago primarily included SGK integration costs, including the write-off of certain intangible assets, and the favorable impact of the settlement of a pension obligation.

Net income attributable to the Company for the nine months ended June 30, 2016 was \$42.9 million, or \$1.30 per share, compared to \$46.5 million, or \$1.40 per share, last year. The Company's consolidated sales for the nine months ended June 30, 2016 were \$1.10 billion, compared to \$1.06 billion a year ago. On a non-GAAP adjusted basis, earnings for the first nine months of fiscal 2016 were \$2.31 per share, compared to \$2.10 a year ago. The increase in earnings per share on a non-GAAP adjusted basis primarily reflected the impact of the acquisition of Aurora, higher cemetery memorial sales volume, the realization of acquisition integration synergies and lower commodity costs. Non-GAAP adjustments for the current year-to-date period included costs in connection with the acquisitions of SGK and Aurora. Non-GAAP adjustments a year ago primarily included SGK integration costs, including the write-off of certain intangible assets, the favorable impact of the settlement

of a pension obligation, charges in connection with the Company's cost reduction initiatives and a net gain on a litigation settlement in the Memorialization segment.

Our good performance was largely driven by strong acquisition synergy achievement, effective cost controls and lower commodity costs in our Memorialization business. Despite each of our segments facing some challenging market conditions, both economic and demographic (death rates), we have been able to generate earnings performance nicely ahead of last year. During the recent quarter, European sales for the SGK Brand Solutions segment were higher as brand market conditions improved. In addition, our U.S. merchandising business and our U.K. and Asian operations remained solid. The acquisition of Aurora was the main factor in the sales and operating profit increases for our Memorialization segment during the quarter, and the segment's operating profit also reflected the benefits from prior productivity initiatives, current cost control efforts and lower commodity costs.

We are very encouraged by the progress of our acquisition integration teams and their achievements in improving our Company's consolidated cost structure. Their success has enabled Matthews to generate earnings growth despite challenging market conditions. Thanks to these outstanding efforts, I have a high degree of confidence that, when the markets improve, Matthews will be well positioned for future growth with a stronger operating system and more efficient cost structure.

Joseph C. Bartolacci

President and Chief Executive Officer

July 29, 2016

Consolidated Statements of Income (Unaudited)

<i>Amounts in thousands, except per share data</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Sales	\$382,061	\$364,752	\$1,103,469	\$1,057,730
Cost of sales	(236,764)	(229,316)	(693,845)	(669,929)
Gross profit	145,297	135,436	409,624	387,801
Selling and administrative expenses	(104,627)	(108,031)	(330,481)	(315,536)
Operating profit	40,670	27,405	79,143	72,265
Investment income	524	58	1,460	1,031
Interest expense	(6,257)	(4,849)	(18,146)	(15,116)
Other income (deductions), net	460	9,845	(606)	6,420
Income before income taxes	35,397	32,459	61,851	64,600
Income taxes	(11,605)	(9,245)	(19,290)	(18,314)
Net income	23,792	23,214	42,561	46,286
Net loss attributable to noncontrolling interests	123	(74)	325	189
Net income attributable to				
Matthews shareholders	\$ 23,915	\$ 23,140	\$ 42,886	\$ 46,475
Earnings per share attributable to				
Matthews shareholders:				
Basic	\$.73	\$.70	\$1.31	\$1.41
Diluted	\$.73	\$.70	\$1.30	\$1.40
Dividends per share	\$.15	\$.13	\$.45	\$.39
Weighted-average number of common shares outstanding:				
Basic	32,542	32,962	32,795	32,947
Diluted	32,749	33,196	33,049	33,205

Consolidated Balance Sheets

Amounts in thousands

June 30, 2016¹

September 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 74,483	\$ 72,196
Accounts receivable, net	285,184	283,963
Inventories	166,723	171,423
Other current assets	73,328	77,319

Total current assets	599,718	604,901
-----------------------------	----------------	---------

Investments	27,218	25,517
Property, plant and equipment, net	222,320	227,408
Other assets	23,454	15,057
Goodwill and other intangible assets, net	1,254,112	1,270,728

Total assets	\$2,126,822	\$2,143,611
---------------------	--------------------	-------------

LIABILITIES

Current liabilities:

Long-term debt, current maturities	\$ 21,246	\$ 11,737
Accounts payable	58,104	68,896
Accrued compensation	65,179	63,931
Accrued income taxes	21,311	11,448
Other current liabilities	100,077	92,731

Total current liabilities	265,917	248,743
----------------------------------	----------------	---------

Long-term debt	898,177	891,217
Accrued pension	100,349	95,753
Postretirement benefits	19,267	19,415
Deferred income taxes	115,500	125,298
Other liabilities	32,219	29,139

Total liabilities	1,431,429	1,409,565
--------------------------	------------------	-----------

SHAREHOLDERS' EQUITY

Shareholders' equity – Matthews:

Common stock	36,334	36,334
Additional paid-in capital	113,698	115,890
Retained earnings	872,466	843,955
Accumulated other comprehensive loss	(168,230)	(150,326)
Treasury stock, at cost	(160,164)	(115,033)

Total shareholders' equity – Matthews	694,104	730,820
--	----------------	---------

Noncontrolling interests	1,289	3,226
--------------------------	-------	-------

Total shareholders' equity	695,393	734,046
-----------------------------------	----------------	---------

Total liabilities and shareholders' equity	\$2,126,822	\$2,143,611
---	--------------------	-------------

¹Unaudited.