



Matthews
INTERNATIONAL CORPORATION

...A Tradition of Quality Since 1850

FIRST QUARTER REPORT

For the Period Ended December 31, 2000

TO OUR SHAREHOLDERS

Matthews International Corporation reported higher earnings for the three months ended December 31, 2000. Net income for the Company's fiscal 2001 first quarter was \$6,742,000 versus \$6,083,000 for the same quarter last year. Earnings per share for the first quarter were \$0.43 compared to \$0.38 a year ago, an increase of 13.2 percent. Sales in the quarter increased 2.9 percent to \$66,556,000 versus \$64,697,000 in the first quarter a year ago. For the three months ended December 31, 2000, operating income totaled \$11,474,000, up 10.5 percent over the first quarter of fiscal 2000.

We are pleased with our operating profit performance for the first quarter as each segment of our business contributed to the higher level of profitability. We anticipated a low sales growth rate for the quarter and, accordingly, initiated several programs early in the fiscal year to control expenses. These programs, coupled with benefits from recent acquisitions and our share repurchase program, enabled Matthews to achieve a 13.2 percent growth in earnings per share for the quarter. The strong U.S. dollar had a negative impact on sales of U.S. produced goods into Europe, and the Marking Products segment has a strong presence in markets related to automotive production, the tire industry and building products. All of these industries have witnessed a slow down in demand for their products in recent months. Another factor inhibiting sales growth was uncertainty in the cemetery industry due to Staff Accounting Bulletin No. 101 issued by the Securities and Exchange Commission and its potential impact on pre-need sales of services, property and merchandise.

As we move into the second and third quarters of fiscal 2001, the strengthening of the EURO, increased sales of mausoleum products, benefits from our recent acquisitions, and a seasonal increase in memorialization product sales should benefit our top line growth. However, the divestiture of our 50% interest in Tukaiz Communications, L.L.C., which was completed on January 19, 2001, will reduce consolidated revenue.

David M. Kelly

*Chairman of the Board, President and
Chief Executive Officer*

February 12, 2001

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Dollars in thousands, except share data
THREE MONTHS ENDED DECEMBER 31,

	2000	1999
Sales	\$ 66,556	\$ 64,697 ¹
Cost of sales	38,396	36,673 ¹
Gross profit	28,160	28,024
Selling and administrative expenses	16,686	17,638
Operating profit	11,474	10,386
Investment income	639	456
Interest expense	(362)	(408)
Other income (deductions), net	(92)	(21)
Minority interest	(589)	(408)
Income before income taxes	11,070	10,005
Income taxes	4,328	3,922
Net income	\$ 6,742	\$ 6,083
Earnings per share:		
Basic	\$.44	\$.39
Diluted	\$.43	\$.38
Dividends per share	\$.05	\$.0475
Weighted-average number of common shares outstanding:		
Basic	15,446,077	15,631,086
Diluted	15,719,907	16,001,461

¹Prior year sales and cost of sales have been adjusted to conform to Emerging Issues Task Force Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs."

Dollars in thousands

December 31, 2000*

September 30, 2000

Assets**Current assets:**

Cash and cash equivalents	\$ 18,299	\$ 29,150
Short-term investments	3,286	1,321
Accounts receivable	45,650	44,819
Inventories	17,267	16,849
Other current assets	2,754	2,694
Total current assets	87,256	94,833
Investments	21,262	14,803
Property, plant and equipment, net	48,393	48,467
Deferred income taxes and other assets	14,654	13,850
Goodwill, net	52,161	48,712
Total assets	\$ 223,726	\$ 220,665

Liabilities and Shareholders' Equity**Current liabilities:**

Long-term debt, current maturities	\$ 3,570	\$ 3,478
Accounts payable	10,890	10,075
Accrued compensation	11,121	16,729
Accrued income taxes	2,831	270
Customer prepayments	6,148	5,875
Other current liabilities	10,437	10,405
Total current liabilities	44,997	46,832
Long-term debt	14,554	13,908
Estimated finishing costs	4,157	4,072
Postretirement benefits	18,893	18,991
Other liabilities	9,996	10,006
Shareholders' equity:		
Common stock	18,167	18,167
Retained earnings	180,580	174,689
Accumulated other comprehensive income (loss)	(8,462)	(9,177)
Notes receivable	(2)	(7)
Treasury stock, at cost	(59,154)	(56,816)
Total shareholders' equity	131,129	126,856
Total liabilities and shareholders' equity	\$ 223,726	\$ 220,665

*Unaudited.

CORPORATE INFORMATION

Matthews International Corporation

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Matthews International Corporation, headquartered in Pittsburgh, Pennsylvania, is a leading designer, manufacturer and marketer principally of custom-made identification products. The Company's products include cast bronze memorials and other memorialization products, cremators and cremation-related products; mausoleums; printing plates, pre-press services and imaging systems for the corrugated and flexible packaging industries; and marking equipment and consumables for identifying various consumer and industrial products and containers.

COMMON STOCK

Matthews International Corporation common stock is traded on the NASDAQ National Market System under the symbol "MATW."

TRANSFER AGENT, REGISTRAR AND DIVIDEND DISBURSEMENT AGENT

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