



Matthews
INTERNATIONAL CORPORATION

...A Tradition of Quality Since 1850

SECOND QUARTER REPORT

For the Period Ended March 31, 2001

TO OUR SHAREHOLDERS

For the quarter ended March 31, 2001, earnings per share of Matthews International Corporation were \$0.52 compared to \$0.45 for the same period a year ago, representing an increase of 15.6 percent. Net income for the quarter was \$8,124,000 versus \$7,115,000 for the same quarter last year. Net income for the quarter included a one-time gain on the sale of Matthews' fifty percent investment in Tukaiz Communications LLC — a Chicago-based prepress company. The gain on the sale of Tukaiz was partially offset by special charges primarily relating to impaired goodwill, restructuring and other one-time expenses recorded in the quarter ending March 31, 2001. The net favorable effect on earnings per share for the quarter for these items totaled \$0.02 per share. Sales in the quarter decreased 1.2 percent to \$66,339,000 versus \$67,129,000 in the second quarter a year ago. The decrease in sales for the quarter reflects the divestiture of Tukaiz. Excluding the divestiture of Tukaiz, sales for the quarter increased 6.5 percent.

Net income for the six months ended March 31, 2001 was \$14,866,000 versus \$13,198,000 for the six months ended March 31, 2000. Earnings per share for the first half of fiscal 2001 increased 14.5 percent to \$0.95 compared to \$0.83 for the six months ended March 31, 2000. Excluding one-time adjustments, year-to-date earnings for the first six months of fiscal 2001 were \$0.93 per share, representing an increase of 12.0 percent over the first six months of fiscal 2000. Sales for the first half of fiscal 2001 increased 0.8 percent to \$132,895,000 versus \$131,826,000 for the first half of fiscal 2000. Excluding the divestiture of Tukaiz, sales for the first six months of fiscal 2001 increased 5.5 percent over the first half a year ago.

Our sales growth has been negatively affected by the divestiture of Tukaiz; a continued weak demand for marking equipment and consumables sold into the tire, automotive and building industries; a reduction in orders for pre-need memorials created by uncertainty surrounding Staff Accounting Bulletin (SAB) 101; and continued price pressure in the market for printing plates used in the corrugated packaging industries. However, the Company has reacted to these market conditions and implemented cost control and cost reduction programs to maintain its growth in earnings per share which has exceeded double digit growth for the past seventeen consecutive quarters. The Company continues to have a solid balance sheet with a cash and investment position (net of debt) of \$40 million which will enable Matthews to pursue additional growth opportunities via acquisitions and a continuation of its share repurchase program.

David M. Kelly

Chairman of the Board, President and
Chief Executive Officer

May 14, 2001

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
Dollars in thousands, except share data

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2001	2000	2001	2000
Sales	\$ 66,339	\$ 67,129 ¹	\$132,895	\$131,826 ¹
Cost of sales	(38,121)	(36,488) ¹	(76,517)	(73,161) ¹
Gross profit	28,218	30,641	56,378	58,665
Selling and administrative expenses	(16,796)	(18,133)	(33,482)	(35,771)
Special items	2,177	—	2,177	—
Operating profit	13,599	12,508	25,073	22,894
Investment income	778	373	1,417	829
Interest expense	(294)	(412)	(656)	(820)
Other income (deductions), net	(465)	(12)	(557)	(33)
Minority interest	(477)	(742)	(1,066)	(1,150)
Income before income taxes	13,141	11,715	24,211	21,720
Income taxes	(5,017)	(4,600)	(9,345)	(8,522)
Net income	\$ 8,124	\$ 7,115	\$ 14,866	\$ 13,198
Earnings per share:				
Basic	\$.53	\$.46	\$.97	\$.85
Diluted	\$.52	\$.45	\$.95	\$.83
Dividends per share	\$.05	\$.0475	\$.10	\$.095
Weighted-average number of common shares outstanding:				
Basic	15,332,564	15,536,606	15,384,806	15,583,051
Diluted	15,642,898	15,847,392	15,678,189	15,924,099

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

March 31, 2001*

September 30, 2000

Assets**Current assets:**

Cash and cash equivalents	\$ 37,400	\$ 29,150
Short-term investments	266	1,321
Accounts receivable	44,536	44,819
Inventories	16,529	16,849
Other current assets	2,391	2,694
Total current assets	101,122	94,833
Investments	15,668	14,803
Property, plant and equipment, net	41,449	48,467
Deferred income taxes and other assets	13,844	13,850
Goodwill, net	47,895	48,712
Total assets	\$ 219,978	\$ 220,665

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

Long-term debt, current maturities	\$ 2,176	\$ 3,478
Accounts payable	10,679	10,075
Accrued compensation	10,640	16,729
Accrued income taxes	4,692	270
Customer prepayments	6,016	5,875
Other current liabilities	11,215	10,405
Total current liabilities	45,418	46,832
Long-term debt	10,738	13,908
Estimated finishing costs	4,161	4,072
Postretirement benefits	18,793	18,991
Other liabilities	10,733	10,006
Shareholders' equity:		
Common stock	18,167	18,167
Retained earnings	187,807	174,689
Accumulated other comprehensive income (loss)	(10,558)	(9,177)
Notes receivable	—	(7)
Treasury stock, at cost	(65,281)	(56,816)
Total shareholders' equity	130,135	126,856
Total liabilities and shareholders' equity	\$ 219,978	\$ 220,665

*Unaudited.

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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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