



Matthews
INTERNATIONAL CORPORATION

...A Tradition of Quality Since 1850

THIRD QUARTER REPORT

For the Period Ended June 30, 2001

TO OUR SHAREHOLDERS

Net income for the quarter ended June 30, 2001 was \$8,761,000 versus \$7,725,000 for the same quarter last year. Earnings per share for the third quarter of fiscal 2001 were \$0.56 compared to \$0.49 a year ago, an increase of 14.3 percent. Sales in the quarter increased 3.5 percent to \$71,461,000 versus \$69,025,000 in the third quarter a year ago. The increase in sales for the quarter reflects the benefits from acquisitions completed during fiscal 2000 and 2001 which more than offset a decline in sales due to the divestiture of Tukaiz in January 2001. Excluding the divestiture of Tukaiz, sales for the quarter increased 13 percent.

Net income for the nine months ended June 30, 2001 was \$23,627,000 versus \$20,923,000 for the nine months ended June 30, 2000. Earnings per share for the first three quarters of fiscal 2001 increased 14.4 percent to \$1.51 compared to \$1.32 for the nine months ended June 30, 2000. Excluding one-time adjustments reported in the quarter ended March 31, 2001, year-to-date earnings for the first nine months of fiscal 2001 were \$1.49 per share, representing an increase of 12.9 percent over the first nine months of fiscal 2000. Sales for the first three quarters of fiscal 2001 increased 1.7 percent to \$204,356,000 versus \$200,851,000 for the first three quarters of fiscal 2000. Excluding the divestiture of Tukaiz, sales for the first nine months of fiscal 2001 increased 7.4 percent over the first nine months a year ago.

Our sales growth has been adversely affected by the divestiture of Tukaiz; a slowdown in the domestic economy which has reduced demand for marking equipment including related consumable products; continued weak demand for printing plates used in the corrugated packaging industry; and a strong U.S. dollar which has had a negative impact on reported sales and income for our foreign operations. The benefits generated from our cost control programs and recent acquisitions enabled Matthews to maintain its targeted earnings growth rate for the quarter and first nine months of fiscal 2001.

On May 24, 2001, Matthews acquired the Commemorative Products business of The York Group, Inc. ("York"). In addition, Matthews and York signed a merger agreement whereby Matthews is to acquire 100% of the outstanding common shares of York. Completion of the merger is anticipated to occur in the fourth quarter of calendar 2001 and is subject to certain contingencies including York's financial performance for the nine months ended September 30, 2001. York is a leading casket manufacturer in the United States.

David M. Kelly

Chairman of the Board, President and
Chief Executive Officer

August 10, 2001

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

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Sales	\$ 71,461	\$ 69,025 ¹	\$204,356	\$200,851 ¹
Cost of sales	(40,071)	(37,927) ¹	(116,588)	(111,088) ¹
Gross profit	31,390	31,098	87,768	89,763
Selling and administrative expenses	(16,759)	(17,767)	(50,241)	(53,538)
Special items	—	—	2,177	—
Operating profit	14,631	13,331	39,704	36,225
Investment income	525	436	1,942	1,265
Interest expense	(390)	(369)	(1,046)	(1,189)
Other income (deductions), net	3	(140)	(554)	(173)
Minority interest	(504)	(566)	(1,570)	(1,716)
Income before income taxes	14,265	12,692	38,476	34,412
Income taxes	(5,504)	(4,967)	(14,849)	(13,489)
Net income	\$ 8,761	\$ 7,725	\$ 23,627	\$ 20,923
Earnings per share:				
Basic	\$.58	\$.50	\$ 1.54	\$ 1.35
Diluted	\$.56	\$.49	\$ 1.51	\$ 1.32
Dividends per share	\$.05	\$.0475	\$.15	\$.1425
Weighted-average number of common shares outstanding:				
Basic	15,180,961	15,420,408	15,319,315	15,529,805
Diluted	15,600,282	15,776,165	15,654,677	15,884,795

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

June 30, 2001*

September 30, 2000

Assets**Current assets:**

Cash and cash equivalents	\$ 22,879	\$ 29,150
Short-term investments	265	1,321
Accounts receivable	50,585	44,819
Inventories	17,614	16,849
Other current assets	2,407	2,694
Total current assets	93,750	94,833
Investments	15,977	14,803
Property, plant and equipment, net	49,877	48,467
Deferred income taxes and other assets	15,983	13,850
Goodwill, net	86,308	48,712
Total assets	\$ 261,895	\$ 220,665

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

Long-term debt, current maturities	\$ 4,906	\$ 3,478
Accounts payable	10,957	10,075
Accrued compensation	13,185	16,729
Accrued income taxes	4,553	270
Customer prepayments	5,949	5,875
Other current liabilities	7,944	10,405
Total current liabilities	47,494	46,832
Long-term debt	40,586	13,908
Estimated finishing costs	8,014	4,072
Postretirement benefits	18,647	18,991
Other liabilities	11,612	10,006
Shareholders' equity:		
Common stock	18,167	18,167
Retained earnings	195,794	174,689
Accumulated other comprehensive income (loss)	(10,826)	(9,177)
Notes receivable	—	(7)
Treasury stock, at cost	(67,593)	(56,816)
Total shareholders' equity	135,542	126,856
Total liabilities and shareholders' equity	\$ 261,895	\$ 220,665

*Unaudited.

Matthews International Corporation

Corporate Office
Two NorthShore Center
Pittsburgh, PA 15212-5851

Phone: (412) 442-8200 • Fax: (412) 442-8290

Internet: www.matw.com

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

EquiServe Trust Company, NA
P.O. Box 2500
Jersey City, New Jersey 07303-2500
(201) 324-0313
Internet: www.equiserve.com

INVESTOR CONTACT

Edward J. Boyle
Vice President, Accounting & Finance

FIRST CLASS MAIL
U.S. POSTAGE
PAID
NEW BRUNSWICK, NJ
PERMIT NO. 772

Matthews
INTERNATIONAL CORPORATION

Two NorthShore Center
Pittsburgh, PA 15212-5851