



...A Tradition of Quality Since 1850



THIRD QUARTER REPORT

*For the Period Ended
June 30, 2002*

> TO OUR SHAREHOLDERS

Matthews International Corporation reported net income for the quarter ended June 30, 2002 of \$10,558,000 compared to \$8,761,000 for the same quarter last year. Earnings per share for the third quarter of fiscal 2002 were \$0.33 compared to \$0.28 a year ago, an increase of 17.9%. Sales in the quarter increased 66.3% to \$118,825,000 versus \$71,461,000 in the third quarter a year ago. The increase in sales for the quarter primarily reflects the benefits from three acquisitions completed during calendar 2001.

Net income for the nine months ended June 30, 2002 was \$28,012,000 (excluding the effect of a change in accounting) compared to \$23,627,000 for the nine months ended June 30, 2001. The current year excludes a charge (net of taxes) of \$3,226,000, or \$0.10 per share, for impairment of goodwill resulting from the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." Earnings per share for the first three quarters of fiscal 2002 increased 17.3% to \$0.88 (excluding the accounting change) compared to \$0.75 for the nine months ended June 30, 2001. Sales for the first three quarters of fiscal 2002 increased 53.8% to \$314,254,000 versus \$204,356,000 for the first three quarters of fiscal 2001. York Casket segment sales for the seven months ending June 30, 2002 totaled \$79.2 million or 72% of the year-to-date sales increase.

We are pleased with our sales, income and earnings per share growth for the third quarter and first nine months of fiscal 2002. These results have been driven by three successful acquisitions which were completed since May a year ago. The benefit of these acquisitions more than offset lost sales and lower operating income resulting from the divestiture of Tukaiz Communications (January 2001) and a slowdown in the economy which has reduced sales and operating income in our domestic Marking Products and Graphics Imaging businesses. The Company's cash and investment balance approximated \$65 million at June 30, 2002. In addition, the Company paid down an additional \$10 million on its credit facility during the third quarter.

David M. Kelly
*Chairman of the Board, President and
Chief Executive Officer*

August 14, 2002

> CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Dollar amounts in thousands, except share data

	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
Sales	\$118,825	\$ 71,461	\$314,254	\$204,356
Cost of sales	(73,681)	(40,071)	(197,224)	(116,588)
Gross profit	45,144	31,390	117,030	87,768
Selling and administrative expenses	(26,247)	(16,759)	(67,505)	(50,241)
Special items	—	—	—	2,177
Operating profit	18,897	14,631	49,525	39,704
Investment income	119	525	1,204	1,942
Interest expense	(1,081)	(390)	(3,074)	(1,046)
Other income (deductions), net	72	3	88	(554)
Minority interest	(808)	(504)	(2,119)	(1,570)
Income before income taxes and change in accounting principle	17,199	14,265	45,624	38,476
Income taxes	(6,641)	(5,504)	(17,612)	(14,849)
Income before change in accounting principle	10,558	8,761	28,012	23,627
Change in accounting principle, net of tax	—	—	(3,226)	—
Net income	\$ 10,558	\$ 8,761	\$ 24,786	\$ 23,627
Earnings per share, before change in accounting principle:				
Basic	\$.34	\$.29	\$.91	\$.77
Diluted	\$.33	\$.28	\$.88	\$.75
Earnings per share:				
Basic	\$.34	\$.29	\$.81	\$.77
Diluted	\$.33	\$.28	\$.78	\$.75
Dividends per share	\$.02625	\$.025	\$.07875	\$.075
Weighted-average number of common shares outstanding:				
Basic	31,041,705	30,361,922	30,644,509	30,638,630
Diluted	32,001,768	31,200,564	31,723,260	31,309,354

Dollars in thousands

	June 30, 2002*	September 30, 2001
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,133	\$ 28,691
Short-term investments	4,548	240
Accounts receivable, net	66,429	52,086
Inventories	25,242	18,773
Other current assets	4,673	2,538
Total current assets	158,025	102,328
Investments	4,653	18,048
Property, plant and equipment, net	76,441	49,009
Deferred income taxes and other assets	21,295	14,982
Goodwill and other intangible assets, net	158,418	104,585
Total assets	\$ 418,832	\$ 288,952
Liabilities and Shareholders' Equity		
Current liabilities:		
Long-term debt, current maturities	\$ 6,081	\$ 5,023
Accounts payable	18,092	12,971
Accrued compensation	21,600	16,283
Accrued income taxes	5,493	4,962
Customer prepayments	5,435	6,130
Other current liabilities	29,311	21,170
Total current liabilities	86,012	66,539
Long-term debt	105,706	40,726
Estimated finishing costs	7,732	7,401
Postretirement benefits	18,325	18,639
Other liabilities	18,652	11,931
Shareholders' equity:		
Common stock	36,334	36,334
Additional paid-in capital	2,063	—
Retained earnings	207,206	184,845
Accumulated other comprehensive income (loss)	(4,722)	(8,983)
Treasury stock, at cost	(58,476)	(68,480)
Total shareholders' equity	182,405	143,716
Total liabilities and shareholders' equity	\$ 418,832	\$ 288,952

*Unaudited.

Matthews International Corporation

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Matthews International Corporation, headquartered in Pittsburgh, Pennsylvania, is a designer, manufacturer and marketer principally of memorialization products and caskets for the cemetery and funeral home industries, and custom-made products which are used to identify people, places, products and events. The Company's products include cast bronze memorials and other memorialization products; caskets and casket components; bronze and aluminum architectural products; cremators and cremation-related products; mausoleums; merchandising systems for the funeral services industry; 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."

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