



Matthews
INTERNATIONAL

A Tradition of Quality Since 1850



First Quarter Report

For the Period Ended
December 31, 2006

Matthews reported that net income for the fiscal 2007 first quarter increased 8.2% to \$13,971,000, compared to \$12,907,000 for the same quarter last year. Earnings per share for the fiscal 2007 first quarter were \$0.44 compared to \$0.40 a year ago, an increase of 10.0%. Earnings for the fiscal 2007 first quarter included a charge of \$0.01 per share in connection with the earnout provisions under the Milso Industries acquisition agreement. Sales for the quarter ended December 31, 2006 were \$175,424,000, compared to \$170,109,000 in the same quarter a year ago. Operating profit for the three months ended December 31, 2006 was \$24,184,000, compared to \$22,418,000 for the same period last year.

The growth in consolidated sales and operating profit over the same quarter last year reflected improved performance in several of our segments. In the Memorialization Group, our Casket segment reported higher sales for the quarter. This sales growth, combined with the favorable impact of improved productivity in our Mexican facility, resulted in a significant increase in the segment's operating results compared to a year ago. Additionally, our Cremation business continued to build on fiscal 2006 results and reported increases in both sales and operating profit over the fiscal 2006 first quarter. In our Bronze business, sales were higher than the first quarter last year, but operating profit declined slightly as a result of significantly higher bronze metal costs compared to twelve months ago.

In our Brand Solutions Group, the Marking Products segment generated an increase in operating profit for the fiscal 2007 first quarter on higher sales compared to the same quarter last year. In addition, despite a decline in sales, operating profit in our Merchandising Solutions segment increased from a year ago reflecting the benefits of the recent facilities consolidation and related cost structure initiatives. Operating results for the Graphics Imaging segment were lower than a year ago due to a decline in demand in the U.S. and U.K. markets during the period.

We were generally satisfied with the results for the first quarter of fiscal 2007, which, on a consolidated level, met our internal expectations. We are particularly pleased with the performance in our casket business, the continued growth in our Marking Products and Cremation segments and the improving trend in the operating margin percentage for our Merchandising Solutions segment.

Joseph C. Bartolacci

President and Chief Executive Officer

February 6, 2007

C O N S O L I D A T E D S T A T E M E N T S O F I N C O M E (U N A U D I T E D)

Dollar amounts in thousands, except per share data

	THREE MONTHS ENDED DECEMBER 31,	
	2006	2005
Sales	\$175,424	\$170,109
Cost of sales	(110,490)	(108,912)
Gross profit	64,934	61,197
Selling and administrative expenses	(40,750)	(38,779)
Operating profit	24,184	22,418
Investment income	411	327
Interest expense	(1,816)	(1,440)
Other income (deductions), net	131	(33)
Minority interest	(520)	(588)
Income before income taxes	22,390	20,684
Income taxes	(8,419)	(7,777)
Net income	\$ 13,971	\$ 12,907
Earnings per share:		
Basic	\$.44	\$.40
Diluted	\$.44	\$.40
Dividends per share	\$.055	\$.050
Weighted-average number of common shares outstanding:		
Basic	31,667,019	32,037,851
Diluted	31,851,284	32,299,656

Dollar amounts in thousands

December 31, 2006¹

September 30, 2006

ASSETS**Current assets:**

Cash and cash equivalents	\$ 36,061	\$ 29,720
Short-term investments	96	92
Accounts receivable, net	116,373	121,750
Inventories	95,336	85,415
Other current assets	6,578	5,866

Total current assets	254,444	242,843
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Investments	10,941	11,492
Property, plant and equipment, net	87,329	88,099
Deferred income taxes and other assets	32,913	30,566
Goodwill and other intangible assets, net	348,602	343,090

Total assets	\$734,229	\$716,090
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LIABILITIES AND SHAREHOLDERS' EQUITY**Current liabilities:**

Long-term debt, current maturities	\$ 26,353	\$ 28,451
Accounts payable	23,893	26,925
Accrued compensation	24,494	33,517
Accrued income taxes	14,601	9,230
Other current liabilities	34,303	39,086

Total current liabilities	123,644	137,209
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Long-term debt	130,730	120,289
Pension and postretirement benefits	36,422	35,142
Deferred income taxes	10,314	9,942
Environmental reserve	8,877	9,028
Other liabilities and deferred revenue	13,888	12,055

Shareholders' equity:

Common stock	36,334	36,334
Additional paid-in capital	35,232	33,953
Retained earnings	422,430	410,203
Accumulated other comprehensive income	9,129	4,386
Treasury stock, at cost	(92,771)	(92,451)

Total shareholders' equity	410,354	392,425
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Total liabilities and shareholders' equity	\$734,229	\$716,090
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¹Unaudited.

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 brand solutions. Memorialization products consist primarily of bronze memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking products, and merchandising solutions. The Company's products and services include cast bronze memorials and other memorialization products; caskets; cast and etched architectural products; cremation equipment and cremation-related products; mausoleums; brand management, printing plates, pre-press services and imaging services for the primary packaging and corrugated industries; marking and coding equipment and consumables, and industrial automation products for identifying, tracking and conveying various consumer and industrial products, components and packaging containers; and merchandising display systems and marketing and design services.

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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