



**Matthews**  
INTERNATIONAL

*A Tradition of Quality Since 1850*



## Second Quarter Report

For the Period Ended  
March 31, 2007

Matthews reported that net income for the fiscal 2007 second quarter was \$18,501,000 versus \$16,852,000 for the same quarter last year. Earnings per share for the second quarter of fiscal 2007 were \$0.58 compared to \$0.52 a year ago, an increase of 11.5%. Sales in the quarter increased 12.1% to \$202,979,000 versus \$181,068,000 in the second quarter of fiscal 2006. Net income for the six months ended March 31, 2007 was \$32,472,000 versus \$29,759,000 for the six months ended March 31, 2006. Earnings per share for the first six months of fiscal 2007 increased 10.9% to \$1.02 compared to \$0.92 for the first six months a year ago. Sales for the first half of fiscal 2007 increased 7.8% to \$378,403,000 versus \$351,177,000 for the first half of fiscal 2006. Fiscal 2007 earnings for the quarter and six-month periods included pre-tax charges of \$667,000 (\$0.01 per share after-tax) and \$1,333,000 (\$0.03 per share after-tax), respectively, related to the earn-out provisions under the acquisition-related agreements for Milso.

On a consolidated level, our fiscal second quarter and year-to-date March 31, 2007 results were in line with our internal expectations. For the fiscal 2007 second quarter, a significant project in our Merchandising Solutions business was the principal driver in our year-over-year improvement. In addition, our Bronze and Cremation segments reported improved results. These gains were partially offset by a decline in operating profit for our Casket and Graphics Imaging segments. Operating profit for the Casket segment was lower primarily due to higher distribution costs and the Milso earn-out accrual. The reduction in second quarter operating profit for the Graphics Imaging segment principally reflected continued weakness in the U.K. graphics market.

On a year-to-date basis, all segments of the Company reported improved operating profit, except for the Graphics Imaging segment. Each of our Memorialization businesses reported an increase in operating profit on higher sales, compared to the first six months last fiscal year. Our Brand Solutions Group also reported higher operating profit for the six-month period as a result of the second quarter Merchandising Solutions project. The favorable benefit of this project was partially offset by a decline in the performance of our U.K. graphics business.

With respect to the remainder of the fiscal year, we are maintaining our earnings guidance. However, we continue to remain cautious. Near-term visibility is more difficult due to the current challenges in our casket business, the recent rise in bronze costs and continued market weakness in the U.K. graphics market. However, our action plans and recent investments give us confidence that we will achieve our long-term growth rate into fiscal 2008.

**Joseph C. Bartolacci**

*President and Chief Executive Officer*

**April 30, 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 MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2007	2006	2007	2006
Sales	<b>\$202,979</b>	\$181,068	<b>\$378,403</b>	\$351,177
Cost of sales	<b>(128,772)</b>	(114,121)	<b>(239,262)</b>	(223,033)
Gross profit	<b>74,207</b>	66,947	<b>139,141</b>	128,144
Selling and administrative expenses	<b>(42,562)</b>	(37,886)	<b>(83,312)</b>	(76,665)
Operating profit	<b>31,645</b>	29,061	<b>55,829</b>	51,479
Investment income	<b>439</b>	244	<b>850</b>	571
Interest expense	<b>(1,924)</b>	(1,576)	<b>(3,740)</b>	(3,016)
Other income (deductions), net	<b>79</b>	(18)	<b>210</b>	(51)
Minority interest	<b>(591)</b>	(704)	<b>(1,111)</b>	(1,292)
Income before income taxes	<b>29,648</b>	27,007	<b>52,038</b>	47,691
Income taxes	<b>(11,147)</b>	(10,155)	<b>(19,566)</b>	(17,932)
<b>Net income</b>	<b>\$ 18,501</b>	\$ 16,852	<b>\$ 32,472</b>	\$ 29,759
<b>Earnings per share:</b>				
Basic	<b>\$ .58</b>	\$ .53	<b>\$1.02</b>	\$ .93
Diluted	<b>\$ .58</b>	\$ .52	<b>\$1.02</b>	\$ .92
<b>Dividends per share</b>				
	<b>\$ .055</b>	\$ .05	<b>\$ .11</b>	\$ .10
<b>Weighted-average number of common shares outstanding:</b>				
Basic	<b>31,733,347</b>	32,087,041	<b>31,699,731</b>	32,063,349
Diluted	<b>31,868,998</b>	32,293,079	<b>31,884,507</b>	32,327,324

Dollar amounts in thousands

	March 31, 2007 <sup>1</sup>	September 30, 2006
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 43,510	\$ 29,720
Short-term investments	91	92
Accounts receivable, net	119,212	121,750
Inventories	93,523	85,415
Other current assets	8,570	5,866
<b>Total current assets</b>	<b>264,906</b>	<b>242,843</b>
Investments	11,356	11,492
Property, plant and equipment, net	87,878	88,099
Deferred income taxes and other assets	31,673	30,566
Goodwill and other intangible assets, net	350,381	343,090
<b>Total assets</b>	<b>\$746,194</b>	<b>\$716,090</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Long-term debt, current maturities	\$ 25,544	\$ 28,451
Accounts payable	24,815	26,925
Accrued compensation	29,972	33,517
Accrued income taxes	8,173	9,230
Other current liabilities	30,588	39,086
<b>Total current liabilities</b>	<b>119,092</b>	<b>137,209</b>
Long-term debt	134,640	120,289
Postretirement benefits	37,806	35,142
Deferred income taxes	10,390	9,942
Environmental reserve	8,502	9,028
Other liabilities and deferred revenue	12,878	12,055
<b>Shareholders' equity:</b>		
Common stock	36,334	36,334
Additional paid-in capital	37,261	33,953
Retained earnings	439,189	410,203
Accumulated other comprehensive income	10,719	4,386
Treasury stock, at cost	(100,617)	(92,451)
<b>Total shareholders' equity</b>	<b>422,886</b>	<b>392,425</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$746,194</b>	<b>\$716,090</b>

<sup>1</sup>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 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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### INVESTOR CONTACT

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