



Matthews
INTERNATIONAL

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Third Quarter Report

For the Period Ended
June 30, 2007

Matthews reported that net income for the fiscal 2007 third quarter was \$12.0 million versus \$17.7 million for the same quarter last year. Earnings per share for the third quarter of fiscal 2007 were \$0.38. The results of the fiscal 2007 third quarter were unfavorably impacted by special charges totaling \$10.7 million, or \$0.21 per share. These special charges principally included the acceleration of earn-out payments and related costs in the resolution of employment agreements from the acquisition of Milso Industries. Special charges for the current quarter also included severance and other costs related to restructuring activities in several of the Company's businesses. Earnings per share for the fiscal 2006 third quarter were \$0.55. Sales in the quarter were \$185.5 million, compared to \$181.8 million a year ago. Net income for the nine months ended June 30, 2007 was \$44.5 million, compared to \$47.5 million for the same period last year. Earnings per share for the first nine months of fiscal 2007 were \$1.40. Special charges for the first nine months of fiscal 2007 totaled \$12.9 million, or \$0.25 per share. Earnings per share for the first nine months of fiscal 2006 were \$1.47. Sales for the nine months ended June 30, 2007 increased 5.8% to \$563.9 million, compared to \$533.0 million a year ago.

The fiscal 2007 third quarter proved to be extremely challenging. In addition to the expiration of the contract with Yorktowne Caskets, Inc., our largest independent casket distributor, other segments of the Company's business experienced softness in their markets, particularly the North American and U.K. Graphics businesses and the Merchandising Solutions segment. To address these challenges, the Company took certain restructuring actions in several of its businesses with the objective of improving margins going forward. The most significant of these initiatives was taken in our U.K. Graphics operations to better align its cost structure with its level of sales. We also implemented actions in our Casket, North American Graphics and Merchandising Solutions businesses to improve their cost structures.

On July 20, 2007, the Company's wholly-owned subsidiary, The York Group, Inc., reached a settlement agreement with Yorktowne Caskets, Inc. and its shareholders ("Yorktowne") with respect to all outstanding litigation between the parties. In exchange for the mutual release, the principal terms of the settlement include the assignment by Yorktowne of certain customer-related contracts to York and the purchase by York of certain assets of Yorktowne.

Joseph C. Bartolacci

President and Chief Executive Officer

August 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)

<i>Dollar amounts in thousands, except per share data</i>	THREE MONTHS ENDED JUNE 30,		NINE MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
Sales	\$185,477	\$181,804	\$563,880	\$532,981
Cost of sales	(116,059)	(111,515)	(355,321)	(334,548)
Gross profit	69,418	70,289	208,559	198,433
Selling and administrative expenses	(48,289)	(39,766)	(131,601)	(116,431)
Operating profit	21,129	30,523	76,958	82,002
Investment income	880	366	1,730	937
Interest expense	(2,098)	(1,924)	(5,838)	(4,940)
Other income, net	88	130	298	79
Minority interest	(722)	(720)	(1,833)	(2,012)
Income before income taxes	19,277	28,375	71,315	76,066
Income taxes	(7,248)	(10,669)	(26,814)	(28,601)
Net income	\$ 12,029	\$ 17,706	\$ 44,501	\$ 47,465
Earnings per share:				
Basic	\$.38	\$.55	\$ 1.40	\$1.48
Diluted	\$.38	\$.55	\$ 1.40	\$1.47
Dividends per share	\$.055	\$.05	\$.165	\$.15
Weighted-average number of common shares outstanding:				
Basic	31,649,972	32,110,431	31,690,309	32,076,674
Diluted	31,715,590	32,295,130	31,853,637	32,332,168

Dollar amounts in thousands

	June 30, 2007 ¹	September 30, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,993	\$ 29,720
Short-term investments	100	92
Accounts receivable, net	120,512	121,750
Inventories	93,110	85,415
Other current assets	8,252	5,866
Total current assets	258,967	242,843
Investments	11,822	11,492
Property, plant and equipment, net	87,834	88,099
Deferred income taxes and other assets	31,112	30,566
Goodwill and other intangible assets, net	355,928	343,090
Total assets	\$745,663	\$716,090
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long-term debt, current maturities	\$ 27,035	\$ 28,451
Accounts payable	20,908	26,925
Accrued compensation	29,191	33,517
Accrued income taxes	6,824	9,230
Other current liabilities	36,736	39,086
Total current liabilities	120,694	137,209
Long-term debt	133,170	120,289
Postretirement benefits	33,759	35,142
Deferred income taxes	10,541	9,942
Environmental reserve	8,418	9,028
Other liabilities and deferred revenue	13,871	12,055
Shareholders' equity:		
Common stock	36,334	36,334
Additional paid-in capital	40,540	33,953
Retained earnings	449,482	410,203
Accumulated other comprehensive income	13,376	4,386
Treasury stock, at cost	(114,522)	(92,451)
Total shareholders' equity	425,210	392,425
Total liabilities and shareholders' equity	\$745,663	\$716,090

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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