



Service Corporation International Reports Net Income up 15% and EPS up 13% for Second Quarter

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HOUSTON, July 23 /PRNewswire/ -- Service Corporation International (NYSE: SRV) ("SCI"), the world's largest funeral and cemetery company, today reported record second quarter revenues and earnings. For the three months ended June 30, 1998, the company reported revenues of \$671.9 million, net income of \$90.9 million and diluted earnings per share of \$.35 (\$.36 basic). This represents a 11.8 percent increase in revenues, a 15.4 percent increase in net income and a 12.9 percent increase in diluted earnings per share (9.1 percent basic) when compared to the second quarter of 1997.

"Strong North American cemetery results contributed impressively to our quarterly earnings growth, more than offsetting the effect on the funeral segment of lower than expected North American mortality rates. Funeral volumes improved in June after experiencing unusually weak volumes in April and May," said R.L. Waltrip, SCI's Chairman and Chief Executive Officer. Waltrip added, "We continue to be pleased with our progress overseas. Our international expansion continues at a tremendous pace and new opportunities are appearing almost daily."

Commenting on the results, L. William Heiligbrodt, SCI's President and Chief Operating Officer said, "Fluctuations in mortality rates present operational challenges over certain time periods; however, the fundamentals of the funeral service industry remain strong. Our properties include many of the premier funeral businesses in major metropolitan markets around the world, providing excellent opportunities for growth. Our newly formed financial services group and its acquisition of American Memorial Life Insurance Company will increase our prearranged funeral marketing efforts, providing for future funeral volume to maintain our consistent performance."

For the six months ended June 30, 1998, the company reported revenues of \$1.35 billion, net income of \$199.7 million and diluted earnings per share of \$.77 (\$.78 basic), representing an increase in revenues of 9.3 percent, an increase in net income of 18.1 percent and a 16.7 percent increase in diluted earnings per share (11.4 percent increase in basic) excluding non-recurring items. The non-recurring items recognized in the first quarter of 1997 were the gain on sale of the Company's investment in Equity Corporation International and the loss from the early extinguishment of debt which, when combined, resulted in a \$1.7 million net gain, or \$.01 diluted and basic earnings per share.

Acquisition Activity

As of June 30, 1998, SCI had acquired, or received signed letters of intent to acquire, 271 funeral service locations, 39 cemeteries and 12 crematoria for an aggregate purchase price of \$562 million. These businesses are expected to produce approximately \$230 million in annualized revenues, including \$89 million from North American operations and \$141 million from operations outside North America.

1998 Second Quarter Highlights:

Revenues from existing business clusters of funeral homes and cemeteries in North America, Europe and the Pacific Rim owned for both periods increased 9.2 percent to \$643.9 million, contributing \$183.8 million to existing cluster operating profit, a 13.6 percent increase over last year's second quarter.

Compared to the second quarter of 1997, funeral segment revenues increased 7.4 percent to \$450.5 million. During the second quarter of 1998, SCI operations performed approximately 135,000 funeral services worldwide, 63,000 in North America, 65,000 in Europe and 7,000 on the Pacific Rim. Funeral segment profits increased slightly to \$94.6 million. Funeral segment margins declined to 21.0%, compared to 22.5% in 1997.

During the second quarter of 1998, sales of prearranged funeral contracts were approximately \$138.9 million, which expanded the backlog of prearranged funeral contracts to be serviced in future periods to approximately \$3.3 billion. Revenues and associated investment earnings from such contracts are deferred, and will be recognized during the periods in which the funeral services are actually performed.

Compared to second quarter of 1997, cemetery segment revenues increased 21.7 percent to \$216.4 million. Cemetery segment profits rose \$23.9 million to \$90.7 million, an increase of 35.7 percent, reflecting improvements at existing North American cemeteries, the strong results of recently acquired cemeteries and increased investment returns associated with cemetery trust funds. Cemetery segment margins expanded to 41.9 percent, compared to 37.6 percent for second quarter of 1997.

As of June 30, 1998, SCI affiliates operated 3,292 funeral service locations, 422 cemeteries and 174 crematoria. SCI provides funeral and cemetery services in 18 countries on five continents.

Other Service Corporation International information and press releases are available through Company News On-Call by fax, (800) 758-5804, extension 104532, or at <http://www.prnewswire.com> or SCI's homepage: <http://www.sci-corp.com>.

SERVICE CORPORATION INTERNATIONAL CONSOLIDATED STATEMENT OF INCOME

(Thousands, except per share amounts)	Three Months Ended		Six Months Ended	
	1998	June 30, 1997	1998	June 30, 1997
Revenues:				
Funeral	\$450,493	\$419,284	\$922,621	\$876,355
Cemetery	216,366	177,739	422,307	355,529
Financial services	5,045	4,118	9,660	7,706

	671,904	601,141	1,354,588	1,239,590
Cost and expenses:				
Funeral	355,847	324,787	695,283	662,155
Cemetery	125,639	110,889	250,327	221,886
Financial services	2,728	2,282	5,160	4,214
	484,214	437,958	950,770	888,255
	187,690	163,183	403,818	351,335
General and administrative expense	(17,251)	(15,812)	(34,259)	(32,440)
Income from operations	170,439	147,371	369,559	318,895
Interest expense	(40,464)	(33,093)	(78,174)	(67,631)
Dividends on preferred securities of SCI				
Finance LLC	---	(1,753)	---	(4,382)
Other income	10,528	8,765	17,179	11,855
Gain on sale of investment	---	---	---	68,077
	(29,936)	(26,081)	(60,995)	7,919
Income before income taxes and extraordinary loss	140,503	121,290	308,564	326,814
Provision for income taxes	49,555	42,489	108,830	116,866
Net income before extraordinary loss	90,948	78,801	199,734	209,948
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)	---	---	---	(40,802)
Net income.....	\$90,948	\$78,801	\$199,734	\$169,146
Earnings per share:				
Basic:				
Income before extraordinary loss	\$0.36	\$0.33	\$0.78	\$0.88
Extraordinary loss on early extinguishment of debt	---	---	---	(0.17)
Net income	\$0.36	\$0.33	\$0.78	\$0.71
Diluted:				
Income before extraordinary loss	\$0.35	\$0.31	\$0.77	\$0.83
Extraordinary loss on early extinguishment of debt	---	---	---	(0.16)
Net income	\$0.35	\$0.31	\$0.77	\$0.67
Basic weighted average number of shares	255,004	240,872	254,820	239,068
Diluted weighted average number of shares	261,740	257,695	261,754	256,616

Geographic segment information was as follows:
(Dollars in thousands)

	United States	France	Other European	Other Foreign
Revenues:				
Three months ended June 30:				
1998	\$422,863	\$140,679	\$62,762	\$45,600
1997	390,477	119,433	50,039	41,192
Change from prior year	\$ 32,386	\$ 21,246	\$12,723	\$ 4,408
Percentage change from prior year	8.3%	17.8%	25.4%	10.7%

Six months ended June 30:

1998	\$875,509	\$263,607	\$126,476	\$88,996
1997	793,155	253,047	111,352	82,036
Change from prior year	\$ 82,354	\$ 10,560	\$ 15,124	\$ 6,960
Percentage change from prior year	10.4%	4.2%	13.6%	8.5%

Income from operations:

Three months ended June 30:

1998	\$132,265	\$ 18,426	\$ 9,443	\$10,305
1997	115,627	12,907	7,957	10,880
Change from prior year	\$ 16,638	\$ 5,519	\$ 1,486	\$ (575)
Percentage change from prior year	14.4%	42.8%	18.7%	(5.3)%

Six months ended June 30:

1998	\$294,379	\$ 30,882	\$ 23,205	\$21,093
1997	242,082	28,400	24,655	23,758
Change from prior year	\$ 52,297	\$ 2,482	\$ (1,450)	\$ (2,665)
Percentage change from prior year	21.6%	8.7%	(5.9)%	(11.2)%

Operating income margin:

Three months ended June 30:

1998	31.3%	13.1%	15.0%	22.6%
1997	29.6%	10.8%	15.9%	26.4%

Six months ended June 30:

1998	33.6%	11.7%	18.3%	23.7%
1997	30.5%	11.2%	22.1%	29.0%

Funeral services performed:

Three months ended June 30:

1998	57,030	37,321	28,206	12,849
1997	56,271	34,899	22,987	12,238
Percentage change from prior year	1.3%	6.9%	22.7%	5.0%

Six months ended June 30:

1998	123,099	76,097	57,536	26,149
1997	118,235	76,486	52,759	24,478
Percentage change from prior year	4.1%	(0.5)%	9.1%	6.8%

Number of locations

at June 30:

1998	1,638	1,163	780	307
1997	1,514	1,087	658	274

SOURCE Service Corporation International

Web site: <http://www.sci-corp.com>

Company News On-Call: <http://www.prnewswire.com> or fax, 800-758-5804, ext. 104532

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