



Service Corporation International Reports 14.4% Increase in Net Income and 14.3% Increase in EPS for Third Quarter 1998

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HOUSTON, Oct. 22 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today reported results for the three month and nine month periods ended September 30, 1998.

Three Months Ended September 30, 1998 (Compared to same period 1997)

Revenues	\$712.5 million up 18.6% from \$601.0 million
Net Income	\$83.2 million up 14.4% from \$72.7 million
Diluted earnings per share	\$0.32 up 14.3% from \$0.28

Nine Months Ended September 30, 1998 (Compared to same period 1997)

Revenues	\$2.10 billion up 12.4% from \$1.87 billion
Net Income	\$282.9 million up 17.0% from \$241.9 million
Diluted earnings per share	\$1.08 up 14.9% from \$0.94(A)

(A) Excluding the 1997 gain on sale of ECI stock of \$0.17 and extraordinary loss on early extinguishment of debt (\$0.16)

Strategic Highlights

- Completed the acquisition of American Memorial Life Insurance Company (AML) for \$164 million.
- Announced the business combination with Equity Corporation International for \$830 million, including assumed indebtedness.
- Formed a new financial services subsidiary, SCI Financial Services, Inc. to facilitate expansion of pre-need businesses and financial activities worldwide.

Commenting on the results, Robert Waltrip, Chairman and Chief Executive Officer, said:

"I am pleased to report another quarter of increased profitability for SCI despite the widely publicized reduced number of deaths reported by our industry. While SCI was not insulated from this experience, the strategic acquisitions and initiatives announced this summer will add value to SCI today and long-term."

SCI's President and Chief Operating Officer, L. William Heiligbrodt, added:

"Since 1990, SCI's North American market share has nearly doubled to approximately 11% today, mainly through acquisitions, new construction and prearranged funerals. SCI's market share is expected to increase as we accelerate the sales of prearranged funerals. We plan to double the annual sales of prearranged funerals within five years. Further, SCI will sharpen its focus on appropriate uses of capital, working with Stern Stewart & Co. on our global implementation of EVA in 1999."

Acquisition Activity

Effective July 1, 1998, SCI acquired AML, the pre-need funeral services division of American Annuity Group Inc., for \$164 million cash. AML offers a variety of pre-need and final expense life insurance and annuity products to finance prearranged funerals. To facilitate the expansion of SCI's pre-need businesses and financial activities worldwide, SCI formed a new financial services subsidiary, SCI Financial Services, Inc.

In August, SCI reached an agreement with Equity Corporation International (ECI) to enter into a business combination between the two companies. The combined company will have operations throughout metropolitan and rural North America and will consist of approximately 3,600 funeral homes, 500 cemeteries and 200 crematoria worldwide, with annualized revenues approaching \$3 billion.

Excluding ECI, as of September 30, 1998, SCI had acquired, or received signed letters of intent to acquire, 372 funeral service locations, 55 cemeteries and 16 crematoria for an aggregate purchase price of \$855 million. These businesses are expected to produce approximately \$334 million in annualized revenues, including \$129 million from North American operations and \$205 million from operations outside North America.

Third Quarter Results

Compared to the third quarter of 1997, funeral segment revenues increased 9.1% to \$432.8 million. During the third quarter of 1998, SCI operations performed approximately 133,200 funeral services worldwide, an increase of 5.6% over 1997. Funeral segment margins declined to 19.7%, compared to 20.4% in 1997, due primarily to a reduced number of funerals in many of the major markets served by the Company, and increased promotional and training expenses.

During the third quarter of 1998, sales of prearranged funeral contracts were approximately \$145.6 million, which expanded the backlog of

prearranged funeral contracts to be serviced in future periods to approximately \$3.4 billion. Revenues and associated investment earnings from such contracts (which are excluded from current results) are deferred, and will be recognized during the periods in which the funeral services are actually performed.

Compared to the third quarter of 1997, cemetery segment revenue increased 17.1% to \$213.9 million. Cemetery segment profits rose \$10.9 million to \$78.4 million, an increase of 16.1%, reflecting improvements at existing North American cemeteries, the results of recently acquired cemeteries, and offset by a slight decrease in investment returns associated with cemetery trust funds. Cemetery segment margins were 36.7%, compared to 37.0% for the third quarter of 1997.

Financial Services results include American Memorial Life, Auxia and Provident operations since July 1, 1998. AML contributed approximately \$38.7 million in revenues and \$4.1 million in operating income during the third quarter of 1998. Amounts related to Auxia for 1997 have been reclassified from the funeral segment to financial services.

Interest expense increased by \$15.1 million, to \$47.8 million related principally to acquisitions, including AML.

During the third quarter, other income increased by \$8.8 million compared to 1997, due to net gains on sales of selected businesses and increased equity in earnings associated with the company's investments.

As of September 30, 1998, SCI affiliates operated 3,370 funeral service locations, 430 cemeteries and 180 crematoria. SCI provides funeral and cemetery services in 18 countries on five continents.

Certain matters discussed in this release are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, but are not limited to, the following: The company maintaining its high level of acquisition activity and achieving expected performance from these acquired businesses, and the ability to manage internal growth of existing operations; the economy, competition and death rates in the company's geographic areas of operations; and sufficient availability of capital resources to fund future acquisitions and planned levels of capital expenditures which will depend on prevailing market conditions, interest rates, and the financial condition of the company.

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 September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Revenues:				
Funeral	\$ 432,814	\$ 396,777	\$1,351,603	\$1,269,346
Cemetery	213,831	182,624	636,138	538,153
Financial services	65,875	21,594	113,853	62,515
	712,520	600,995	2,101,594	1,870,014
Cost and expenses:				
Funeral	347,698	315,670	1,042,981	977,825
Cemetery	135,446	115,135	385,773	337,021
Financial services	55,670	18,418	95,316	52,061
	538,814	449,223	1,524,070	1,366,907
	173,706	151,772	577,524	503,107
General and administrative expense	(15,422)	(16,775)	(49,681)	(49,215)
Income from operations	158,284	134,997	527,843	453,892
Interest expense	(47,816)	(32,734)	(125,990)	(100,365)
Dividends on preferred securities of SCI Finance LLC	---	---	---	(4,382)
Other income	18,087	9,330	35,266	21,185
Gain on sale of investment	---	---	---	68,077
	(29,729)	(23,404)	(90,724)	(15,485)
Income before income taxes and extraordinary loss	128,555	111,593	437,119	438,407
Provision for income taxes	45,342	38,869	154,172	155,735
Net income before				

extraordinary loss	83,213	72,724	282,947	282,672
Extraordinary loss on early extinguishment of debt (net of \$23,383 income taxes)	---	---	---	(40,802)
Net income	\$ 83,213	\$ 72,724	\$ 282,947	\$ 241,870

Earnings per share:

Basic:

Income before extraordinary loss	\$ 0.32	\$ 0.29	\$ 1.11	\$ 1.17
Extraordinary loss on early extinguishment of debt	---	---	---	(0.17)
Net income	\$ 0.32	\$ 0.29	\$ 1.11	\$ 1.00

Diluted:

Income before extraordinary loss	\$ 0.32	\$ 0.28	\$ 1.08	\$ 1.11
Extraordinary loss on early extinguishment of debt	---	---	---	(0.16)
Net income	\$ 0.32	\$ 0.28	\$ 1.08	\$ 0.95

Basic weighted average number of shares	257,380	251,634	255,673	253,256
Diluted weighted average number of shares	263,416	258,614	262,308	257,282

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

	North America	France	Other European	Other Foreign
Revenues:				
Three months ended				
September 30:				
1998	\$ 471,032	\$ 147,970	\$ 62,281	\$31,237
1997	400,698	120,718	51,579	28,000
Change from prior year	\$ 70,334	\$ 27,252	\$ 10,702	\$ 3,237
Percentage change from prior year	17.6%	22.6%	20.7%	11.6%
Nine months ended				
September 30:				
1998	\$1,387,260	\$ 446,063	\$188,757	\$79,514
1997	1,229,212	403,194	162,931	74,677
Change from prior year	\$ 158,048	\$ 42,869	\$ 25,826	\$ 4,837
Percentage change from prior year	12.9%	10.6%	15.9%	6.5%
Income from operations:				
Three months ended				
September 30:				
1998	\$ 120,803	\$ 21,324	\$ 5,126	\$11,031
1997	107,912	8,684	7,556	10,845
Change from prior year	\$ 12,891	\$ 12,640	\$ (2,430)	\$ 186
Percentage change from prior year	11.9%	145.6%	-32.2%	1.7%
Nine months ended September 30:				
1998	\$ 425,987	\$ 52,206	\$ 28,331	\$21,319
1997	360,797	37,084	32,211	23,800
Change from prior year	\$ 65,190	\$ 15,122	\$ (3,880)	\$(2,481)

Percentage change from prior year	18.1%	40.8%	-12.0%	-10.4%
Operating income margin:				
Three months ended				
September 30:				
1998	25.6%	14.4%	8.2%	35.3%
1997	26.9%	7.2%	14.6%	38.7%
Nine months ended September 30:				
1998	30.7%	11.7%	15.0%	26.8%
1997	29.4%	9.2%	19.8%	31.9%
Funeral services performed:				
Three months ended September 30:				
1998	61,186	35,085	28,283	8,619
1997	58,734	35,062	23,692	8,585
Percentage change from prior year	4.2%	0.1%	19.4%	0.4%
Nine months ended September 30:				
1998	196,363	111,182	85,819	22,690
1997	187,899	111,548	76,451	22,133
Percentage change from prior year	4.5%	-0.3%	12.3%	2.5%
Number of locations at				
September 30:				
1998	1,837	1,200	782	161
1997	1,664	1,093	679	148

SOURCE Service Corporation International

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

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

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