



Service Corporation International Announces Third Quarter Results of \$.07 Per Diluted Share Before Non-Recurring Items and 21% Reduction in Total Debt In Twelve Months

November 8, 2000

HOUSTON, Nov. 8 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today announced results for the third quarter of 2000 of \$.07 per diluted share (\$.07 basic) from continuing and discontinued operations exclusive of non-recurring items described below. For the three months ended September 30, 1999, the Company reported earnings of \$.12 per diluted share (\$.12 basic) from continuing and discontinued operations.

In the third quarter of 2000, the Company recognized pretax gains of \$30.1 million associated with the completion of the sales of the Company's discontinued insurance operations in North America and France. After recognizing taxes of \$73.8 million associated with these gains described in more detail later in this press release, the Company recognized after tax losses of \$43.7 million or \$.16 per diluted share (\$.16 basic) associated with the completion of these sales. With the inclusion of these non-recurring losses, the Company reported a loss of \$.09 per diluted share (\$.09 basic) for the third quarter of 2000.

For the nine months ended September 30, 2000, the Company reported earnings of \$.44 per diluted share (\$.44 basic), excluding non-recurring items during the period defined as extraordinary gains on early extinguishments of debt, restructuring and non-recurring charges and net losses associated with the sales of the Company's discontinued insurance operations. Including these non-recurring items, the Company reported earnings of \$.33 per diluted share (\$.33 basic) for the nine months ended September 30, 2000. For the nine months ended September 30, 1999, the Company reported earnings of \$.76 per diluted share (\$.76 basic), exclusive of non-recurring items during the period defined as extraordinary gains on early extinguishments of debt and restructuring and non-recurring charges. Including these non-recurring items, the Company reported earnings of \$.56 per diluted share (\$.56 basic) for the nine months ended September 30, 1999.

The Company continued to see substantial improvement in operating free cash flow and the reduction of its debt during the third quarter of 2000. For the nine months ended September 30, 2000, the Company reported operating free cash flow of \$177.3 million, an improvement of over \$200 million compared to the same period of 1999. With the combination of this operating free cash flow and \$340 million in after tax cash proceeds received from asset sales, the Company reduced its total debt by over \$425 million or 11% in the third quarter of 2000 to \$3.33 billion.

Commenting on the results of the third quarter of 2000, SCI Chairman and Chief Executive Officer, Robert L. Waltrip, said:

"Over the past 12 months, we have reduced our total debt by over \$868 million or 21% compared to our debt balance of \$4.2 billion at September 30, 1999. We have accomplished this through the execution of our strategic plan designed to increase our operating free cash flow, sell non-core assets and reduce our debt. We were also pleased to see our internal growth initiatives, such as Dignity Memorial(TM) and customer satisfaction initiatives, start to take effect in the performance of our North America funeral operations in the third quarter of 2000. We will continue to implement our internal growth initiatives and enhance our cash flows while we now focus on the execution of additional phases of our strategic plan designed to substantially reduce or eliminate our indebtedness maturing in 2002."

Highlights of Financial Results

(In millions, except ratio and per share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2000	1999	2000	1999
Revenues From Continuing Operations	\$659.9	\$708.2	\$2,127.7	\$2,286.3
Earnings From Continuing and Discontinued Operations Before Non-Recurring Items	\$20.0	\$32.1	\$120.1	\$207.9
Net Income (Loss)	(\$23.7)	\$32.1	\$89.9	\$151.8
Diluted EPS From Continuing and Discontinued Operations Before Non-Recurring Items	\$.07	\$.12	\$.44	\$.76
Diluted Earnings (Loss) Per Share	(\$.09)	\$.12	\$.33	\$.56
EBITDA From Continuing and Discontinued Operations Before Non-Recurring Items	\$166.0	\$170.7	\$593.9	\$683.3
Interest Expense	\$73.3	\$59.4	\$216.4	\$173.6
Operating Free Cash Flow, as defined			\$177.3	(\$29.1)
Cash and Cash Equivalents			\$38.7	\$57.8*
Total Consolidated Debt			\$3,331.4	\$4,060.0*
Net Worth			\$3,443.2	\$3,495.3*

Percentage Ratio of Operating
Free Cash Flow to Total
Consolidated Debt

5.3%** (.7%)**

* Balance Sheet items reflected as of December 31, 1999

** Computed on a nine month basis.

Funeral

Funeral segment revenues for the third quarter of 2000 were \$452.1 million compared to \$469.1 million for the third quarter of 1999. Funeral segment gross profits were \$65.0 million for the three months ended September 30, 2000 compared to \$64.7 million for the same period of 1999. The funeral segment gross margin percentage was 14.4% for the third quarter of 2000 compared to 13.8% for the same period of 1999.

The Company's North American funeral service results exceeded the Company's expectations in the third quarter of 2000 primarily as a result of an increase in the number of deaths in its North American funeral service markets compared to the same period of 1999. The Company believes it maintained its respective market share in its North America funeral service markets during the third quarter of 2000. The Company's European funeral service locations performed below the Company's expectations in the third quarter of 2000. The Company continued to experience negative foreign currency translation effects as well as soft death rates in Europe during the third quarter of 2000. For the third quarter of 2000 compared to the same period of 1999, European funeral segment revenues and gross profits were negatively affected by approximately \$26 million and \$1.7 million, respectively, from negative foreign currency translations, primarily related to the Euro. The Company experienced slight losses in market share in the Company's European funeral service markets during the third quarter of 2000, primarily resulting from the restructuring of the Company's European operations in 1999 and 2000.

The Company's North America funeral service locations performed approximately 71,100 funeral services during the third quarter of 2000, an increase of 1.2% compared to the third quarter of 1999 and also exceeded the Company's expectations. The average revenue per funeral service for all funeral services performed in North America during the third quarter of 2000 was \$3,883, an increase of 1% over the third quarter 1999 average revenue per funeral service of \$3,845. The average revenue per funeral service performed in North America from previously prearranged funeral contracts was \$3,606, an increase of 1.4% per funeral service over the third quarter 1999 corresponding average of \$3,555. For the three months ended September 30, 2000, 27.8% of all funeral services performed in North America were previously prearranged funeral contracts compared to 27.4% in the third quarter of 1999. In the Company's European funeral service locations, approximately 58,200 funeral services were performed in the third quarter of 2000, a decrease of 8.7% compared to the third quarter of 1999. The average revenue per funeral service in the Company's European funeral service locations increased approximately 4.5% in the third quarter of 2000 compared to the same period of 1999, excluding the negative effect of foreign currency translations.

Of the total mix of funeral services performed by the Company in North America, 36.8% were cremation cases in the third quarter of 2000, which is equivalent to the percentage in the second quarter of 2000 and compares to 33.9% in the third quarter of 1999. Of the total cremation cases in the third quarter of 2000, approximately 64% were cremations with memorialization services versus immediate cremation cases, a substantial improvement over the 52% experienced in the third quarter of 1999. Cremations with memorialization services generally have an average revenue per case of approximately \$2,300 in the Company's North America funeral service locations compared to an average revenue per case of approximately \$1,300 for immediate cremations. The Company's strategy for cremation trends in North America is to continue the movement towards performing cremations with memorialization services as well as to offer enhanced and additional cremation products and services to North America cremation consumers. This is being accomplished through programs such as the Company's Dignity Memorial(TM) cremation memorialization packaged funeral plans, which offer the consumer a broad array of choices of products and services for memorialization.

Cemetery

Cemetery segment revenues for the third quarter of 2000 were \$204.8 million compared to \$233.8 million in the third quarter of 1999. Cemetery segment gross profits were \$46.6 million for the three months ended September 30, 2000, compared to \$56.6 million for the same period of 1999. The cemetery gross margin percentage was 22.8% in the third quarter of 2000, compared to 24.2% in the third quarter of 1999.

The decrease in cemetery segment revenues and gross profits in the third quarter of 2000 compared to the same period of 1999 was attributable to decreases in realized investment earnings and capital gains from the Company's cemetery trust funds and decreases in the results of core North America cemetery operations. Of the \$10 million decrease in cemetery gross profits in the third quarter of 2000 compared to the same period of 1999, approximately \$4.8 million is the result of reduced realized investment earnings and capital gains from the Company's cemetery trust funds. The remaining \$5.2 million decrease in cemetery gross profits is attributable to core North America cemetery operations, resulting from the significant changes to cemetery compensation plans in 2000 and a higher mix of cemetery heritage property sales. Cemetery heritage property sales have a lower gross profit margin than sales of cemetery merchandise and services.

Discontinued Operations

In the second quarter of 2000, the Company announced definitive agreements for the sale of its wholly owned insurance operations, American Memorial Life Insurance Company (AMLIC) and Auxia. Accordingly, the Company's insurance operations reportable segment is reported as discontinued operations in the Company's financial statements. As previously mentioned, the Company recognized pretax gains of \$30.1 million and associated tax provisions of \$73.8 million (of which only \$24.9 million is currently payable) during the third quarter of 2000 as a result of completing the sales of AMLIC and Auxia. The unusual relationship between the pretax gains and tax provisions is primarily due to the requirement to recognize at the time of sale the effects of Accumulated Other Comprehensive Losses of \$43.1 million through the statement of operations with no corresponding tax benefit, and the adverse effect of being taxed on the Auxia gain at both the United States and foreign level without corresponding benefit from United States foreign tax credits. Accumulated Other Comprehensive Losses primarily represented net unrealized losses on securities and foreign currency translation previously reported as a separate component of stockholders' equity.

Revenues from discontinued operations were \$91.4 million in the third quarter of 2000 compared to \$68.7 million in the third quarter of 1999. Gross profits from discontinued operations for the three months ended September 30, 2000 were \$8.2 million compared to \$4.9 million for the same period of 1999. The results from discontinued operations were in line with Company's expectations for the third quarter of 2000.

Operating Free Cash Flow and Debt Balance

The Company has expectations of operating free cash flow for full-year 2000 in the range of \$100 million to \$250 million. Operating free cash flow was previously defined in the Company's Form 10-Q for the second quarter of 2000. For the nine months ended September 30, 2000, the Company's operating free cash flow was \$177.3 million, compared to negative operating free cash flow of \$29.1 million for the nine months ended September 30, 1999. The Company has achieved this improvement of over \$200 million in operating free cash flow through several cash flow initiatives, despite trends of increasing cash interest payments made by the Company. The Company's cash flow initiatives included the suspension of the quarterly cash dividend and acquisition program, the reduction of capital expenditures compared to historical levels, the efficient retrieval of funds due to the Company from certain funeral and cemetery trusts and the realignment of preneed cemetery and prearranged funeral sales structures to become more cash flow positive. Included in the operating free cash flow of \$177.3 million above is \$103.3 million of funds received from certain funeral and cemetery trusts. A portion of these funds were received as a result of collecting receivables due to the Company from these trust funds related to prearranged funeral contracts that became atneed funeral services performed by the Company. The remaining portion was related to the distribution of trust fund income to the Company by the trust funds under the applicable state laws. Approximately \$96.6 million of the \$103.3 million of trust funds received in 2000 are considered non-recurring receipts of funds.

The Company has expectations of total debt at the end of 2000 to be in the range of \$3.3 billion to \$3.6 billion. As of September 30, 2000, the Company reported total debt of \$3.33 billion. The Company was able to substantially reduce its total debt in the third quarter of 2000 primarily as a result of \$340 million in after tax cash proceeds from the closing of the sales of AMLIC, Auxia and certain loans of the Company's lending subsidiary. The Company's percentage ratio of operating free cash flow to total debt improved to 5.3% for the nine months ended September 30, 2000 compared to a negative .7% ratio for the same period of 1999.

Commenting on the debt reduction during the third quarter of 2000, SCI Chief Financial Officer, Jeffrey E. Curtiss, said:

"We continue to be pleased with the execution of our initiatives to achieve our operating free cash flow and debt reduction targets. At September 30, 2000, our total debt is already at the bottom of our revised year-end 2000 targeted debt range of \$3.3 billion to \$3.6 billion. We are in compliance at September 30, 2000 with our financial covenants associated with our revolving credit facilities and, as stated before, will continue to be in compliance for the remainder of 2000. The covenant calculations are defined in our credit facility filed with the SEC as exhibits to our 1999 Form 10-K."

International Operations Update

Subsequent to the third quarter of 2000, the Company reorganized leadership of its European Operations by establishing an Office of the Chairman-Europe comprised of Bud D. Hunter, Vice Chairman of SCI, Thomas L. Ryan, Vice President of International Operations, and other key European executives. The Office of the Chairman-Europe will determine the appropriate structure and actions needed to continue the Company's strategic plan to enhance the value of the European Operations. According to the strategic plan, the Company may seek joint ventures with strategic partners in order to enhance future internal growth and incremental cash flows.

Also subsequent to the third quarter of 2000, the Company completed the sale of a 21% minority interest in the stock of the Company's United Kingdom Operations. The minority interest in the stock was sold to executives of the Company's United Kingdom Operations. These operations are primarily capitalized by 265 million pounds Sterling of Eurobond debentures issued in 1995 after the acquisition of the United Kingdom Operations by the Company. The sale of the minority interest in the stock created a substantial loss for the Company, which will be recognized in the fourth quarter of 2000. The loss created by this transaction will contribute to offsetting taxes paid on gains by the Company from asset sale transactions.

SAB No. 101 Update

The Company, together with other members of the death care industry, is continuing its discussions with the Securities and Exchange Commission with regard to Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB No. 101). Final resolution of these discussions with the SEC with regard to SAB No. 101 is expected soon; however, it is not expected to have an impact on the Company's consolidated cash flows nor compliance with the Company's existing credit agreements. However, resolution of these discussions will likely have a material impact on the Company's consolidated financial statements and on the manner in which the Company records preneed sales activities.

Cautionary Statement on Forward-Looking Statements

The statements contained in this press release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be accompanied by words such as "believe", "estimate", "project", "expect", "anticipate" or "predict", that convey the uncertainty of future events or outcomes. These statements are based on assumptions that the Company believes are reasonable; however, many important factors could cause the Company's actual results in the future to differ materially from the forward-looking statements made herein and in any other documents or oral presentations made by, or on behalf of, the Company. Important factors which could cause actual results of the Company to differ materially from those in forward-looking statements include, among others, the following:

- 1) Changes in general economic conditions, both domestically and internationally, impacting financial markets (e.g. marketable security values, as well as currency and interest rate fluctuations) that could negatively affect the Company, particularly but not limited to, levels of interest expense and negative currency translation effects.
- 2) Changes in credit relationships impacting the availability of credit and the general availability of credit in the marketplace.
- 3) The Company's ability to successfully implement and complete all three phases of its strategic plan as defined in the Company's Form 10-Q as of June 30, 2000, including the interest of third parties to enter into and consummate alliances and joint ventures with the Company, and the successful implementation of its Internet initiatives.

- 4) Changes in consumer demand and/or pricing for the Company's products and services caused by several factors, such as changes in local death rates, cremation rates, competitive pressures and local economic conditions.
- 5) The Company's ability to sell preneed heritage cemetery property which is usually associated with new customers of the Company's cemeteries.
- 6) The Company's ability to successfully implement ongoing cost reduction initiatives, as well as changes in domestic and international economic, political and/or regulatory environments, which could negatively effect the implementation of the Company's cost reduction initiatives.
- 7) The Company's ability to successfully realize the estimated savings associated with the Company's cost reduction initiatives announced in 1999.
- 8) The Company's ability to successfully implement certain strategic revenue and marketing initiatives resulting in increased volume through its existing facilities.
- 9) The Company's ability to successfully implement certain strategic cash flow initiatives, including but not limited to the sale of non-core assets and the previously announced funeral and cemetery consumer financing program, which could improve or generate cash flow for the Company and enhance the Company's ability to reduce debt.
- 10) Changes in domestic and international political and/or regulatory environments in which the Company operates, including tax and accounting policies.
- 11) The Company's ability to successfully exploit its substantial purchasing power with certain of the Company's vendors.

The Company assumes no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by the Company.

As of September 30, 2000, SCI affiliates operated 3,755 funeral service locations, 575 cemeteries and 203 crematoria. SCI provides funeral and cemetery services in 20 countries on five continents.

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

SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Revenues:				
Funeral	\$452,135	\$469,138	\$1,456,038	\$1,526,957
Cemetery	204,843	233,837	660,179	742,863
Lending subsidiary	2,883	5,216	11,494	16,467
	659,861	708,191	2,127,711	2,286,287
Gross profit:				
Funeral	64,988	64,736	246,552	278,531
Cemetery	46,602	56,549	174,354	218,370
Lending subsidiary	621	2,469	2,295	7,756
	112,211	123,754	423,201	504,657
General and administrative expenses	(20,185)	(19,322)	(60,031)	(55,839)
Restructuring charges and non-recurring charges	---	---	(13,281)	(89,884)
Income from continuing operations	92,026	104,432	349,889	358,934
Interest expense	(73,256)	(59,404)	(216,370)	(173,604)
Other income (expense)	6,155	(334)	17,398	27,034
	(67,101)	(59,738)	(198,972)	(146,570)
Income from continuing				

operations before income taxes and extraordinary gains	24,925	44,694	150,917	212,364
Provision for income taxes	9,839	15,343	54,949	75,477
Income from continuing operations before extraordinary gains	15,086	29,351	95,968	136,887
Income from discontinued operations (net of income taxes of \$3,257, \$2,187, \$10,825 and \$9,371, respectively)	4,953	2,703	15,716	13,064
Loss on disposal of discontinued operations (net of income taxes of \$73,839)	(43,733)	---	(43,733)	---
Extraordinary gains on early extinguishments of debt (net of income taxes of \$12,630 and \$1,071, respectively)	---	---	21,973	1,885
Net income (loss)	\$(23,694)	\$32,054	\$89,924	\$151,836

Earnings per share:

Basic:

Income from continuing and discontinued operations before non-recurring items	\$.07	\$.12	\$.44	\$.76
Restructuring charges and non-recurring charges	---	---	(.03)	(.21)
Loss on disposal of discontinued operations	(.16)	---	(.16)	---
Extraordinary gains on early extinguishments of debt	---	---	.08	.01
Net income (loss)	\$(.09)	\$.12	\$.33	\$.56

Diluted:

Income from continuing and discontinued operations before non-recurring items	\$.07	\$.12	\$.44	\$.76
Restructuring charges and non-recurring charges	---	---	(.03)	(.21)
Loss on disposal of discontinued operations	(.16)	---	(.16)	---
Extraordinary gains on early extinguishments of debt	---	---	.08	.01
Net income (loss)	\$(.09)	\$.12	\$.33	\$.56

Basic weighted average number of shares	272,210	272,060	272,122	272,354
Diluted weighted average number of shares	272,252	273,079	272,617	274,368

Geographic segment information was as follows:

(In thousands, except number of locations)

North America	Europe	Other Foreign
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Revenues from continuing operations:

Three months ended September 30:

2000	\$459,475	\$155,615	\$44,771
1999	474,734	183,921	49,536
Change from prior year	\$(15,259)	\$(28,306)	\$(4,765)
Percentage change from prior year	(3.2)%	(15.4)%	(9.6)%

Nine months ended September 30:

2000	\$1,459,452	\$537,942	\$130,317
1999	1,550,963	608,844	126,480
Change from prior year	\$(91,511)	\$(70,902)	\$3,837
Percentage change from prior year	(5.9)%	(11.6)%	3.0%

Operating income from continuing operations:

Three months ended September 30:

2000	\$72,047	\$7,249	\$12,730
1999	79,879	9,536	15,017
Change from prior year	\$(7,832)	\$(2,287)	\$(2,287)
Percentage change from prior year	(9.8)%	(24.0)%	(15.2)%

Nine months ended September 30 (Excluding effects of Restructuring Charges):

2000	\$283,647	\$46,733	\$32,790
1999	354,330	60,765	33,723
Change from prior year	\$(70,683)	\$(14,032)	\$(933)
Percentage change from prior year	(19.9)%	(23.1)%	(2.8)%

Operating income margin from continuing operations:

Three months ended September 30:

2000	15.7%	4.7%	28.4%
1999	16.8%	5.2%	30.3%

Nine months ended September 30 (Excluding effects of Restructuring Charges):

2000	19.4%	8.7%	25.2%
1999	22.8%	10.0%	26.7%

Funeral services performed:

Three months ended September 30:

2000	71,080	58,218	8,592
1999	70,248	63,756	8,906
Percentage change from prior year	1.2%	(8.7)%	(3.5)%

Nine months ended September 30:

2000	227,754	200,454	23,464
1999	229,433	210,960	23,498
Percentage change from prior year	(0.7)%	(5.0)%	(0.1)%

Number of locations at September 30:

2000	2,332	2,016	185
1999	2,292	2,071	182

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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