



Service Corporation International Announces Continued Improvement in Debt Reduction and Results for the First Quarter of 2001 of \$.08 Per Diluted Share Before Non-Recurring Items

May 9, 2001

HOUSTON, May 9 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today announced results for the first quarter of 2001 and continued execution of its debt reduction initiatives.

Excluding non-recurring items in both periods, the Company announced results of \$.08 per diluted share (\$.08 basic) from continuing operations for the three months ended March 31, 2001, compared to \$.08 per diluted share (\$.08 basic) from continuing operations for the three months ended March 31, 2000. The Company's financial results for the first quarter of 2001 and 2000 reflect the implementation of Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB No. 101), as of January 1, 2000.

Financial Results

(In millions, except per share amounts)	Three Months Ended	
	March 31,	
	2001	2000
Revenues	\$677.8	\$ 683.5*
Earnings Before Non-Recurring Items	\$ 21.4	\$ 20.9*
EBITDA Before Non-Recurring Items	\$146.1	\$ 158.9*
Net Income (Loss)	\$ 0.3	\$(876.6)
Diluted EPS Before Non-Recurring Items	\$.08	\$.08*
Diluted Earnings (Loss) Per Share	\$.00	\$ (3.21)

* Prior year amounts reflect results from continuing operations for comparison purposes.

Commenting on the results of the first quarter of 2001, SCI Chairman and Chief Executive Officer, Robert L. Waltrip, said:

"We are encouraged by the operating results our Company produced this quarter given the low death rates we experienced throughout our global funeral service markets. We are pleased by the results of our cemetery segment as we continue to fundamentally change these operations to focus on initiatives that will produce higher quality sales and increased cash flows in this segment."

Funeral

The Company's funeral segment revenues and gross profits were below the Company's expectations in the first quarter of 2001 primarily as a result of a decrease in the number of deaths in its global funeral service markets and from adverse effects of foreign currency translations. For the first quarter of 2001 compared to the same period of 2000, funeral segment revenues and gross profits were negatively affected by approximately \$15.3 million and \$1.3 million, respectively, primarily related to the Euro. Despite the decreased number of deaths, the Company believes it maintained its respective market share in its North America funeral service markets during the first quarter of 2001. The Company is experiencing an increase in the number of deaths in the second quarter of 2001 in its North America funeral services markets. The Company estimates it performed approximately 5% more funeral services in April 2001 compared to April 2000. The Company believes it experienced modest losses in market share in its European funeral service markets in the first quarter of 2001 compared to the same period of 2000. However, comparing the first quarter of 2001 to the fourth quarter of 2000, the Company believes it has slightly increased its comparable market share in its United Kingdom funeral service markets and has stabilized its market share in its French funeral service markets.

Three Months Ended March 31,

(Dollars in millions, except average revenue per funeral service)	Percentage Increase		
	2001	2000	(Decrease)
Revenues From North America Funeral Segment	\$315.5	\$323.3	(2.4%)
Revenues From International Funeral Segment	\$185.1	\$211.1	(12.3%)
Total Revenues From Funeral Segment	\$500.6	\$534.4	(6.3%)
Gross Profits From North America Funeral Segment	\$68.4	\$79.6	(14.1%)
Gross Profits From International Funeral Segment	\$15.5	\$27.8	(44.2%)
Total Gross Profits From Funeral Segment	\$83.9	\$107.4	(21.9%)
North America Funeral Services Performed	80,379	84,581	(5.0%)
European Funeral Services Performed	68,907	81,381	(15.3%)
North America Average Revenue Per			

Funeral Service	\$3,926	\$3,823	2.7%
European Average Revenue Per Funeral Service, Excluding Currency Effect	\$2,484	\$2,415	2.9%
Percentage Of North America Funeral Services Performed As Cremation Cases	36.8%	35.2%	4.6%
Percentage Of North America Funeral Services Performed Previously Prearranged	29.6%	28.4%	4.2%

The average revenue per funeral service for North America funeral service locations for the three months ended March 31, 2001 was in line with the Company's expectations. The increase in the average revenue per funeral service of 2.7% was achieved despite the increase in the percentage of cremation cases performed to 36.8% in the first quarter of 2001, and was a result of the continued implementation of the Company's revenue growth initiatives. The revenue growth initiatives positively impacting the first quarter of 2001 include the continued roll-out of the Company's Dignity Memorial(TM) packaged funeral plans and a concentration on training funeral service personnel on customer satisfaction and other various initiatives during such program roll-outs. The average revenue per funeral service for European funeral service locations was in line with the Company's expectations for the first quarter of 2001. The increase in the average revenue per funeral service of 2.9% was achieved by continuing to offer new and expanded products and services to client families in these funeral service markets.

Cemetery

Cemetery segment revenues for the first quarter of 2001 were \$177.2 million compared to revenues of \$144.7 million for the first quarter of 2000. Cemetery segment gross profits were \$27.0 million for the three months ended March 31, 2001 compared to gross profits of \$8.9 million for the same period of 2000.

In the Company's cemetery segment during the first quarter of 2001, the Company continued a focus that began in 2000 on actions designed to enhance the cash flows of its cemetery operations. Such actions included significant changes to cemetery compensation plans and the concentration on sales of cemetery property and sales of cemetery merchandise that can be delivered, as defined by applicable state trusting laws. As a result of the above actions during the first quarter of 2001, the Company's sales mix shifted towards sales that were more cash flow positive to the Company and could be recognized as revenue under the industry's current accounting rules after the implementation of SAB No. 101. The Company's cemetery operations in the first quarter of 2001 focused on the sales of developed cemetery property which also generated a 10% down payment from the client families, two criteria that generally allow for cemetery revenue recognition after the implementation of SAB No. 101. The Company's cemetery operations in the first quarter of 2001 also benefited from delivering cemetery merchandise purchased by consumers in previous quarters as well as current sales of cemetery merchandise that can be constructively delivered, two actions that also generally allow for cemetery revenue recognition after the implementation of SAB No. 101. The results of these actions are increased revenues, gross profits and cash flows from the Company's cemetery segment in the first quarter of 2001 compared to the same period of 2000.

Other Expenses

General and administrative expenses were \$18.0 million for the first quarter of 2001 compared to \$20.1 million for the same period of 2000. The 10.4% decrease in general and administrative expenses relates to the reduction in costs after the Company completed the implementation of its North America proprietary point of sale system in 2000 and due to the completion of the initial roll-out of the Company's Central Processing Centers in its North America operating clusters.

Interest expense was \$60.8 million for the three months ended March 31, 2001 compared to \$69.5 million for the same period of 2000. The 12.5% decrease in interest expense relates to the Company's long-term debt balance during the first quarter of 2001 being approximately \$900 million less than the balance during the first quarter of 2000.

Debt Reduction

The Company's debt reduction results are summarized in the following table.

(In millions)	Debt at March 31, 2001	Debt at Dec. 31, 2000	Debt Reduction
Current Maturities of Long-Term Debt	\$171.0	\$176.8	\$(5.8)
Long-Term Debt	2,861.3	3,114.5	(253.2)
Total Debt	\$3,032.3	\$3,291.3	\$(259.0)

The execution of the Company's debt reduction initiatives continues to meet the Company's expectations. During the first quarter of 2001, the Company reduced its total debt by \$259 million. Funds available to achieve this debt reduction were generated from the Company's recurring operating free cash flow, proceeds from the sales of certain non-strategic funeral and cemetery operations in North America, receipts of non-recurring funds from certain income tax refunds and receipts of non-recurring funds from the collection of receivables from funeral and cemetery trust funds. During the first quarter of 2001, the Company also extinguished certain debt obligations using the Company's common stock in transactions with third parties which owned such debt obligations.

The Company is continuing discussions with various parties concerning the possibility of joint venturing primarily its international operations. Proceeds from any investments made by strategic partners will be used by the Company to reduce its debt. With the proceeds from possible joint venture programs and from the continued sales of certain non-strategic funeral and cemetery operations in North America, as well as from improvements expected in recurring operating free cash flow, the Company remains comfortable with its goal of reducing its debt from its current level to a range of \$2.0 to \$2.5 billion by the end of 2002.

Commenting on the Company's debt reduction, SCl Senior Vice President and Chief Financial Officer, Jeffrey E. Curtiss, said:

"We are encouraged with the results of our continued execution of our debt reduction initiatives, allowing us to further reduce our debt by almost 8% in the first quarter of 2001. We were also very pleased to announce this week the completion of the joint venture of our Australian operations, which produced approximately \$118 million in net after tax cash proceeds. With the addition of these cash proceeds, our debt is currently well under \$3 billion, which is an approximate 30% reduction from our peak debt level at September 30, 1999."

Operating Free Cash Flow

The Company's total and recurring operating free cash flow is summarized in the following table.

(In millions)	Three Months Ended March 31,		
	2001	2000	Change
Total Operating Free Cash Flow	\$185.3	\$80.9	\$104.4
Recurring Operating Free Cash Flow	\$60.8	\$76.9	\$(16.1)

The Company's improvement of \$104.4 million in total operating free cash flow for the three months ended March 31, 2001 was primarily a result of non-recurring receipts of funds offset by a reduction in recurring operating free cash in the first quarter of 2001 compared to the same period of 2000. Included in total operating free cash flow of \$185.3 million for the first quarter of 2001 is \$124.5 million in non-recurring receipts of funds primarily from certain income tax refunds and from the collection of receivables from funeral and cemetery trust funds. The Company's recurring operating free cash flow of \$60.8 million for the three months ended March 31, 2001 was less than the same period of 2000 primarily due to the reduction in cash operating receipts as a result of significantly fewer funeral services performed, approximately \$11 million more cash interest paid related to the timing of cash interest payments and approximately \$7 million more in funds expended for expected capital expenditure purposes, all in the first quarter of 2001 compared to the same period of 2000. The Company is continuing the execution of its cash flow initiatives categorized as revenue growth initiatives, working capital improvements, cost reduction initiatives, asset redeployment and enhanced funeral and cemetery trust administration and management. The Company expects recurring operating free cash flow to have a run rate between \$100 and \$150 million by the end of 2001 as a result of the continued implementation of its cash flow initiatives.

Non-Recurring Items

In the first quarter of 2001, the Company recognized a non-cash impairment charge of \$25.5 million on a pretax basis representing the expected loss related to the Company's joint venture transaction with its Australian operations. This non-cash impairment charge is included in Restructuring and non-recurring charges in the Company's consolidated income statement for the first quarter of 2001. Additionally, the Company will recognize a one-time, non-cash charge in the second quarter of 2001 of approximately \$22 to \$28 million on a pretax basis relating to the recognition into earnings of the cumulative foreign currency translation effect from the Australian operations which is currently included as a separate component of the Company's consolidated stockholders' equity. This charge cannot be recognized under applicable accounting rules until the actual consummation of the transaction, which occurred this week.

The Company recognized extraordinary gains on early extinguishment of debt (net of tax) of \$4.5 million and \$6.6 million for the first quarter of 2001 and 2000, respectively.

In the first quarter of 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities: An Amendment of FASB Statement 133." In accordance with these standards, the Company recognized a one-time, non-cash charge of \$7.6 million (net of tax) representing the cumulative effect of this accounting change. As previously disclosed, the Company adopted SAB No. 101 as of January 1, 2000. As a result, the Company recognized a one-time, non-cash charge of \$909.3 million (net of tax) as of January 1, 2000 representing the cumulative effect of the accounting changes resulting from the adoption of SAB No. 101.

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 its strategic plan as defined in the Company's Form 10-K as of December 31, 2000, including the interest of third parties to enter into and consummate alliances and joint ventures with the Company.
4. The Company's ability to generate expected proceeds from the sale of certain funeral and cemetery operations and to implement plans to improve recurring operating free cash flow.
5. 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.

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 implement certain strategic revenue and marketing initiatives resulting in increased volume through its existing facilities.
8. Changes in domestic and international political and/or regulatory environments in which the Company operates, including tax and accounting policies.
9. 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 March 31, 2001, SCI affiliates operated 3,558 funeral service locations, 517 cemeteries and 200 crematoria. SCI provides funeral and cemetery services in 18 countries on five continents.

For additional information contact:

Investor Relations: Debbie E. Fisher - Director/Investor Relations
 Tel: (713) 525-9088
 Eric D. Tanzberger - Vice President/Investor Relations
 Assistant Corporate Controller
 Tel: (713) 525-7768

Media Relations: Terry Hemeyer - Managing Director/Corp. Communications
 Tel: (713) 525-5235

Other Service Corporation International information and news releases are available through SCI's corporate website at: <http://www.sci-corp.com>.

SERVICE CORPORATION INTERNATIONAL
 CONSOLIDATED STATEMENT OF OPERATIONS

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2001	2000
Revenues:		
Funeral	\$500,617	\$534,440
Cemetery	177,159	144,719
Other services	---	4,334
	677,776	683,493
Gross profit:		
Funeral	83,911	107,383
Cemetery	26,977	8,922
Other services	---	760
	110,888	117,065
General and administrative expenses	(17,979)	(20,113)
Restructuring and non-recurring charges	(25,023)	---
Operating income	67,886	96,952
Interest expense	(60,806)	(69,549)
Other income	2,954	3,806
	(57,852)	(65,743)
Income from continuing operations before income taxes, extraordinary gains and cumulative effect of accounting change	10,034	31,209
Income tax expense	(6,715)	(10,272)
Income from continuing operations before extraordinary gains and cumulative		

effect of accounting change	3,319	20,937
Income from discontinued operations (net of income taxes of \$3,683)	---	5,152
Extraordinary gains on early extinguishments of debt (net of income taxes of \$2,907 and \$3,785, respectively)	4,547	6,585
Cumulative effect of accounting change (net of income taxes of \$5,318 and \$522,491, respectively)	(7,601)	(909,315)
Net income (loss)	\$265	\$(876,641)
Earnings per share:		
Basic:		
Income from continuing operations before non-recurring items	\$.08	\$.08
Income from discontinued operations	---	.02
Restructuring and non-recurring charges	(.07)	---
Extraordinary gains on early extinguishments of debt	.02	.02
Cumulative effect of accounting change	(.03)	(3.34)
Net income (loss)	\$.00	\$(3.22)
Diluted:		
Income from continuing operations before non-recurring items	\$.08	\$.08
Income from discontinued operations	---	.02
Restructuring and non-recurring charges	(.07)	---
Extraordinary gains on early extinguishments of debt	.02	.02
Cumulative effect of accounting change	(.03)	(3.33)
Net income (loss)	\$.00	\$(3.21)
Basic weighted average number of shares	273,637	272,063
Diluted weighted average number of shares	273,966	273,501

Geographic segment information was as follows:

(In thousands, except funeral services performed and number of locations)

	North America	Europe	Other Foreign
Revenues from continuing operations:			
Three months ended March 31:			
2001	\$471,567	\$177,663	\$28,546
2000	444,609	203,658	35,226
Change from prior period	\$ 26,958	\$(25,995)	\$(6,680)
Percentage change from prior period	6.1%	(12.8)%	(19.0)%
Operating income from continuing operations:			
Three months ended March 31			
(Excluding effects of restructuring and non-recurring charges):			
2001	\$73,801	\$16,909	\$2,199
2000	63,696	28,523	4,733
Change from prior period	\$10,105	\$(11,614)	\$(2,534)
Percentage change from prior period	15.9%	(40.7)%	(53.5)%

Operating income margin from continuing operations:

Three months ended March 31
(Excluding effects of restructuring
and non-recurring charges):

2001	15.7%	9.5%	7.7%
2000	14.3%	14.0%	13.4%

Funeral services performed:

Three months ended March 31:

2001	80,379	68,907	7,045
2000	84,581	81,381	7,505

Percentage change from prior period	(5.0)%	(15.3)%	(6.1)%
-------------------------------------	--------	---------	--------

Number of locations at March 31:

2001	2,171	1,923	181
2000	2,288	2,070	186

MAKE YOUR OPINION COUNT - Click Here
<http://tbutton.prnewswire.com/prn/11690X57960720>

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

CONTACT: Investor Relations, Debbie E. Fisher, Director/Investor Relations, 713-525-9088, or Eric D. Tanzberger, Vice President/Investor Relations, Assistant Corporate Controller, 713-525-7768, or Media Relations, Terry Hemeyer, Managing Director/Corp. Communications, 713-525-5235, all of Service Corporation International