



Service Corporation International Announces Results for the Second Quarter Of 2001 of \$.05 Per Diluted Share Before Non-Recurring Items, Cash Flow Improvement and Continued Debt Reduction

August 7, 2001

HOUSTON, Aug. 7 /PRNewswire/ -- Service Corporation International (NYSE: SRV), the world's largest funeral and cemetery company, today announced earnings from continuing operations for the second quarter of 2001 of \$.05 per diluted share (\$.05 basic) versus a loss of \$.03 per diluted share (\$.03 basic) for the second quarter of 2000, excluding non-recurring items in both periods. For the six months ended June 30, 2001, the Company reported earnings from continuing operations of \$.13 per diluted share (\$.13 basic) versus \$.05 per diluted share (\$.05 basic) for the six months ended June 30, 2000, excluding non-recurring items in both periods.

Highlights of the Company's financial results from continuing operations are detailed below. For the second quarter of 2001 compared to the same period of 2000, the Company's total revenues and gross profits were negatively affected by approximately \$14.0 million and \$2.0 million, respectively, from effects of foreign currency translation primarily related to the Euro. The Company's comparable results in all periods presented in this press release represent financial results excluding operations that were acquired or constructed after January 1, 2000 or divested by the Company prior to June 30, 2001.

(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000*	2001	2000*
Total Revenues	\$618.7	\$636.5	\$1,296.5	\$1,320.0
Comparable Revenues	\$608.2	\$596.3	\$1,258.2	\$1,242.5
Comparable Revenues, Excluding Negative Currency Translation Effect	\$621.4	\$596.3	\$1,285.5	\$1,242.5
Earnings (Loss) Before Non-Recurring Items	\$15.4	\$(8.0)	\$36.8	\$12.9
EBITDA Before Non-Recurring Items	\$128.8	\$118.7	\$274.9	\$277.6
Net Income (Loss)	\$(10.6)	\$4.5	\$(10.3)	\$(872.1)
Diluted EPS Before Non-Recurring Items	\$.05	\$(.03)	\$.13	\$.05
Diluted Earnings (Loss) Per Share	\$(.04)	\$.02	\$(.04)	\$(3.20)
Total Operating Free Cash Flow	\$63.9	\$50.5	\$249.2	\$131.4
Recurring Operating Free Cash Flow	\$57.7	\$(27.0)	\$118.5	\$49.9
Total Debt			\$2,776.4	\$3,291.3**

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

** As of December 31, 2000.

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

"We are pleased to report this quarter's financial results showing increases in our comparable revenues, gross profits and gross margin percentages compared to the same period of 2000. Excluding the negative impact of foreign currency, our comparable revenues increased 4.2% primarily driven by more funeral services performed and higher funeral sales averages reflecting the success of our operational initiatives. The improvement in our international gross profits and gross margin percentages was very encouraging and attributable to the positive results of operational growth, cash flow and cost rationalization initiatives from our France and United Kingdom operations. We continue to believe our Company is uniquely positioned to grow on a long-term basis in this stable industry."

Funeral Segment

(In millions)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2001	2000	% Change	2001	2000	% Change

Total North America						
Funeral Revenues	\$286.0	\$279.1	2.5%	\$601.5	\$602.4	(0.1%)
Total International						
Funeral Revenues	\$160.6	\$179.2	(10.4%)	\$345.7	\$390.3	(11.4%)
Total Funeral Revenues	\$446.6	\$458.3	(2.6%)	\$947.2	\$992.7	(4.6%)
Comparable North America Funeral Revenues	\$282.0	\$270.4	4.3%	\$588.7	\$584.2	0.8%
Comparable International Funeral Revenues	\$157.6	\$164.1	(4.0%)	\$332.1	\$359.0	(7.5%)
Comparable Funeral Revenues	\$439.6	\$434.5	1.2%	\$920.8	\$943.2	(2.4%)
North America Funeral Gross Profits	\$50.7	\$44.1	15.0%	\$119.1	\$123.6	(3.6%)
International Funeral Gross Profits	\$12.2	\$3.5	248.6%	\$27.7	\$31.3	(11.5%)
Funeral Gross Profits	\$62.9	\$47.6	32.1%	\$146.8	\$154.9	(5.2%)
North America Funeral Gross Margin Percentage	17.7%	15.8%		19.8%	20.5%	
International Funeral Gross Margin Percentage	7.6%	2.0%		8.0%	8.0%	
Funeral Gross Margin Percentage	14.1%	10.4%		15.5%	15.6%	

The Company's funeral segment experienced growth in its comparable revenues, gross profits and gross margin percentages in the second quarter of 2001 compared to the same period of 2000. While comparable funeral revenues grew 1.2% in the second quarter of 2001, the Company's comparable funeral revenues grew 3.8% in the second quarter of 2001 compared to the same period of 2000 when excluding the negative impact of foreign currency. Funeral revenues, gross profits and gross margin percentages were positively impacted in the second quarter of 2001 by increases in funeral services performed and higher average revenues per funeral service in both the Company's North America and International funeral service markets, coupled with the positive effects of the Company's cost rationalization programs.

The Company is continuing the implementation of its strategic revenue growth initiatives, designed to expand its market share and generate future revenue growth without the outlay of significant additional capital. The revenue growth initiatives positively impacting North America funeral operating results in the second quarter of 2001 include the Company's Dignity Memorial(TM) packaged funeral plans and a focus on training our funeral service personnel in customer satisfaction and various other initiatives. The Company's international funeral operating results were also positively impacted by training, as well as by an increase in monument sales in the Company's French operations and an increase in the selection of packaged funeral plans in the Company's United Kingdom operations. Details of the Company's funeral operating results are presented in the following table.

	Three Months Ended			Six Months Ended		
	June 30,		% Change	June 30,		% Change
	2001	2000		2001	2000	
Funeral Services Performed:						
Total North America	72,947	72,093	1.2%	153,326	156,674	(2.1%)
Comparable North America	71,873	69,737	3.1%	150,040	151,828	(1.2%)
Total France	32,984	33,205	(0.7%)	68,801	73,936	(6.9%)
Comparable France	32,984	32,982	0.0%	68,801	73,486	(6.4%)
Total United Kingdom	17,645	17,602	0.2%	38,059	41,854	(9.1%)
Comparable United Kingdom	17,612	16,712	5.4%	38,005	39,761	(4.4%)
Average Revenue Per Funeral Service:						
North America	\$3,920	\$3,871	1.3%	\$3,923	\$3,845	2.0%
France, Excluding Currency Effect	\$1,866	\$1,774	5.2%	\$1,854	\$1,760	5.3%
United Kingdom, Excluding Currency Effect	\$1,672	\$1,635	2.3%	\$1,682	\$1,641	2.5%

Percentage of Cremation Cases Performed in North America	37.3%	36.8%	37.0%	35.9%
Percentage of Funeral Services Performed in North America Previously Prearranged	29.9%	27.8%	29.7%	28.1%

Cemetery Segment

(In millions)	Three Months Ended			Six Months Ended		
	2001	2000	% Change	2001	2000	% Change
Total North America Cemetery Revenues	\$151.8	\$144.6	5.0%	\$307.9	\$261.5	17.7%
Total International Cemetery Revenues	\$20.3	\$29.4	(31.0%)	\$41.4	\$57.2	(27.6%)
Total Cemetery Revenues	\$172.1	\$174.0	(1.1%)	\$349.3	\$318.7	9.6%
Comparable North America Cemetery Revenues	\$149.5	\$141.9	5.4%	\$302.6	\$257.7	17.4%
Comparable International Cemetery Revenues	\$19.1	\$19.9	(4.0%)	\$34.8	\$41.6	(16.3%)
Comparable Cemetery Revenues	\$168.6	\$161.8	4.2%	\$337.4	\$299.3	12.7%
North America Cemetery Gross Profits	\$20.1	\$16.6	21.1%	\$43.2	\$19.3	123.8%
International Cemetery Gross Profits	\$3.6	\$7.0	(48.6%)	\$7.5	\$13.2	(43.2%)
Cemetery Gross Profits	\$23.7	\$23.6	0.4%	\$50.7	\$32.5	56.0%
North America Cemetery Gross Margin Percentage	13.2%	11.5%		14.0%	7.4%	
International Cemetery Gross Margin Percentage	17.6%	23.7%		18.1%	23.1%	
Cemetery Gross Margin Percentage	13.8%	13.6%		14.5%	10.2%	

In North America, the Company is continuing programs that were initiated in the second quarter of 2000 concentrating on sales of cemetery property and sales of cemetery merchandise that can be delivered, as defined by applicable state trusting laws. These actions have enhanced the cash flows of the North America cemetery operations and have also generally allowed for revenue recognition under the Company's cemetery accounting policies. The Company's changes to cemetery compensation plans have also been additive to the cash flows and gross margin percentages of these operations. All of the above actions have stabilized the Company's North America cemetery segment and have contributed to its comparable revenue growth for the three and six months ended June 30, 2001.

The decrease in the international cemetery financial performance in the second quarter of 2001 compared to the same period of 2000 is due to the Company's loss of revenues and gross profits from the sale of an eighty percent interest in the Company's Australian operations in May 2001. The Company also experienced reduced preneed cemetery sales activities in the second quarter of 2001 in its South America cemetery operations as a result of the current instability of the economy in Argentina.

Other Expenses

General and administrative expenses were \$18.4 million for the second quarter of 2001 compared to \$19.7 million for the same period of 2000. The 6.6% decrease in general and administrative expenses primarily relates to the reduction in costs after the Company completed the implementation of its North America proprietary point of sale systems 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 \$54.2 million for the three months ended June 30, 2001, compared to \$73.6 million for the same period of 2000. The 26.4% decrease in interest expense related to a reduction of over \$940 million in the Company's average debt balance, coupled with the effect of lower interest rates in the second quarter of 2001 compared to the second quarter of 2000.

Operating Free Cash Flow

	Six Months Ended		
	June 30,		
	2001	2000	Change
Total Operating Free Cash Flow	\$249.2	\$131.4	\$117.8
Recurring Operating Free Cash Flow	\$118.5	\$49.9	\$68.6

The Company's initiatives to increase operating free cash flow continue to exceed expectations. Included in total operating free cash flow of \$249.2 million for the six months ended June 30, 2001 is \$130.7 million of non-recurring receipts of funds comprised of an approximate \$116 million income tax refund received in the first quarter of 2001 and the collection of receivables from funeral and cemetery trust funds. The improvement of \$68.6 million in recurring operating free cash flow for the six months ended June 30, 2001 compared to the same period of 2000 is primarily a result of (i) less cash taxes paid, (ii) reductions in capital expenditure levels, (iii) increases in funds received as a result of the Company's surety bonding programs for prearranged funeral and preneed cemetery activities, and (iv) increases in the Company's cash flows from operating activities.

Debt Reduction

	June 30, 2001	December 31, 2000	Debt Reduction
Current Maturities of			
Long-Term Debt	\$444.6	\$176.8	
Long-Term Debt	\$2,331.8	\$3,114.5	
Total Debt	\$2,776.4	\$3,291.3	(\$514.9)

The Company's successful reduction of debt continued in the first six months of 2001 with total debt decreasing \$514.9 million. During the second quarter of 2001, the Company reduced total debt by \$255.9 million. Funds available to achieve this debt reduction in the second quarter of 2001 were primarily generated from (i) the completion of the joint venture of the Company's Australian operations, (ii) proceeds from sales of certain non-strategic funeral and cemetery operations in North America, (iii) the extinguishment of certain debt obligations using the Company's common stock in transactions with third parties, and (iv) the Company's total operating free cash flow.

Commenting on the Company's operating free cash flow and debt reduction, SCI Senior Vice President and Chief Financial Officer, Jeffrey E. Curtiss, said:

"We continue to be exceptionally pleased with the execution of strategic initiatives to increase our operating free cash flow and reduce our total debt. With the completion announced yesterday of the joint venture and sales of certain European operations producing approximately \$125 million in net after tax cash proceeds, our debt balance will be approximately \$2.65 billion. This represents a 19.5% reduction in our total debt from the beginning of 2001 and a 36.9% reduction from our peak debt level at September 30, 1999."

Non-Recurring Items

In the second quarter of 2001, the Company recognized a one-time, non-cash charge of \$26.2 million on a pretax basis, of which \$25.7 million related to the completion of the joint venture of the Company's Australian operations. The \$25.7 million charge represented the earnings recognition of the cumulative foreign currency translation effect for the Australian operations previously included as a separate component of the Company's consolidated stockholders' equity.

The Company reported restructuring and non-recurring charges of \$13.3 million during the second quarter of 2000. These charges were related to changes in estimates of certain items included in the Company's fourth quarter 1999 restructuring charge.

During the second quarter of 2000, the Company reported extraordinary gains on early extinguishments of debt of \$15.4 million, net of taxes of \$8.8 million. The extraordinary gains were a result of the Company repurchasing certain bonds in the open market during the second quarter of 2000.

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 purchase certain funeral and cemetery operations and to enter into and consummate alliances and joint ventures with the Company.
- 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 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.
- 6) Changes in domestic and international political and/or regulatory environments in which the Company operates, including tax and accounting policies.
- 7) 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 June 30, 2001, SCI affiliates operated 3,385 funeral service locations, 506 cemeteries and 185 crematoria. SCI provides funeral and cemetery services in 17 countries on four continents.

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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		Six Months Ended	
	June 30,		June 30,	
(In thousands, except per share amounts)	2001	2000	2001	2000
Revenues:				
Funeral	\$446,571	\$458,292	\$947,188	\$992,732
Cemetery	172,140	173,976	349,299	318,695
Other services	---	4,277	---	8,611
	618,711	636,545	1,296,487	1,320,038
Gross profit:				
Funeral	62,886	47,565	146,797	154,948
Cemetery	23,684	23,589	50,661	32,511
Other services	---	914	---	1,674
	86,570	72,068	197,458	189,133
General and administrative expenses	(18,423)	(19,734)	(36,402)	(39,847)
Restructuring and non-recurring charges	(26,223)	(13,281)	(51,246)	(13,281)
Operating income	41,924	39,053	109,810	136,005

Interest expense	(54,152)	(73,565)	(114,958)	(143,114)
Other income	10,727	7,647	13,681	11,453
	(43,425)	(65,918)	(101,277)	(131,661)
Income from continuing operations before income taxes, extraordinary gains and cumulative effect of accounting change	(1,501)	(26,865)	8,533	4,344
Income tax (expense) benefit	(9,155)	10,422	(15,870)	150
Income from continuing operations before extraordinary gains and cumulative effect of accounting change	(10,656)	(16,443)	(7,337)	4,494
Income from discontinued operations (net of income taxes of \$3,885 and \$7,568)	---	5,611	---	10,763
Extraordinary gains on early extinguishments of debt (net of income taxes of \$45, \$8,845, \$2,952 and \$12,630, respectively)	71	15,388	4,618	21,973
Cumulative effect of accounting change (net of income taxes of \$5,318 and \$522,491, respectively)	---	---	(7,601)	(909,315)
Net income (loss)	\$(10,585)	\$4,556	\$(10,320)	\$(872,085)
Earnings per share:				
Basic:				
Income from continuing operations before non-recurring items	\$.05	\$(.03)	\$.13	\$.05
Income from discontinued operations	---	.02	---	.04
Restructuring and non-recurring charges	(.09)	(.03)	(.16)	(.03)
Extraordinary gains on early extinguishments of debt	---	.06	.02	.08
Cumulative effect of accounting change	---	---	(.03)	(3.34)
Net income (loss)	\$(.04)	\$.02	\$(.04)	\$(3.20)
Diluted:				
Income from continuing operations before non-recurring items	\$.05	\$(.03)	\$.13	\$.05
Income from discontinued operations	---	.02	---	.04
Restructuring and non-recurring charges	(.09)	(.03)	(.16)	(.03)
Extraordinary gains on early extinguishments of debt	---	.06	.02	.08
Cumulative effect of accounting change	---	---	(.03)	(3.34)
Net income (loss)	\$(.04)	\$.02	\$(.04)	\$(3.20)
Basic weighted average number of shares	284,852	272,093	279,245	272,078

Diluted weighted average number of shares	284,852	272,093	279,245	272,801
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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 June 30:			
2001	\$437,809	\$158,880	\$22,022
2000	427,998	168,266	40,281
Change from prior period	\$9,811	\$(9,386)	\$(18,259)
Percentage change from prior period	2.3%	(5.6)%	(45.3)%
Six months ended June 30:			
2001	\$909,376	\$336,543	\$50,568
2000	872,607	371,924	75,507
Change from prior period	\$36,769	\$(35,381)	\$(24,939)
Percentage change from prior period	4.2%	(9.5)%	(33.0)%
Operating income from continuing operations:			
Three months ended June 30 (Excluding effects of restructuring and non-recurring charges):			
2001	\$52,969	\$11,920	\$3,258
2000	42,750	1,249	8,335
Change from prior period	\$10,219	\$10,671	\$(5,077)
Percentage change from prior period	23.9%	854.4%	(60.9)%
Six months ended June 30 (Excluding effects of restructuring and non-recurring charges):			
2001	\$126,770	\$28,829	\$5,457
2000	106,446	29,772	13,068
Change from prior period	\$20,324	\$(943)	\$(7,611)
Percentage change from prior period	19.1%	(3.2)%	(58.2)%
Operating income margin from continuing operations:			
Three months ended June 30 (Excluding effects of restructuring and non-recurring charges):			
2001	12.1%	7.5%	14.8%
2000	10.0%	0.7%	20.7%
Six months ended June 30 (Excluding effects of restructuring and			

non-recurring charges):

2001	13.9%	8.6%	10.8%
2000	12.2%	8.0%	17.3%

Funeral services performed:

Three months ended June 30:

2001	72,947	62,197	2,878
2000	72,093	60,855	7,367

Percentage change from
prior period

1.2%	2.2%	(60.9)%
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Six months ended June 30:

2001	153,326	131,104	9,923
2000	156,674	142,236	14,872

Percentage change from
prior period

(2.1)%	(7.8)%	(33.3)%
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Number of locations at June 30:

2001	2,127	1,923	26
2000	2,339	2,063	189

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