



Service Corporation International Reports Third Quarter 2005 Loss of \$.03 Per Diluted Share, Earnings of \$.04 Per Diluted Share Before Special Items and Continued Strong Operating Cash Flows

November 15, 2005

- Conference call to be webcast on Tuesday, November 15, 2005, at 9:00 a.m. central time.

HOUSTON, Nov. 14 /PRNewswire-FirstCall/ -- Service Corporation International (NYSE: SCI), which owns and operates funeral service locations and cemeteries, today reported for the third quarter of 2005 a net loss of \$9.6 million or a net loss of \$.03 per diluted share compared to net income of \$13.9 million or \$.04 per diluted share in the same period of 2004. The decrease in 2005 primarily relates to a pretax loss on dispositions of property of \$27.4 million or \$.07 per diluted share. These results in both periods were also impacted by litigation expenses, other losses on dispositions, and discontinued operations.

SCI's third quarter earnings from continuing operations excluding special items were \$11.1 million, or \$.04 per diluted share. This compares to earnings of \$20.0 million, or \$.06 per diluted share in the third quarter of 2004. In the third quarter of 2005, results were negatively impacted by \$.01 per diluted share due to the Company's 2005 change in accounting to expense direct preneed selling costs as they are incurred. Earnings from continuing operations excluding special items is a non-GAAP financial measure. See a reconciliation of diluted earnings from continuing operations before special items to GAAP measures included in a separate section later in this press release.

Free cash flow was \$47.2 million for the third quarter of 2005 and \$46.1 million for the same period of 2004. For the nine months ended September 30, 2005 and 2004, free cash flow was \$194.1 million and \$166.8 million, respectively, an increase of \$27.3 million. Free cash flow is a non-GAAP financial measure. See our definition and calculation of free cash flow and reconciliation to cash flow from operations included in a separate section later in this press release. At September 30, 2005, total debt was \$1.26 billion and cash on hand was \$492.1 million. Total debt less cash and cash equivalents has decreased by \$197.4 million from December 31, 2004. There were no significant debt repayments during the third quarter of 2005.

For the nine months ended September 30, 2005, the Company reported a net loss of \$150.9 million or \$.49 per diluted share related primarily to the Company's accounting change for expensing direct preneed selling costs in the period incurred. SCI's earnings from continuing operations excluding special items were \$65.8 million or \$.21 per diluted share for the first nine months of 2005 compared to \$81.8 million or \$.25 per diluted share in the prior period. Earnings from continuing operations excluding special items in the nine months ended September 30, 2005 were negatively impacted by \$.03 per diluted share as a result of the Company's 2005 change in accounting to expense direct preneed selling costs as they are incurred.

"We are pleased with our continuing ability to deliver strong cash flows," said Tom Ryan, President and Chief Executive Officer. "Our cash on hand at the end of the third quarter exceeded \$490 million, which included the proceeds from the sale of our cemetery operations in Chile in September 2005. Operating margins were below expectations for the quarter as increasing costs associated with energy, health care, pension and Sarbanes-Oxley more than offset the positive impact of continued strong funeral case volume and strong cemetery sales production. I believe the Company is poised to grow from the solid foundation we have established. We expect to finish the year strong by delivering a solid operating performance in the last quarter of 2005."

North America Comparable Operating Results

We regard comparable results of operations as analogous to our "same store" results of operations. For purposes of the following presentation, we consider comparable operations as operations that were not acquired or constructed after January 1, 2004 or divested prior to September 30, 2005. Therefore, in the following presentation, we are providing results of operations for the same funeral and cemetery locations in each of the periods presented. We believe this presentation provides greater clarity for comparison purposes of our results of operations for each of the periods presented.

Effective January 1, 2005, we began expensing direct preneed selling costs in the period incurred. For a better comparison, comparable results of operations from 2004 are presented below on a pro forma basis as if \$0.9 million of additional direct selling costs in our funeral segment and \$4.1 million of additional direct selling costs in our cemetery segment were expensed during the third quarter of 2004, and as if \$3.6 million of additional direct selling costs in our funeral segment and \$12.7 million of additional direct selling costs in our cemetery segment were expensed during the nine month period ended September 30, 2004.

(In millions, except funeral services performed, average revenue per funeral service and gross margin percentage)

Three Months Ended September 30,		Nine Months Ended September 30,	
Pro forma		Pro forma	
2005	2004	2005	2004
	(Restated)		(Restated)

Funeral

Funeral atneed revenue	\$ 165.4	\$ 164.8	\$ 540.6	\$ 523.0
Funeral recognized preneed revenue	79.6	79.9	258.0	256.9
General agency revenue (A)	6.9	7.0	21.0	22.7
Kenyon revenue (B)	5.6	0.5	19.0	3.0
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Total funeral revenues	\$ 257.5	\$ 252.2	\$ 838.6	\$ 805.6
Gross profits	\$ 36.4	\$ 42.8	\$ 163.4	\$ 162.4
Gross margin percentage	14.1%	17.0%	19.5%	20.2%
Total funeral services performed	56,519	56,494	183,849	182,075
Average revenue per funeral service (C)	\$ 4,335	\$ 4,331	\$ 4,344	\$ 4,283
Cemetery				
Cemetery atneed revenue	\$ 50.5	\$ 41.1	\$ 155.2	\$ 131.6
Cemetery recognized preneed revenue	71.7	64.2	204.8	225.2
Other revenue (D)	20.7	22.3	55.6	58.0
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Total cemetery revenues	\$ 142.9	\$ 127.6	\$ 415.6	\$ 414.8
Gross profits	\$ 22.8	\$ 19.7	\$ 63.4	\$ 60.2
Gross margin percentage	16.0%	15.4%	15.3%	14.5%

- (A) General Agency ("GA") revenue is commissions we receive from third-party insurance companies when customers purchase insurance contracts from such third-party insurance companies to fund funeral services and merchandise at a future date.
- (B) Kenyon International Emergency Services ("Kenyon") is our disaster response subsidiary that engages in mass fatality and emergency response services. Revenues and gross profits associated with Kenyon are subject to significant variation due to the nature of their operations.
- (C) Average revenue per funeral service is calculated as total funeral revenues (less GA revenue and Kenyon revenue) divided by total funeral services performed. In the calculation of average revenue per funeral service, GA revenue and Kenyon revenue are excluded from total funeral revenues to avoid distorting our averages of normal funeral services performed.
- (D) Other cemetery revenue is primarily related to endowment care trust fund income and interest and finance charges earned from customer receivables on preneed installments contracts.

For the Three Months Ended September 30, 2005

* North America comparable funeral gross profits decreased \$6.4 million to \$36.4 million.

- Funeral revenues were up \$5.3 million primarily due to an increase of \$5.1 million in revenues from Kenyon.
- The decrease in funeral gross profit is primarily due to inflationary increases in the cost of merchandise; an increase in vehicle and utility costs, which were impacted by rising fuel prices; and higher salaries and fringes due to inflationary increases and higher health and pension costs. The decreases in gross profit were partially offset by an increase in Kenyon gross profit of \$2.9 million in the third quarter of 2005 compared to 2004.
- The average revenue per funeral service and the number of funeral services performed were flat in the third quarter of 2005 compared to the prior year period. The average revenue per funeral service fell below expectations during the third quarter of 2005 as a result of higher than expected discounts to consumers at the local

level and a higher than expected mix of cremation consumers during the third quarter of 2005.

- The cremation rate increased 140 basis points to 40.9% in the third quarter of 2005 compared to 2004. The first and second quarter of 2005 had cremation rate increases of 60 and 80 basis points, respectively.

* North America comparable cemetery gross profits increased 15.7% to \$22.8 million.

- Cemetery revenue increased \$15.3 million from the third quarter of 2004 primarily due to an increase in preneed and atneed sales production combined with an increase in legacy revenues associated with constructed cemetery property.
- Cemetery gross profits increased \$3.1 million from the third quarter of 2004. The increase in revenues described above was partially offset by inflationary increases in the cost of merchandise, increases in maintenance expense and higher fringe expenses, which were primarily health and pension costs.

Other Consolidated Results

* General and administrative expenses were \$19.8 million in the three months ended September 30, 2005 compared to \$25.3 million in the same period of 2004.

- In the third quarter of 2004, we recognized \$8.3 million in legal expense (net of insurance recoveries) associated with the settlement of outstanding litigation matters.
- Excluding the \$8.3 million of 2004 litigation expense, general and administrative expenses were \$19.8 million in 2005 compared to \$17.0 million in the same period of 2004. This increase is primarily related to increased professional fees associated with Sarbanes-Oxley compliance and external audit fees. During 2005, we have spent a significant amount of money to improve internal controls to comply with Section 404 of the Sarbanes Oxley Act. We believe that these improvements will continue to increase the effectiveness of the organization.

* Gains and impairment (losses) on dispositions, net was a net loss of \$27.4 million in the third quarter of 2005 compared to a net loss of \$3.3 million in the same period of 2004. The net losses in the third quarters of 2005 and 2004 are primarily associated with losses on dispositions of underperforming funeral homes and cemeteries in North America. Included in the 2005 net loss was a loss of approximately \$30.0 million related to the disposition of properties to StoneMor LP in November 2005.

* Interest expense was \$0.8 million lower in the third quarter of 2005 compared to the third quarter of 2004 primarily due to the additional reduction of debt during 2005.

* Other income (expense), net was relatively flat in the third quarter of 2005 compared to the same period of 2004. The components of other income for the periods presented were as follows:

- Interest income on notes receivable and commercial paper was \$3.3 million and \$1.1 million in the third quarter of 2005 and 2004, respectively.
- Cash overrides received from a third party insurance provider related to the sale of insurance funded preneed funeral contracts were \$1.5 million in the third quarter of 2005 compared to \$1.6 million in the third quarter of 2004.
- Surety bond premium costs were \$1.0 million in the third quarter of 2005 compared to \$1.1 million in the third quarter of 2004.
- The remaining income of \$0.6 million in the third quarter of 2005 and \$2.7 million in the third quarter of 2004 is primarily related to net gains from foreign currency transactions.

- * The consolidated effective tax rate in the third quarter of 2005 was a benefit of 11.0% compared to a provision of 25.0% in the third quarter of 2004. The tax benefit in 2005 was negatively impacted by increases in tax expense resulting from permanent differences between the book and tax bases of North America asset dispositions.

For the Nine Months Ended September 30, 2005

- * North America comparable funeral gross profits increased 0.6% to \$163.4 million.
 - Funeral revenues were up \$33.0 million (including an increase of \$16.0 million in revenues from Kenyon) due to increases in funeral volume and average revenue per funeral service partially offset by a decline in GA revenues.
 - The increase in funeral gross profits was a result of increases in the revenues described above, reductions in overhead expenses, and an increase in gross profits from Kenyon of \$2.6 million, which were partially offset by inflationary increases in merchandise costs, higher salary and fringe expenses (primarily health care and pension costs), and increases related to our trust reconciliation project and Sarbanes-Oxley compliance.
 - The number of funeral services performed increased 1.0% in the first nine months of 2005.
 - Average revenue per funeral service was up 1.4% compared to the prior year period.
 - The cremation rate increased 110 basis points to 40.4% in the nine months ended September 30, 2005.

- * North America comparable cemetery gross profits increased \$3.2 million to \$63.4 million.
 - Cemetery revenue increased \$0.8 million from 2004 primarily due to an increase in operating atneed revenues and trust fund income, partially offset by a decline in interest on trade receivables.
 - The increase in cemetery gross profits is primarily due to the increase in revenues described above and decreases in maintenance and overhead expenses. These improvements were partially offset by inflationary increases in the cost of merchandise, higher salary and fringe expenses (primarily health care and pension costs), increases in vehicle and utility costs (primarily driven by higher fuel prices), and increases in auto lease expense driven by higher variable interest rates.

Other Consolidated Results

- * General and administrative expenses were \$62.0 million in the nine months ended September 30, 2005 compared to \$100.3 million in the same period of 2004.
 - In the first nine months of 2004, we recognized \$48.3 million in expense associated with the settlement of outstanding litigation matters including \$35.0 million related to a securities class action lawsuit.
 - Excluding the \$48.3 million of 2004 litigation expense, general and administrative expenses were \$62.0 million in 2005 compared to \$52.0 million in the same period of 2004. This increase is primarily related to increased professional fees associated with Sarbanes-Oxley compliance, external audit fees, and costs associated with our funeral and cemetery verification projects.
 - General and administrative expenses were approximately \$3.0 million above our expectations for the first nine months of 2005 primarily related to an increase in professional fees associated with Sarbanes-Oxley compliance, external audit fees, and costs associated with our funeral and cemetery trust reconciliation and verification projects, partially offset by returns on the Company's cash surrender value of officers' life insurance.

- * Gains and impairment (losses) on dispositions, net was a net loss of \$28.7 million in the first nine months of 2005 compared to a net gain of \$33.0 million in the same period of 2004. The net loss in 2005 is primarily associated with losses on the dispositions of underperforming funeral and cemetery businesses in North America partially offset by the resolution of a contingency associated with the sale of our operations in the United Kingdom. Included in the 2005 net loss amount was a loss of approximately \$30.0 million related to the disposition of properties to StoneMor LP in November 2005. The 2004 net gain includes a gain on the sale of our equity and debt holdings in the United Kingdom and a gain on the sale of our funeral operations in France partially offset by net losses associated with various dispositions in North America.
- * Interest expense was \$14.8 million lower in the first nine months of 2005 compared to the same period of 2004 primarily due to the additional reduction of debt during 2005.
- * Other income (expense), net decreased by \$1.5 million of income in the first nine months of 2005 compared to the same period of 2004. The components of other income for the periods presented were as follows:
 - Interest income was \$11.2 million and \$9.6 million in the first nine months of 2005 and 2004, respectively. Included in 2005 was \$1.9 million of interest income on preferred equity certificates from our former funeral operations in France. The first half of 2004 included the receipt of \$4.5 million of interest income related to a note receivable collected from our former United Kingdom company.
 - Cash overrides received from a third party insurance provider related to the sale of insurance funded preneed funeral contracts were \$4.7 million in the first nine months of 2005 compared to \$4.9 million in 2004.
 - Surety bond premium costs were \$3.0 million in 2005 compared to \$3.4 million in 2004.
 - The remaining expense of \$1.1 million in 2005 and income of \$2.2 million in 2004 are primarily related to net losses and gains from foreign currency transactions, respectively.
- * The consolidated effective tax rate in the first nine months of 2005 was a provision of 43.7% compared to a benefit of 7.8% in the same period of 2004. The tax rate in the first nine months of 2005 was negatively impacted by permanent differences between the book and tax bases of North America asset dispositions. The tax rate in the first nine months of 2004 was favorably impacted by non-cash tax benefits realized from the disposition of our funeral operations in France and the United Kingdom. The tax benefits from dispositions result from differences between the book and tax bases and the reversal of tax liabilities that were then recorded as warranty indemnification liabilities.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. We define free cash flow as cash flows from operating activities (excluding certain special items such as payments associated with the settlement of litigation matters, premiums paid on early extinguishments of debt, tax refunds, or contributions to our frozen cash balance pension plan) less capital improvements at our existing facilities. We define capital improvements at existing facilities as capital improvements deemed reasonably necessary to maintain our existing facilities in a condition consistent with Company standards and to extend their useful lives. Free cash flow is not reduced by mandatory debt service requirements or by growth-oriented capital expenditures. We define growth-oriented capital expenditures as capital expenditures intended to grow revenues and profits such as the acquisition of funeral service locations or cemeteries in large or strategic North America markets, construction of high-end cemetery property (such as private family estates) or the construction of funeral home facilities on Company-owned cemeteries, and the investment in contemporary merchandising displays in our funeral homes.

We believe that free cash flow provides useful information to investors regarding our financial condition and liquidity as well as our ability to generate cash for purposes such as reducing debt, growing our business through strategic investments and repurchasing stock or paying dividends. While we believe free cash flow, as defined, is helpful in managing our business and provides useful information to investors, certain events may arise, financial or otherwise, which could require the use of free cash flow so that it would not be available for the purposes described above, or as more fully described in our public filings with the Securities and Exchange Commission. Furthermore, free cash flow should be reviewed in addition to, but not as

a substitute for, the information provided in our consolidated statement of cash flows.

The following table provides a reconciliation between cash flows from operating activities and free cash flow, as defined.

(In millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Cash Flows from Operating Activities	\$68.0	\$50.2	\$258.4	\$169.4
Less: Unusual Tax Refund	---	---	(29.0)	---
Add: Premiums paid on early extinguishments of debt	---	---	12.2	13.8
Cash Balance Pension Plan Contribution	---	---	---	20.0
Repayment of an insurance policy loan and other	---	10.7	---	10.7
Adjusted Cash Flows from Operating Activities	\$68.0	\$60.9	\$241.6	\$213.9
Less: Capital Improvements to Maintain Existing Facilities	20.8	14.8	47.5	47.1
Free Cash Flow	\$47.2	\$46.1	\$194.1	\$166.8

Adjusted cash flows from operating activities increased by \$7.1 million in the third quarter of 2005 compared to the third quarter of 2004. In the third quarter of 2005, cash flow from operating activities was positively impacted by increases in net trust fund withdrawals and less cash interest paid. Improvements in cash flows from operating activities resulting from our working capital initiatives were offset by cash outflows associated with the Company funding employee matches to our 401(k) plan using cash in 2005.

For the three months ended September 30, 2005 and 2004, total capital expenditures were \$28.3 million and \$26.2 million, respectively. Included in total capital expenditures were capital improvements deemed reasonably necessary to maintain our existing facilities of \$20.8 million and \$14.8 million for the third quarter of 2005 and 2004, respectively. Growth-oriented capital spending was \$7.5 million in the third quarter of 2005 compared to \$11.4 million in the third quarter of 2004. Included in the \$7.5 million of growth-oriented capital expenditures incurred in the third quarter of 2005 was \$5.0 million related to new construction of funeral home facilities, \$1.6 million of construction of new high-end cemetery property, and \$0.9 million associated with Dignity Memorial(R) merchandising displays.

Share Repurchase Program

As of September 30, 2005, we had total authorization to repurchase \$400 million of our common stock. As of today, we have repurchased 45.3 million shares at a total cost of \$314.8 million under these programs. The remaining dollar value of shares that may be purchased under our currently authorized share repurchase programs is \$85.2 million. Our total shares outstanding were approximately 296.6 million as of November 8, 2005.

We have made and intend to make purchases from time to time in the open market or through privately negotiated transactions, subject to acceptable market conditions and normal trading restrictions. There can be no assurance that we will buy our common stock under our share repurchase programs. Important factors that could cause us not to repurchase our shares include, among others, unfavorable market conditions, the market price of our common stock, the nature of other investment opportunities presented to us from time to time, and the availability of funds necessary to continue purchasing common stock.

NON-GAAP FINANCIAL MEASURES

Earnings from Continuing Operations Excluding Special Items

Earnings from continuing operations excluding special items is a non-GAAP financial measure. We believe this non-GAAP financial measure provides a consistent basis for comparison between quarters and better reflects the performance of our core operations, as it is not influenced by certain income and expenses not affecting continuing operations. We also believe this measure helps facilitate comparisons to competitors' operating results.

Set forth below is a reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures. We do not intend for the information to be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See the Company's 2004 Form 10-K, as amended, for details related to these adjustments.

Results in the three and nine months ended September 30, 2005, were negatively impacted by \$.01 per diluted share and \$.03 per diluted share, respectively, as a result of the Company's change in accounting to expense direct preneed selling costs as they are incurred.

(In millions, except diluted EPS)	Three Months Ended	
	September 30, 2005	September 30, 2004

			(As Restated)	
	Net (Loss) Income	Diluted EPS	Net Income	Diluted EPS
Net (loss) income reported	\$ (9.6)	\$ (.03)	\$ 13.9	\$.04
Settlement of significant legal matters	---	---	5.2	.02
(Gains) and impairment losses on dispositions, net	20.2	.07	1.8	---
Discontinued operations	0.5	---	(0.9)	---
Earnings from continuing operations excluding special items	\$ 11.1	\$.04	\$ 20.0	\$.06
Diluted weighted average shares outstanding (in thousands)		297,421		340,215
Interest add back		\$ ---		\$ ---

	Nine Months Ended			
(In millions, except diluted EPS)	September 30, 2005		September 30, 2004	
	Net (Loss) Income	Diluted EPS	(As Restated)	
	Net Income	Diluted EPS	Net Income	Diluted EPS
Net (loss) income reported	\$ (150.9)	\$ (.49)	\$ 87.0	\$.27
Settlement of significant legal matters	---	---	30.6	.09
(Gains) and impairment losses on dispositions, net	23.7	.07	(58.5)	(.17)
Loss on early extinguishment of debt	9.3	.03	10.5	.03
Other income/expense, net				
Interest income - United Kingdom note receivable	---	---	(2.7)	(.01)
Foreign currency transaction loss	---	---	2.3	.01
Discontinued operations	(3.8)	(.01)	(35.0)	(.10)
Cumulative effect of accounting changes	187.5	.61	47.6	.13
Earnings from continuing operations excluding special items	\$ 65.8	\$.21	\$ 81.8	\$.25
Diluted weighted average shares outstanding (in thousands)		308,807		348,894
Interest add back		\$ ---		\$ 6.4

Conference Call and Webcast

We will host a conference call on Tuesday, November 15, 2005, at 9:00 a.m. central time. A question and answer session will follow a brief presentation made by management. The conference call dial-in number is (785) 832-0326. The conference call will also be broadcast live via the Internet and can be accessed through our website at <http://www.sci-corp.com>. A replay of the conference call will be available through November 29, 2005 and can be accessed at (719) 457-0820 with the confirmation code of 4218134. Additionally, a replay of the conference call will be available on our website for approximately ninety days on the Investors page under the subheading "Conference Calls" at <http://www.sci-corp.com/ConfCalls.html>. This earnings release will also be available on our website on the Investor Relations page under the subheading "News" at <http://www.sci-corp.com/InvestorsMenu.html>.

Cautionary Statement on Forward-Looking Statements

The statements in this press release that are not historical facts are forward-looking statements made in reliance on the "safe harbor" protections provided under 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 we believe are reasonable; however, many important factors could cause our 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 us, or on our behalf. Important factors, which could cause actual results to differ materially from those in forward-looking statements include, among others, the following:

- * 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 us, particularly, but not limited to, levels of trust fund income, interest expense, pension expense and negative currency translation effects.
- * The outcomes of pending lawsuits and proceedings against us and the possibility that insurance coverage is deemed not to apply to these matters or that an insurance carrier is unable to pay any covered amounts to us.
- * Amounts payable by us with respect to our outstanding legal matters exceeding our established reserves.
- * We maintain accruals for tax liabilities which relate to uncertain tax matters. If these tax matters are unfavorably resolved, we will make any required payments to tax authorities. If these tax matters are favorably resolved, the accruals maintained by us will no longer be required and these amounts will be reversed through the tax provision at the time of resolution.
- * Our ability to successfully implement our strategic plan related to producing operating improvements and strong cash flows.
- * Our ability to successfully implement our plan to reduce costs and increase cash flows associated with significant changes being made to our organization structure, process and quality of our sales efforts.
- * Changes in consumer demand and/or pricing for our products and services due to several factors, such as changes in numbers of deaths, cremation rates, competitive pressures and local demographic or economic conditions.
- * Changes in domestic and international political and/or regulatory environments in which we operate, including potential changes in tax, accounting and trusting policies.
- * Changes in credit relationships impacting the availability of credit and the general availability of credit in the marketplace.
- * Our ability to successfully complete our ongoing process improvement projects, particularly related to the implementation of new processes and internal controls.
- * Our ability to successfully access surety and insurance markets at a reasonable cost.
- * Our ability to successfully exploit our substantial purchasing power with certain of our vendors.
- * The outcome of a pending Internal Revenue Service audit.
- * The possibility that the Company will identify and report additional material weaknesses in its internal control over financial reporting.
- * The effectiveness of our internal controls over financial reporting, and our ability to certify the effectiveness of the internal controls and to obtain a favorable attestation report of our auditors regarding our assessment of our internal controls.

For further information on these and other risks and uncertainties, see our Securities and Exchange Commission filings, including our 2004 Annual Report on Form 10-K/A (Amendment No. 2). Copies of this document as well as other SEC filings can be obtained from our website at <http://www.sci->

corp.com . We assume no obligation to publicly update or revise any forward-looking statements made herein or any other forward-looking statements made by us, whether as a result of new information, future events or otherwise.

Service Corporation International (NYSE: SCI), headquartered in Houston, Texas, owns and operates funeral service locations and cemeteries. We have an extensive network of businesses including 1,093 funeral service locations and 380 cemeteries in North America as of September 30, 2005. For more information about Service Corporation International, please visit our website at <http://www.sci-corp.com> .

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SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
(In thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	2005	2004
		(Restated)		(Restated)
Revenues:				
Funeral	\$ 262,665	\$ 266,704	\$866,573	\$980,716
Cemetery	143,704	130,482	418,948	423,881
	406,369	397,186	1,285,521	1,404,597
Gross profit:				
Funeral	35,544	44,716	165,243	181,584
Cemetery	22,731	23,579	62,602	72,729
	58,275	68,295	227,845	254,313
General and administrative expenses	(19,753)	(25,298)	(61,963)	(100,347)
Gains and impairment (losses) on dispositions, net	(27,446)	(3,281)	(28,659)	33,021
Operating income	11,076	39,716	137,223	186,987
Interest expense	(25,821)	(26,609)	(76,352)	(91,110)
Loss on early extinguishment of debt	---	---	(14,258)	(16,770)
Other income, net	4,443	4,255	11,756	13,265
	(21,378)	(22,354)	(78,854)	(94,615)
(Loss) income from continuing operations before income taxes and cumulative effects of accounting changes	(10,302)	17,362	58,369	92,372
(Benefit) provision for income taxes	(1,131)	4,336	25,531	(7,177)
(Loss) income from continuing operations before cumulative effects of accounting changes	(9,171)	13,026	32,838	99,549

(Loss) income from discontinued operations (net of income tax provision (benefit) of \$2,606, \$623, \$4,587, and \$(47,502), respectively)	(463)	850	3,825	34,971
Cumulative effects of accounting changes (net of income tax benefit of \$117,428 and \$20,983, respectively)	---	---	(187,538)	(47,556)
Net (loss) income	\$(9,634)	\$13,876	\$ (150,875)	\$86,964
Basic (loss) earnings per share:				
(Loss) income from continuing operations before cumulative effects of accounting changes	\$(.03)	\$.04	\$.11	\$.32
Income from discontinued operations, net of tax	---	---	.01	.11
Cumulative effects of accounting changes, net of tax	---	---	(.62)	(.15)
Net (loss) income	\$(.03)	\$.04	\$(.50)	\$.28
Diluted (loss) earnings per share:				
(Loss) income from continuing operations before cumulative effects of accounting changes	\$(.03)	\$.04	\$.11	\$.30
Income from discontinued operations, net of tax	---	---	.01	.10
Cumulative effects of accounting changes, net of tax	---	---	(.61)	(.13)
Net (loss) income	\$(.03)	\$.04	\$(.49)	\$.27
Basic weighted average number of shares	297,421	336,590	304,366	315,656
Diluted weighted average number of shares	297,421	340,215	308,807	348,894
Dividends declared per share	\$.025	---	\$.075	---

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In thousands, except share amounts)

September 30, December 31,
2005 2004

(Restated)

Assets

Current assets:

Cash and cash equivalents	\$492,059	\$287,785
Receivables, net	82,306	102,622
Inventories	66,158	81,526
Current assets held for sale	12,959	---
Current assets of discontinued operations	---	11,085
Other	52,176	50,945
	-----	-----
Total current assets	705,658	533,963
	-----	-----

Preneed funeral receivables and trust investments	1,238,123	1,267,784
Preneed cemetery receivables and trust investments	1,295,352	1,399,778
Cemetery property, at cost	1,376,817	1,509,599
Property and equipment, at cost, net	947,024	970,547
Non-current assets held for sale	49,774	---
Non-current assets of discontinued operations	---	4,367
Deferred charges and other assets	247,327	621,561
Goodwill	1,140,509	1,169,040
Cemetery perpetual care trust investments	701,382	729,048
	-----	-----
	\$7,701,966	\$8,205,687
	=====	=====

Liabilities & Stockholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$234,281	\$221,877
Current maturities of long-term debt	88,272	75,075
Current liabilities of discontinued operations	---	7,111
Income taxes	690	7,850
	-----	-----
Total current liabilities	323,243	311,913
	-----	-----

Long-term debt	1,172,513	1,178,885
Deferred preneed funeral revenues	516,158	498,571
Deferred preneed cemetery revenues	789,143	803,144
Deferred income taxes	174,053	276,572
Non-current liabilities held for sale	49,985	---
Non-current liabilities of discontinued operations	---	58,225
Other liabilities	381,346	431,917
Non-controlling interest in funeral and cemetery trusts	2,015,314	2,092,881
Non-controlling interest in perpetual care trusts	680,088	704,912

Stockholders' equity:

Common stock, \$1 per share par value, 500,000,000 shares authorized, 298,148,297 and 323,225,352, issued and outstanding (net of 44,917,591 and 18,502,478 treasury shares, at par)	298,148	323,225
Capital in excess of par value	2,216,952	2,395,057
Unearned compensation	(4,153)	(2,022)
Accumulated deficit	(980,119)	(829,244)
Accumulated other comprehensive income (loss)	69,295	(38,349)
	-----	-----
Total stockholders' equity	1,600,123	1,848,667
	-----	-----
	\$7,701,966	\$8,205,687
	=====	=====

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In thousands)

	Nine months ended September 30,	
	2005	2004
		(Restated)
Cash flows from operating activities:		
Net (loss) income	\$(150,875)	\$ 86,964
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Net income from discontinued operations	(3,825)	(34,971)
Loss on early extinguishments of debt	14,258	16,770
Premiums paid on early extinguishments of debt	(12,186)	(13,817)
Cumulative effects of accounting changes, net of tax	187,538	47,556
Depreciation and amortization	64,795	103,882
Provision (benefit) for deferred income taxes	23,871	(9,230)
(Gains) and impairment losses on dispositions, net	28,659	(33,021)
Other non-cash adjustments	---	667
Change in assets and liabilities, net of effects from acquisitions and dispositions:		
Decrease in receivables	24,912	25,464
Decrease in other assets	33,344	2,106
Increase in payables and other liabilities	9,767	21,049
Net effect of preneed funeral production and maturities	(3,797)	(20,838)
Net effect of cemetery production and deliveries	46,932	(18,112)
Other	337	318
	-----	-----
Net cash provided by operating activities from continuing operations	263,730	174,787
Net cash used in operating activities from discontinued operations	(5,344)	(5,378)
	-----	-----
Net cash provided by operating activities	258,386	169,409
Cash flows from investing activities:		
Capital expenditures	(72,241)	(67,495)
Proceeds from divestitures and sales of property and equipment	58,122	30,326
Proceeds and distributions from dispositions of businesses, net of cash retained	112,018	330,789
Proceeds from equity investments	39,674	---
Payment of purchase obligation to former owners of acquired businesses	---	(51,749)
Indemnity payments related to the disposition of former funeral operations	(1,834)	---
Net withdrawals (deposits) of restricted funds and other	13,944	(120,903)
	-----	-----
Net cash provided by investing activities from continuing operations	149,683	120,968
Net cash used in investing activities from discontinued operations	(212)	(132)
	-----	-----
Net cash provided by investing activities	149,471	120,836
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	291,472	241,237
Payments of debt	(8,058)	(124,752)

Early extinguishments of debt	(286,215)	(299,961)
Proceeds from exercise of stock options	5,145	6,040
Purchase of Company common stock	(191,221)	(34,812)
Payments of dividends	(15,184)	---
Purchase of subsidiary stock	(844)	---
	-----	-----
Net cash used in financing activities	(204,905)	(212,248)
Effect of foreign currency	1,322	617
	-----	-----
Net increase in cash and cash equivalents	204,274	78,614
Cash and cash equivalents at beginning of period	287,785	239,431
	-----	-----
Cash and cash equivalents at end of period	\$492,059	\$318,045
	=====	=====

SOURCE Service Corporation International

-0- 11/14/2005

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<http://www.sci-corp.com/ConfCalls.html>
<http://www.sci-corp.com/InvestorsMenu.html> /

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