



Service Corporation International Announces Fourth Quarter and Fiscal Year 2006 Financial Results

February 28, 2007

- Conference Call on Wednesday, February 28, 2007, at 10:00 a.m. Central Standard Time

HOUSTON, Feb. 27 /PRNewswire-FirstCall/ -- Service Corporation International (NYSE: SCI), a provider of deathcare products and services, today reported results for the fourth quarter and fiscal year 2006. Our consolidated financial statements can be found at the end of this press release. The table below summarizes our key GAAP financial results:

(In millions, except for per share amounts)	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$478.0	\$428.7	\$1,747.3	\$1,711.0
Operating income	\$51.7	\$47.7	\$191.1	\$186.1
Net income (loss)	\$0.8	\$22.8	\$56.5	\$(127.9)
Diluted earnings (loss) per share	\$0.00	\$0.08	\$0.19	\$(0.42)
Net cash provided by operating activities	\$58.9	\$54.4	\$324.2	\$312.9

2006 Highlights

- * Earnings from continuing operations excluding special items rose to \$33.6 million, or \$0.11 per diluted share, in the fourth quarter of 2006 compared to \$18.8 million, or \$0.06 per diluted share in the fourth quarter of 2005, reflecting strong performances in both our funeral and cemetery segments. For the fiscal year 2006, earnings from continuing operations excluding special items were \$121.6 million, or \$0.41 per diluted share compared to \$84.4 million or \$0.28 per diluted share in 2005. The presentation of earnings from continuing operations excluding special items is a non-GAAP financial measure because this calculation excludes transition, financing and other closing costs related to the Alderwoods acquisition and other non-recurring items. A reconciliation of this non-GAAP financial measure to net income computed in accordance with GAAP is set forth below under the heading "Non-GAAP Financial Measures".
- * On November 28, 2006, we completed the acquisition of Alderwoods. GAAP results for the fourth quarter and fiscal year 2006 include Alderwoods' operating results for the period November 28, 2006 through December 31, 2006, as well as one-time transition, financing and other closing costs incurred related to the acquisition.
- * For the short period owned in 2006, Alderwoods contributed income before taxes of approximately \$8.9 million (excluding one-time costs), which was partially offset by approximately \$7.5 million of additional interest expense associated with the acquisition.
- * Comparable average revenue per funeral service increased 7.6% (7.0% excluding a floral revenue increase) in the fourth quarter of 2006. For the full year 2006, comparable average revenue per funeral service increased 9.0% (7.9% excluding a floral revenue increase). These increases in average revenue per funeral service more than offset declines of 6.7% and 5.8% in comparable funeral services performed in the three and twelve months ended December 31, 2006, respectively.
- * Comparable funeral gross margin percentages increased to 20.8% in 2006 from 19.5% in 2005.

- * Comparable cemetery gross margin percentages increased to 19.1% in 2006 from 15.9% in 2005.
- * Cash flow from operating activities in fiscal year 2006 grew to \$324.2 million compared to \$312.9 million in 2005.
- * During 2006, SCI returned more than \$57 million in capital to shareholders through a combination of dividends and the repurchase of shares.

Tom Ryan, the Company's President and Chief Executive Officer, commented on the fourth quarter of 2006:

"2006 has been a year of great success for SCI. We significantly exceeded our target ranges for EPS and cash flow and it is a testament to the focus, hard work, and dedication of our more than 22,000 employees. With the closing of the Alderwoods acquisition in late November we reinforced our position as the industry leader. We continue to make excellent progress in integrating the Alderwoods businesses and remain confident in our ability to realize the value creating opportunities of this combination.

"Aside from the acquisition, we are very excited about our 2006 financial results. Both our funeral and cemetery segments made solid progress during the year, particularly the funeral segment where we delivered improved average revenue per funeral service in every quarter. As we capitalize on our strength as the industry leader, SCI is becoming more effective and more profitable. The considerable momentum of our strategic pricing initiative and the implementation of standardized operating metrics will continue as we implement them in the Alderwoods businesses in 2007."

North America Comparable Results of Operations

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 those owned for the entire period beginning January 1, 2005 and ending December 31, 2006. Therefore, in the following presentation, we are providing results of operations for the same funeral and cemetery locations in each of the periods presented. As implied by our definition of comparable operations, these results specifically exclude any impact from the Alderwoods acquisition. We believe this presentation provides greater clarity for comparison purposes of our results of operations for each of the periods presented.

(In millions, except funeral services performed, average revenue per funeral service or per contract sold)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Funeral				
Funeral atneed revenue	\$179.7	\$175.6	\$712.5	\$690.3
Funeral recognized preneed revenue	85.0	88.2	341.8	336.8
General agency revenue(1)	6.5	6.7	30.6	26.8
Kenyon revenue(2)	1.7	4.9	4.6	23.9
Total funeral revenues	\$272.9	\$275.4	\$1,089.5	\$1,077.8
Gross profit	\$58.2	\$49.6	\$227.0	\$209.8
Gross margin percentage	21.3%	18.0%	20.8%	19.5%
Funeral services performed:				
Preneed	18,511	19,097	74,800	77,174
Atneed	35,569	38,862	145,512	156,706
Total	54,080	57,959	220,312	233,880
Average revenue per funeral service:				
Preneed	\$4,594	\$4,621	\$4,569	\$4,363
Atneed	\$5,053	\$4,518	\$4,896	\$4,405
Total	\$4,896	\$4,552	\$4,785	\$4,391
Preneed Funeral Production:				
Sales	\$65.5	\$69.6	\$305.2	\$313.5
Cemetery				
Cemetery atneed revenue	\$51.9	\$51.7	\$207.0	\$197.1

Cemetery recognized				
preneed revenue	76.5	68.4	273.2	264.7
Other revenue (3)	20.0	15.7	82.4	68.3
	-----	-----	-----	-----
Total cemetery revenues	\$148.4	\$135.8	\$562.6	\$530.1
Gross profit	\$33.5	\$19.8	\$107.2	\$84.3
Gross margin percentage	22.6%	14.6%	19.1%	15.9%

Preneed and Atneed

Cemetery Production:

Preneed and Atneed Sales	\$116.6	\$110.7	\$502.8	\$495.9
Recognition rate (4)	110.2%	108.5%	95.5%	93.1%

- (1) General Agency (GA) revenues are commissions we receive from third-party insurance companies for life insurance policies or annuities sold to preneed customers for the purpose of funding preneed funeral arrangements.
- (2) Kenyon International Emergency Services (Kenyon) is our disaster response subsidiary that engages in mass fatality and emergency response services.
- (3) 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.
- (4) Represents the ratio of current period revenue recognition stated as a percentage of current period sales production.

For the Three Months Ended December 31, 2006

Funeral Results

North America comparable funeral revenue decreased \$2.5 million, or 0.9%, in the fourth quarter of 2006 compared to the fourth quarter of 2005, reflecting a decline in Kenyon revenue of \$3.2 million. Kenyon's 2005 results included service revenue from incidents which was not replaced by revenue from similar incidents in 2006.

North America comparable funeral gross profit increased \$8.6 million in the fourth quarter of 2006 versus the same period of 2005 as a result of continued cost improvements in our infrastructure due to more centralization and standardization within our organization. Funeral results were also impacted by:

- * The average revenue per funeral service increased 7.6%, or \$344 per service (7.0%, or \$309 per service excluding a floral revenue increase) as a result of our strategic pricing strategy, which places less emphasis on traditional funeral merchandise and more focus on service offerings.
- * The number of comparable funeral services performed declined by 3,879, or 6.7%, due in part to a decline in the number of deaths within our markets. In addition, we attribute a portion of the decline to certain local business decisions to exit unprofitable business relationships, primarily related to low-priced direct cremation activities. These decisions were made locally based on our customer segmentation strategy, which will focus our resources on higher market share opportunities within certain customer segments.
- * The cremation rate for SCI in the three months ended December 31, 2006 decreased to 40.3 % from 41.1% in the same period of 2005, reflecting the impact of our decision to exit certain unprofitable direct cremation activities.
- * The gross margin percentage increased to 21.3% from 18.0% due primarily to higher average revenue per funeral service and the cost improvements in our infrastructure mentioned above.

Cemetery Results

North America comparable cemetery revenues increased \$12.6 million, or 9.3%, in the fourth quarter of 2006 compared to the same period of 2005. The increase in cemetery revenues in the fourth quarter of 2006 resulted from increases in cemetery property production and higher merchandise sales and trust fund income. Cemetery property production revenues increased by \$5.6 million as a result of stronger sales activities. Merchandise sales and trust fund income increased in the fourth quarter of 2006 by \$5.0 million and \$3.5 million, respectively.

North America comparable cemetery gross profit increased \$13.7 million, or 69.2%, in the fourth quarter of 2006 compared to the fourth quarter of 2005 as a result of the increases in preneed property production, merchandise deliveries and trust fund income described above. Also contributing to the increase in cemetery gross profits were continued cost improvements in our infrastructure due to more centralization and standardization within our organization.

Other Results

- * General and administrative expenses were \$31.0 million in the fourth quarter of 2006 compared to \$22.9 million in the fourth quarter of 2005. This increase is primarily related to \$7.0 million of one-time transition costs related to the Alderwoods acquisition.
- * Interest expense increased to \$36.7 million in the fourth quarter of 2006, compared to \$26.3 million in the fourth quarter of 2005. The increase of \$10.4 million is due to incremental debt issued in connection with the Alderwoods acquisition in the fourth quarter of 2006.
- * Interest income increased \$4.7 million in the fourth quarter of 2006 to \$10.1 million reflecting increases in our cash balance invested in commercial paper for the majority of the quarter.
- * The consolidated effective tax rate in the fourth quarter of 2006 resulted in a provision of 140.8%, compared to 22.2% in the same period of 2005. The 2006 tax rate was negatively impacted by the disposal of assets that have a lower tax cost than book cost, thus triggering a larger income tax upon disposal. The 2005 tax rate provision was negatively impacted by similar asset disposition transactions in 2005.

For the Twelve Months Ended December 31, 2006

Funeral Results

North America comparable funeral revenue increased \$11.7 million or 1.1% in fiscal 2006 compared to fiscal 2005. However, Kenyon revenue decreased \$19.3 million from \$23.9 million to \$4.6 million, as revenue from incidents in 2005 was not replaced by similar revenue from incidents in 2006. Excluding the decrease in Kenyon, North America comparable funeral revenue increased \$31.0 million, reflecting higher average revenue per funeral service and an increase in floral revenues. General agency revenue also increased \$3.8 million, or 14.2%, in fiscal 2006 compared to the same period last year as a result of a favorable mix shift in the types of preneed funeral insurance contracts sold. These improvements were partially offset by a decline in comparable funeral volume.

North America comparable funeral gross profit increased \$17.2 million in 2006 versus 2005 due to the revenue increases discussed above and continued cost improvements to our infrastructure. These gross profit improvements were partially offset by a \$4.6 million decrease in gross profit from Kenyon's operations compared to the prior year. Additional details related to the funeral segment are as follows:

- * The average revenue per funeral service increased 9.0%, or \$394 per service, (7.9%, or \$340 per service excluding a floral revenue increase), as a result of our strategic pricing strategy, which places less emphasis on traditional funeral merchandise and more focus on service offerings.
- * The number of comparable funeral services performed declined 5.8%, which we believe reflects a decline in the number of deaths within our markets, particularly in the Northeast United States, which experienced an unusually warm winter during the first quarter of 2006. Also impacting the decline in volume were certain local business decisions to exit unprofitable business relationships discussed earlier in this press release.
- * Our cremation rate was 40.9% in 2006 and 2005. We have seen the trend in our cremation rate flatten despite the continued increase in the cremation trend in the markets where we compete, reflecting the impact of our decision to exit certain unprofitable direct cremation activities.

Cemetery Results

North America comparable cemetery revenues increased \$32.5 million, or 6.1%, in 2006 compared to 2005. The increase primarily resulted from

higher cemetery atneed revenues and the receipt of \$7.9 million in endowment care trust fund income in the second quarter of 2006, offset by lower interest income on preneed receivables. The recognition of preneed revenues was essentially flat as increases in the delivery of merchandise and services in 2006 compared to the prior year period were offset by declines in property construction.

North America comparable cemetery gross profit increased \$22.9 million, or 27.2%, in 2006 compared to the 2005, as a result of the increases in atneed cemetery revenues and in endowment care trust fund income discussed above, and cost improvements. Selling and salary expenses decreased in 2006 due to increased centralization and standardization within our organization. The decrease in these expenses were partially offset by higher maintenance and utilities costs primarily resulting from increased fuel costs.

Other Results

- * General and administrative expenses were \$94.9 million in 2006 compared to \$84.8 million in 2005, primarily due to \$7.0 million of transition costs related to the Alderwoods acquisition and increased costs associated with the expensing of stock options, which totaled \$3.9 million.
- * Interest expense increased to \$123.4 million in 2006, compared to \$103.7 million in 2005. The increase of \$19.7 million reflects \$6.4 million in bridge financing costs related to the Alderwoods acquisition as well as increases in our debt balance also related to the financing of the acquisition of Alderwoods.
- * Interest income increased \$14.5 million in 2006 to \$31.2 million primarily as a result of increases in our cash balance prior to the Alderwoods acquisition.
- * Other income, net was a \$16.1 million net gain in 2006, compared to a net gain of \$2.3 million in 2005. Key components of other income for the periods presented include:
 - * Cash overrides received from a third party insurance provider related to the sale of insurance funded preneed funeral contracts were \$5.6 million in 2006 compared to \$6.0 million in the same period of 2005.
 - * Surety bond premium costs were \$4.0 million in 2006 and \$3.6 million in 2005.
 - * Investment income of \$10.9 million was received and recognized in the third quarter of 2006 from the redemption of convertible preferred equity certificates received in connection with the original disposition of our operations in France in March 2004.
- * The consolidated effective tax rate in 2006 resulted in a provision of 46.0%, compared to 36.8% in the same period of 2005. The 2006 tax rate was negatively impacted by the disposal of assets that have a lower tax cost than book cost, thus triggering a larger income tax upon disposal. The 2005 tax rate provision was negatively impacted by similar asset disposition transactions in 2005.

Cash Flow

Net cash provided by operating activities in 2006 was \$324.2 million compared to \$312.9 million in 2005. Included in 2006 are transition costs related to the Alderwoods acquisition of \$3.2 million and legal payments of \$5.7 million. Included in 2005 was a federal income tax refund of \$29.0 million.

Excluding the above items, cash flow from operations increased approximately \$50.0 million. This increase is primarily due to \$21.2 million of rent payments that were classified in operating cash flows in 2005, but which are classified as principal payments on capital leases in cash flows from financing activities in 2006. The remaining increase is a result of improved operating results as well as \$10.9 million in proceeds from the redemption of convertible preferred equity certificates received in connection with our disposition of our operations in France, the receipt of \$7.9 million of endowment care proceeds as a result of the resolution of disputes over ownership rights, and a source of approximately \$10.0 million from working capital. This working capital source resulted from an increase in preneed and atneed cash receipts, which were partially offset by an increase in bonus and long-term incentive compensation payments in 2006 related to a 2003 compensation program.

A summary of our capital expenditures is set forth below:

(In millions)

	Capital Expenditures	
	Twelve Months Ended	
	December 31, 2006	December 31, 2005
Capital improvements at existing locations	59.8	50.5
Development of cemetery property	32.9	33.3
Construction of new funeral home facilities		

operations	(3.5)	(.01)	---	---	(3.9)	(.01)	(4.5)	(.01)
Cumulative effect of accounting change	---	---	---	---	---	---	187.5	.61

Earnings from continuing operations excluding special items	\$33.6	\$.11	\$18.8	\$.06	\$121.6	\$.41	\$84.4	\$.28
=====								
Diluted weighted average shares outstanding (in thousands)	297,306		300,601		297,371		306,745	

Conference Call and Webcast

We will host a conference call on Wednesday, February 28, 2007, at 10:00 a.m. Central Standard Time. A question and answer session will follow a brief presentation made by management. The conference call dial-in number is (617) 847-8712 with the passcode of 41543506. The conference call will also be broadcast live via the Internet and can be accessed through our website at <http://www.sci-corp.com> and can be accessed by clicking on "Webcasts and Presentations" in the Investors section of the website. A replay of the conference call will be available through March 7, 2007 and can be accessed at (617) 801-6888 with the confirmation code of 36956360. Additionally, a replay of the conference call will be available on our website for at least ninety days and can be accessed by clicking on "Webcasts and Presentations" in the Investors section of the website.

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.
- * Our ability to successfully integrate Alderwoods or that the anticipated benefits of the acquisition are not fully realized.
- * Our ability to consummate the planned divestitures and realize the anticipated proceeds within the anticipated time frame.
- * 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.
- * The amounts payable by us with respect to our outstanding legal matters exceed our established reserves.
- * The outcome of a pending Internal Revenue Service audit. We maintain accruals for tax liabilities which relate to uncertain tax matters. If these tax matters are unfavorably resolved, we will be required to 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 primarily be reversed through the tax provision at the time of resolution.
- * Our ability to manage 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 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 access surety and insurance markets at a reasonable cost.
- * Our ability to successfully leverage our substantial purchasing power with certain of our vendors.
- * The effectiveness of our internal control over financial reporting, and our ability to certify the effectiveness of the internal controls and to obtain an unqualified attestation report of our auditors regarding the effectiveness of our internal control over financial reporting.
- * Our new credit agreement and privately placed debt securities contain covenants that may prevent us from engaging in certain transactions.
- * Our ability to buy our common stock under our share repurchase programs which could be impacted by, among others, restrictive covenants in our bank agreements, 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.

For further information on these and other risks and uncertainties, see our Securities and Exchange Commission filings, including our 2006 Annual Report on Form 10-K, which is expected to be filed tomorrow. 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.

About Service Corporation International

Service Corporation International (NYSE: SCI), headquartered in Houston, Texas, is North America's leading provider of deathcare products and services. At December 31, 2006, we owned and operated more than 1,600 funeral homes and 400 cemeteries (of which over 230 are combination locations) in 45 states, eight Canadian provinces, the District of Columbia and Puerto Rico. Through our businesses, we market the Dignity Memorial(R) brand which offers assurance of quality, value, caring service, and exceptional customer satisfaction. For more information about Service Corporation International, please visit our website at <http://www.sci-corp.com> . For more information about Dignity Memorial(R), please visit <http://www.dignitymemorial.com> .

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Revenues	\$478,026	\$428,715	\$1,747,295	\$1,710,977
Costs and expenses	(374,767)	(360,634)	(1,402,627)	(1,413,965)
Gross profit	103,259	68,081	344,668	297,012

General and administrative

expenses	(31,015)	(22,898)	(94,900)	(84,834)
Gains (losses) on dispositions and impairment charges, net	(20,542)	2,566	(58,683)	(26,093)
Operating income	51,702	47,749	191,085	186,085
Interest expense	(36,732)	(26,334)	(123,399)	(103,733)
Loss on early extinguishment of debt	(17,532)	---	(17,532)	(14,258)
Interest income	10,149	5,488	31,171	16,706
Other income, net	(924)	2,326	16,124	2,327
	(45,039)	(18,520)	(93,636)	(98,958)
Income from continuing operations before income taxes and cumulative effect of accounting change	6,663	29,229	97,449	87,127
Provision for income taxes	(9,381)	(6,478)	(44,845)	(32,036)
(Loss) income from continuing operations before cumulative Effect of accounting change	(2,718)	22,751	52,604	55,091
Income from discontinued operations (net of income tax benefit (provision) of \$2,366, \$(1,374), \$2,548, and \$(5,961), respectively)	3,488	18	3,907	4,506
Cumulative effect of accounting change (net of Income tax benefit of \$117,428)	---	---	---	(187,538)
Net income (loss)	\$770	\$22,769	\$56,511	\$(127,941)
Basic earnings (loss) per share:				
(Loss) income from continuing operations before cumulative effect of accounting change	\$(.01)	\$.08	\$.18	\$.18
Income from discontinued operations, net of tax	.01	---	.01	.02
Cumulative effect of accounting change, net of tax	---	---	---	(.62)
Net income (loss)	\$.00	\$.08	\$.19	\$(.42)
Diluted earnings (loss) per share:				
(Loss) income from continuing operations before cumulative effect of accounting change	\$(.01)	\$.08	\$.18	\$.18
Income from discontinued operations, net of tax	.01	---	.01	.01
Cumulative effect of accounting change, net of tax	---	---	---	(.61)

Net income (loss)	\$---	\$.08	\$.19	\$ (.42)
Basic weighted average number of shares	292,092	295,034	292,859	302,213
Diluted weighted average number of shares	292,092	300,601	297,371	306,745
Dividends declared per share	\$.03	\$.025	\$.105	\$.10

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

	December 31, 2006	December 31, 2005

Assets		
Current assets:		
Cash and cash equivalents	\$39,880	\$446,782
Receivables, net	107,194	97,747
Inventories	39,535	31,254
Current assets of discontinued operations	2,236	---
Current assets held for sale	6,330	---
Other	43,162	37,527
	-----	-----
Total current assets	238,337	613,310
	-----	-----
Preneed funeral receivables and trust investments	1,516,676	1,226,192
Preneed cemetery receivables and trust investments	1,522,584	1,288,515
Cemetery property, at cost	1,495,248	1,392,727
Property and equipment, at cost, net	1,641,353	950,174
Goodwill	1,264,272	1,123,888
Non-current assets of discontinued operations	371,132	---
Non-current assets held for sale	349,311	---
Deferred charges and other assets	436,545	249,581
Cemetery perpetual care trust investments	893,931	700,382
	-----	-----
	\$9,729,389	\$7,544,769
	=====	=====
Liabilities & Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$341,173	\$231,693
Current maturities of long-term debt	46,176	20,716
Current liabilities of discontinued operations	2,351	---
Current liabilities held for sale	419	---
Income taxes	17,828	20,359
	-----	-----
Total current liabilities	407,947	272,768
	-----	-----
Long-term debt	1,912,696	1,186,485
Deferred preneed funeral revenues	537,792	535,384
Deferred preneed cemetery revenues	754,193	792,485
Deferred income taxes	177,341	138,677
Non-current liabilities of discontinued operations	311,498	---
Non-current liabilities held for sale	239,800	---
Other liabilities	357,418	326,985

Non-controlling interest in funeral and cemetery trusts	2,548,743	2,015,811
Non-controlling interest in cemetery perpetual care trusts	887,186	694,619
Stockholders' equity:		
Common stock, \$1 per share par value, 500,000,000 shares authorized, 293,222,114 and 294,808,872, issued and outstanding (net of 10,000 and 48,962,063 treasury shares, at par, respectively)	293,222	294,809
Capital in excess of par value	2,135,649	2,182,745
Unearned compensation	---	(3,593)
Accumulated deficit	(906,394)	(962,905)
Accumulated other comprehensive income	72,298	70,499
	-----	-----
Total stockholders' equity	1,594,775	1,581,555
	-----	-----
	\$9,729,389	\$7,544,769
	=====	=====

SERVICE CORPORATION INTERNATIONAL
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2006	2005
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$56,511	\$(127,941)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net income from discontinued operations, net of tax	(3,907)	(4,506)
Equity in earnings of unconsolidated subsidiaries	(1,052)	---
Loss on early extinguishment of debt	17,532	14,258
Premiums paid on early extinguishment of debt	(15,725)	(12,186)
Cumulative effect of accounting change, net of tax	---	187,538
Depreciation and amortization	96,684	74,866
Amortization of cemetery property	28,263	27,505
Provision for doubtful accounts	9,156	8,638
Provision for deferred income taxes	38,257	24,854
Losses on dispositions and impairment charges, net	58,683	26,093
Share-based compensation	7,035	2,086
Amortization of loan costs	16,328	10,788
Payments on restructuring charges	(7,646)	(10,723)
Litigation payments	(5,570)	(3,126)
Change in assets and liabilities, net of effects from acquisitions and dispositions:		
(Increase) decrease in receivables	(362)	10,257
(Increase) decrease in other assets	(7,938)	16,043
Increase in litigation accrual	5,156	370
(Decrease) increase in payables and other liabilities	(2,547)	15,245
Net effect of preneed funeral production and maturities	8,629	5,176

Net effect of cemetery production and deliveries	26,728	52,981
Other	(2,027)	87
	-----	-----
Net cash provided by operating activities from continuing operations	322,188	318,303
	-----	-----
Net cash provided by (used in) operating activities from discontinued operations	2,031	(5,451)
	-----	-----
Net cash provided by operating activities	324,219	312,852
Cash flows from investing activities:		
Capital expenditures	(99,527)	(98,605)
Acquisitions, net of cash acquired	(1,301,359)	---
Proceeds from divestitures and sales of property and equipment	83,146	263,192
Indemnity payments related to the sale of former funeral operations in France	(386)	(2,105)
Net withdrawals of restricted funds and other	11,025	9,334
	-----	-----
Net cash (used in) provided by investing activities from continuing operations	(1,307,101)	171,816
Net cash provided by (used in) investing activities from discontinued operations	9,599	(801)
	-----	-----
Net cash (used in) provided by investing activities	(1,297,502)	171,015
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	850,000	297,041
Loan costs	(24,716)	(5,538)
Payments of debt	(26,053)	(85,692)
Principal payments on capital leases	(21,346)	(120)
Early extinguishment of debt	(181,543)	(291,277)
Proceeds from exercise of stock options	5,946	7,834
Purchase of Company common stock	(27,870)	(225,152)
Payments of dividends	(29,431)	(22,637)
Bank overdrafts and other	20,480	(844)
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Net cash provided by (used in) financing activities from continuing operations	565,467	(326,385)
Net cash used in financing activities from discontinued operations	(254)	---
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Net cash provided by (used in) financing activities	565,213	(326,385)
Effect of foreign currency	1,168	1,515
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Net (decrease) increase in cash and cash equivalents	(406,902)	158,997
Cash and cash equivalents at beginning of period	446,782	287,785
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Cash and cash equivalents at end of period	\$39,880	\$446,782
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SOURCE

Service Corporation International

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