



## Service Corporation International Announces Second Quarter 2007 Financial Results

August 7, 2007

**- Conference call on Wednesday August 8, 2007, at 9:00 a.m. Central Standard Time.**

HOUSTON, Aug 07, 2007 /PRNewswire-FirstCall via COMTEX News Network/ -- Service Corporation International (NYSE: SCI), which owns and operates funeral service locations and cemeteries, today reported results for the second quarter 2007. 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		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues	\$565.5	\$431.4	\$1,173.0	\$873.4
Operating income	82.8	60.4	180.9	122.6
Net income	15.1	25.5	52.8	52.4
Diluted earnings per share	.05	.09	.18	.18
Net cash provided by operating activities	63.7	71.4	191.6	151.6

### 2007 Highlights

- \* In the second quarter of 2007, earnings from continuing operations excluding special items were \$32.4 million, or \$.11 per diluted share compared to \$28.4 million, or \$0.10 per diluted share in the second quarter of 2006. In the first six months of 2007, earnings from continuing operations excluding special items were \$84.1 million, or \$.28 per diluted share compared to \$58.9 million, or \$0.20 per diluted share in the first six months of 2006. Both periods of 2006 include the receipt and recognition of \$7.9 million of cemetery endowment care trust fund income as a result of the resolution of disputes over ownership rights to the funds. Earnings from continuing operations excluding special items is a non-GAAP financial measure because this calculation excludes certain 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".
- \* Alderwoods operations are accretive to earnings and cash flow and improvement synergies are being realized as expected.
- \* Consolidated revenues increased 34.3% to approximately \$1.2 billion in the first six months of 2007 compared to 2006.
- \* Although impacted by divestitures and the \$7.9 million of previously disputed endowment care income recognized in 2006, consolidated gross profit margins for the first six months of 2007 grew to 20.8% compared to 19.8% in 2006.
- \* In the first six months of 2007, consolidated North America average revenue per funeral service increased 2.8% to \$4,793 compared to \$4,661 in the same period of 2006.
- \* Cash flow from operating activities increased \$40.0 million in the first six months of 2007 to \$191.6 million compared to \$151.6 million in the first six months of 2006.

Tom Ryan, the Company's President and Chief Executive Officer, commented on the second quarter of 2007:

"We delivered another good quarter, with earnings and cash flow on target despite facing difficult volume comparisons and the negative impact from divestitures," said Tom Ryan, President and Chief Executive Officer.

"Our performance is a credit to the commitment and execution of our entire organization. We continue to make great strides in our key focus areas of integrating Alderwoods, realigning our pricing, and implementing standardized operating metrics. I am confident that we will continue to produce solid

results as we move forward through 2007."

Consolidated Results of Operations - North America

The following table represents consolidated results from our operations in North America, including the properties acquired in the Alderwoods transaction.

(In millions, except funeral services performed, average revenue per funeral service or per contract sold and total preneed funeral contracts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Funeral				
Funeral atneed revenue	\$251.0	\$180.8	\$536.9	\$375.2
Funeral recognized preneed revenue	109.2	86.5	233.3	182.9
General agency revenue (1)	12.4	10.2	22.6	19.7
Kenyon revenue (2)	1.6	0.6	2.8	1.9
Total funeral revenues	\$374.2	\$278.1	\$795.6	\$579.7
Gross profit	\$70.7	\$53.3	\$172.9	\$119.6
Gross margin percentage	18.9%	19.2%	21.7%	20.6%
Funeral services performed:				
Preneed	23,510	19,167	50,987	40,483
Atneed	51,075	37,312	109,685	79,257
Total	74,585	56,479	160,672	119,740
Average revenue per funeral service:				
Preneed	\$4,647	\$4,512	\$4,574	\$4,517
Atneed	\$4,914	\$4,846	\$4,895	\$4,735
Total	\$4,830	\$4,733	\$4,793	\$4,661
Preneed funeral production:				
Sales	\$106.1	\$79.4	\$224.3	\$160.7
Total preneed funeral contracts sold	19,785	16,433	42,489	33,970
Average revenue per contract	\$5,362	4,832	\$5,279	\$4,731
Cemetery				
Cemetery atneed revenue	\$72.5	\$53.9	\$146.6	\$109.5
Cemetery recognized preneed revenue	91.0	71.4	176.1	134.8
Other cemetery revenue (3)	26.2	26.4	51.6	46.2
Total cemetery revenues	\$189.7	\$151.7	\$374.3	\$290.5
Gross profit	\$32.8	\$30.7	\$71.6	\$52.9
Gross margin percentage	17.3%	20.2%	19.1%	18.2%
Preneed and atneed cemetery production:				
Preneed and atneed sales	\$181.1	\$138.5	\$348.1	\$271.9
Recognition rate (4)	90.3%	90.5%	92.7%	89.8%

- (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 June 30, 2007  
Funeral Results

Consolidated North America funeral revenue increased \$96.1 million, or 34.6%, in the second quarter of 2007 compared to the second quarter of 2006. This increase is primarily a result of the addition of Alderwoods operations which contributed \$101.6 million in funeral revenues in the second quarter of 2007. Alderwoods average revenue per funeral service was consistent with our expectations and Alderwoods funeral case volume was approximately 3% below our expectations. In addition, we divested of locations which contributed an incremental \$8.2 million of revenue in the second quarter of 2006. Our comparable North America funeral revenues which represent locations that were owned in both periods were up \$2.7 million, or 1.0%, compared to the second quarter of 2006 as detailed in the table below.

Consolidated North America funeral gross profit increased \$17.3 million in the second quarter of 2007 versus the same period of 2006 primarily due to gross profit contributed from Alderwoods operations. The consolidated gross margin percentage decreased to 18.8% from 19.1% due primarily to Alderwoods operations which historically have had lower gross profit margins, partially offset by synergies achieved in the Alderwoods transaction and cost improvements in our infrastructure. In addition, we divested locations which contributed an incremental \$4.8 million of gross profit in the second quarter of 2006 compared to the second quarter of 2007. Gross profit from our comparable North America funeral locations increased \$2.1 million, or 4.1% as detailed in the table below primarily due to our strategic pricing initiative and more centralization and standardization in our organization. Comparable North America funeral gross margin percentage increased to 20.2% in the second quarter of 2007 compared to 19.6% in the same period of 2006.

Other key items impacting funeral results include:

- \* The consolidated average revenue per funeral service increased 2.0%, or \$97 per service to \$4,830. The average revenue at comparable locations increased \$228 or 4.8% (as detailed in the table below). These increases reflect the continued benefits of our strategic pricing initiative, which places less emphasis on traditional funeral merchandise and more focus on service offerings.
- \* The number of consolidated funeral services performed increased 18,106, or 32.1%, in the second quarter of 2007 compared to the second quarter of 2006. This increase includes 23,065 services performed by locations acquired in the Alderwoods transaction. The increase was partially offset by a decrease from divested locations of 2,828 funeral services. Additionally, SCI comparable funeral services decreased 2,131, or 4.0%, which we attribute to certain local business decisions to exit unprofitable business relationships, primarily related to low-priced direct cremation activities, and a decrease in the number of deaths in the markets in which we operate in the second quarter of 2007. The local business decisions mentioned above were made based on our customer segmentation strategy, which focuses on more profitable opportunities with certain customer segments.

The table below details comparable funeral results of operations for the three months ended June 30, 2007 and 2006. 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 to be those owned for the entire period beginning January 1, 2006 and ending June 30, 2007. Therefore, in the following presentation, we are providing results of operations for the same funeral and cemetery locations in each of the periods presented, which means that our Alderwoods operations are excluded. 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)

	Three months ended June 30,			
	2007	2006	Change	Change %
Comparable revenue	\$265.9	\$263.2	\$2.7	1.0%
Comparable gross profit	53.8	51.7	2.1	4.1%
Comparable gross margin percentage	20.2%	19.6%		

Comparable funeral services performed:

Preneed	17,402	18,105	(703)	(3.9%)
Atneed	33,451	34,879	(1,428)	(4.1%)
Total	50,853	52,984	(2,131)	(4.0%)

Comparable average revenue per funeral service	\$4,997	\$4,769	\$228	4.8%
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Our comparable operations gross profit and gross margin percentage in 2007 above also include new planned field and home office overhead that is needed as a result of the addition of over 600 funeral homes and 100 cemeteries acquired in the Alderwoods transaction.

#### Cemetery Results

Consolidated cemetery revenues increased \$38.0 million, or 25.0%, in the second quarter of 2007 compared to the same period of 2006 reflecting a \$41.0 million revenue contribution from operations acquired from Alderwoods. This increase was partially offset by a \$3.9 million decline in revenue from divested locations. Our comparable cemetery revenues increased \$0.9 million in the second quarter of 2007 compared to the same period of 2006 as increased preneed production in the second quarter of 2007 was partially offset by the receipt and recognition of \$7.9 million of endowment care income in the second quarter of 2006 as a result of the resolution of disputes over ownership rights to the funds.

Consolidated cemetery gross profit increased \$2.1 million in the second quarter of 2007 compared to the second quarter of 2006 reflecting the addition of gross profit from Alderwoods operations of \$4.5 million. We also divested locations with negative gross profits of \$(0.5) million in 2006. Our comparable cemetery gross margins decreased \$1.9 million in the second quarter of 2007 compared to the second quarter of 2006 and our comparable cemetery gross margin percentage decreased to 19.6% compared to 21.1% in the same period of 2006. This was due to the revenue growth in 2007 being offset by the receipt and recognition of \$7.9 million of endowment care income described above in the second quarter of 2006. We estimate that this income positively impacted our comparable cemetery gross margin percentage for the second quarter of 2006 by approximately 450 basis points.

#### Other Results

- \* General and administrative expenses were \$30.3 million in the second quarter of 2007 compared to \$20.9 million in the second quarter of 2006. General and administrative costs increased \$9.4 million primarily due to \$5.6 million of one-time transition and other expenses related to our acquisition of Alderwoods. Additionally, salary expense increased \$1.9 million compared to prior year as a result of Alderwoods corporate expenses that are expected to wind down throughout 2007.
- \* Interest expense increased to \$36.2 million in the second quarter of 2007 compared to \$26.6 million in the second quarter of 2006. The increase of \$9.6 million resulted from increased borrowings to finance the Alderwoods acquisition in the fourth quarter of 2006.
- \* Interest income decreased \$4.3 million in the second quarter of 2007 to \$2.5 million as expected due to decreases in our average cash balances.
- \* Other income, net for the second quarter of 2007 includes income of \$5.6 million from our equity investment in operations in France for which no comparable amounts were received in 2006.

For the Six Months Ended June 30, 2007

#### Funeral Results

Consolidated North America funeral revenue increased \$215.9 million, or 37.2%, in the first six months of 2007 compared to the first six months of 2006. This increase is primarily a result of the addition of Alderwoods operations which contributed \$217.1 million in funeral revenues in the first six months of 2007. Alderwoods average revenue per funeral service was consistent with our expectations and Alderwoods funeral case volume was approximately 3% below our expectations, which we believe is generally consistent with death trends in North America in the first half of 2007. In addition, we divested locations which contributed \$5.1 million of incremental revenue in the first half of 2006. Our comparable North America funeral revenues were up \$3.9 million, or 0.7%, compared to the first half of 2006 as detailed in the table below.

Consolidated North America funeral gross profit increased \$53.3 million in the first half of 2007 versus the same period of 2006 primarily due to gross profit contributed from Alderwoods operations of \$50.6 million. The consolidated gross margin percentage increased to 21.7% from 20.6% due primarily to synergies achieved in the Alderwoods transaction and cost improvements in our infrastructure, partially offset by a decrease in funeral gross profit contributed from locations that were divested in the second quarter of 2007. We divested locations which contributed an incremental \$2.5 million of gross profit in the first half of 2006 compared to the first half of 2007. Gross profit from our comparable North America funeral locations increased \$5.3 million or 4.6% as detailed in the table below primarily due to more centralization and standardization in our organization. Comparable North America funeral gross margin percentage increased to 21.9% in the first half of 2007 compared to 21.1% in the same period of 2006.

Other key items impacting funeral results include:

- \* The consolidated average revenue per funeral service increased 2.8%, or \$132 per service to \$4,793. The average revenue at comparable locations increased \$252 or 5.4% (as detailed in the table below). These increases reflect the continued benefits of our strategic pricing initiative, which places less emphasis on traditional funeral merchandise and more focus on service offerings.
- \* The number of consolidated funeral services performed increased 40,932, or 34.2%, in the first half of 2007 compared to the same period of

2006. This increase includes 51,659 services performed by locations acquired in the Alderwoods transaction. The increase was partially offset by a decrease from divested locations of 5,430 funeral services. Additionally, SCI comparable funeral services performed decreased 5,297, or 4.7%, which we attribute to certain local business decisions to exit unprofitable business relationships, primarily related to low-priced direct cremation activities, and a decrease in the number of deaths in our markets in the first half of 2007. The local business decisions mentioned above were made based on our customer segmentation strategy, which focuses on more profitable opportunities with certain customer segments.

The table below details comparable funeral results of operations for the six months ended June 30, 2007 and 2006.

(In millions, except funeral services performed, average revenue per funeral service)	Six months ended			
	2007	2006	Change	Change %
Comparable revenue	\$552.0	\$548.1	\$3.9	0.7%
Comparable gross profit	121.0	115.7	5.3	4.6%
Comparable gross margin percentage	21.9%	21.1%		
Comparable funeral services performed:				
Preneed	36,803	38,209	(1,406)	(3.7%)
Atneed	70,128	74,019	(3,891)	(5.3%)
Total	106,931	112,228	(5,297)	(4.7%)
Comparable average revenue per funeral service	\$4,951	\$4,699	\$252	5.4%

Our comparable operations gross profit and gross margin percentage in 2007 above also include new planned field and home office overhead that is needed as a result of the addition of over 600 funeral homes and 100 cemeteries acquired in the Alderwoods transaction.

#### Cemetery Results

Consolidated cemetery revenues increased \$83.8 million, or 28.8%, in the first half of 2007 compared to the same period of 2006 reflecting a \$90.5 million increase from operations acquired from Alderwoods. This increase was offset by a \$5.2 million decline in revenue from divested locations. Our comparable cemetery revenues decreased \$1.5 million in the first half of 2007 compared to the same period of 2006 as increased preneed production was more than offset by the receipt and recognition of \$7.9 million of previously disputed endowment care income in the second quarter of 2006 described earlier.

Consolidated cemetery gross profit increased \$18.7 million in the first half of 2007 compared to the first half of 2006 reflecting the addition of gross profit from Alderwoods operations of \$18.8 million. Consolidated cemetery gross margin percentage was 19.1% in the first half of 2007 compared to 18.2% in the same period of 2006. We also divested locations with incremental gross profits in 2007 compared to 2006 of \$0.6 million. Our comparable cemetery gross margins decreased \$0.7 million in the first half of 2007 compared to the first half of 2006 as increased revenue was offset by the receipt and recognition of \$7.9 million of previously disputed endowment care income in the second quarter of 2006. We estimate that this income positively impacted our comparable cemetery gross margin percentage for the first half of 2006 by approximately 240 basis points. Comparable North America cemetery margin percentage was 19.3% in the first half of 2007 compared to 19.5% in the first half of 2006.

#### Other Results

- \* General and administrative expenses were \$65.7 million in the first half of 2007 compared to \$42.9 million in the first half of 2006. General and administrative costs increased \$22.8 million primarily due to \$16.9 million of one-time transition and other expenses related to our acquisition of Alderwoods. Additionally, salary expense increased \$4.8 million compared to prior year as a result of Alderwoods corporate expenses that are expected to wind down throughout 2007.
- \* Interest expense increased to \$73.8 million in the first half of 2007 compared to \$53.3 million in the first half of 2006. The increase of \$20.5 million resulted from increased borrowings to finance the Alderwoods acquisition in the fourth quarter of 2006.
- \* Interest income decreased \$8.7 million in the first half of 2007 to \$4.1 million as expected due to decreases in our average cash balances.



operations	(2.2)	(.01)	(0.1)	--	(5.1)	(.02)	(0.2)	--
Earnings from continuing operations excluding special items	\$32.4	\$ .11	\$28.4	\$ .10	\$84.1	\$ .28	\$58.9	\$ .20
Diluted weighted average shares outstanding (in thousands)	296,124		297,501		297,480		297,784	

#### Conference Call and Webcast

We will host a conference call on Wednesday, August 8, 2007, at 9:00 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) 614-3453 with the passcode of 11878005. The conference call will also be broadcast live via the Internet and can be accessed through our website at [www.sci-corp.com](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 August 22, 2007 and can be accessed at (617) 801-6888 with the confirmation code of 18151155. 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 Form 10-Q 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 to fully realize the anticipated benefits of the acquisition.
- \* The outcomes of pending lawsuits, proceedings, and claims 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.
- \* Allegations regarding compliance with laws, regulations, industry standards, and customs regarding burial procedures and practices.
- \* 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 that 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 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 credit agreement and privately placed debt securities 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. Copies of this document as well as other SEC filings can be obtained from our website at [www.sci-corp.com](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 June 30, 2007, we owned and operated more than 1,500 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 [www.sci-corp.com](http://www.sci-corp.com). For more information about Dignity Memorial(R), please visit [www.dignitymemorial.com](http://www.dignitymemorial.com).

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues	\$565,492	\$431,400	\$1,173,047	\$873,401
Costs and expenses	(462,131)	(347,212)	(928,532)	(700,519)
Gross profit	103,361	84,188	244,515	172,882
General and administrative expenses	(30,281)	(20,922)	(65,680)	(42,929)
Gains (losses) on dispositions and impairment charges, net	9,743	(2,881)	2,063	(7,391)
Operating income	82,823	60,385	180,898	122,562
Interest expense	(36,165)	(26,609)	(73,762)	(53,337)
Loss on early extinguishment of debt	(12,122)	--	(14,480)	--
Interest income	2,478	6,782	4,070	12,763
Other income, net	4,836	203	3,338	1,195
Income from continuing operations before income taxes	41,850	40,761	100,064	83,183
Provision for income taxes	(28,941)	(15,404)	(52,438)	(31,049)
Income from continuing operations	12,909	25,357	47,626	52,134
Income from discontinued operations (net of income tax provision (benefit) of \$1,223, (\$13), \$1,960				



and \$83, respectively)	2,209	93	5,134	242
Net income	\$15,118	\$25,450	\$52,760	\$52,376
Basic earnings per share:				
Income from continuing operations	\$.04	\$.09	\$.16	\$.18
Income from discontinued operations, net of tax	.01	--	.02	--
Net income	\$.05	\$.09	\$.18	\$.18
Diluted earnings per share:				
Income from continuing operations	\$.04	\$.09	\$.16	\$.18
Income from discontinued operations, net of tax	.01	--	.02	--
Net income	\$.05	\$.09	\$.18	\$.18
Basic weighted average number of shares				
	290,577	293,409	291,941	293,580
Diluted weighted average number of shares				
	296,124	297,501	297,480	297,784
Dividends declared per share	\$.030	\$.025	\$0.60	\$.050

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

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$222,785	\$39,880
Receivables, net	102,107	107,194
Inventories	39,017	39,535
Current assets of discontinued operations	2,480	2,236
Current assets held for sale	3,033	6,330
Other	37,363	43,162
Total current assets	406,785	238,337
Preneed funeral receivables and trust investments	1,546,224	1,516,676
Preneed cemetery receivables and trust investments	1,550,552	1,522,584
Cemetery property, at cost	1,465,152	1,495,248
Property and equipment, net	1,605,899	1,641,353
Goodwill	1,260,587	1,264,272
Non-current assets of discontinued operations	380,579	371,132
Non-current assets held for sale	169,407	349,311
Deferred charges and other assets	396,861	436,545
Cemetery perpetual care trust investments	958,947	893,931
	\$9,740,993	\$9,729,389
Liabilities & Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$305,374	\$341,173
Current maturities of long-term debt	103,837	46,176
Current liabilities of discontinued operations	3,071	2,351
Current liabilities held for sale	157	419
Income taxes	22,498	17,828
Total current liabilities	434,937	407,947
Long-term debt	1,837,318	1,912,696
Deferred preneed funeral revenues	541,472	537,792
Deferred preneed cemetery revenues	735,098	754,193
Deferred income taxes	99,866	177,341
Non-current liabilities of discontinued operations	324,383	311,498
Non-current liabilities held for sale	116,161	239,800

Other liabilities	479,506	357,418
Non-controlling interest in funeral and cemetery trusts	2,609,718	2,548,743
Non-controlling interest in cemetery perpetual care trusts	955,358	887,186
Stockholders' equity:		
Common stock, \$1 per share par value, 500,000,000 shares authorized, 288,103,566 and 293,222,114, issued and outstanding (net of 7,975,808 and 10,000 treasury shares, at par, respectively)	288,104	293,222
Capital in excess of par value	2,046,825	2,135,649
Accumulated deficit	(841,647)	(906,394)
Accumulated other comprehensive income	113,894	72,298
Total stockholders' equity	1,607,176	1,594,775
	\$9,740,993	\$9,729,389

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

	Six months ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$52,760	\$52,376
Adjustments to reconcile net income to net cash provided by operating activities:		
Net income from discontinued operations, net of tax	(5,134)	(242)
Loss on early extinguishment of debt	14,480	--
Premiums paid on early extinguishment of debt	(11,368)	--
Depreciation and amortization	66,876	45,670
Amortization of cemetery property	17,800	12,743
Amortization of loan cost	3,617	5,070
Provision for doubtful accounts	6,688	4,718
Provision for deferred income taxes	38,024	24,966
(Gains) losses on dispositions and impairment charges, net	(2,063)	7,391
Share-based compensation	5,980	3,856
Excess tax benefits from share based awards	(4,123)	--
Equity in earnings of unconsolidated subsidiaries	(6,270)	(137)
Change in assets and liabilities, net of effects from acquisitions and dispositions:		
(Increase) decrease in receivables	(5,222)	18,001
Increase in other assets	(10,112)	(16,431)
Decrease in payables and other liabilities	(40,626)	(39,150)
Net effect of preneed funeral production and maturities	14,651	4,421
Net effect of cemetery production and deliveries	38,647	27,866
Other	(329)	(264)
Net cash provided by operating activities from continuing operations	174,276	150,854
Net cash provided by operating activities from discontinued operations	17,279	749
Net cash provided by operating activities	191,555	151,603
Cash flows from investing activities:		
Capital expenditures	(65,392)	(40,533)
Proceeds from divestitures and sales of		

property and equipment	214,494	26,744
Acquisitions	(212)	(14,677)
Net (deposits) withdrawals of restricted funds and other	(238)	10,613
Net cash provided by (used in) investing activities from continuing operations	148,652	(17,853)
Net cash (used in) provided by investing activities from discontinued operations	(8,546)	11,155
Net cash provided by (used in) investing activities	140,106	(6,698)
Cash flows from financing activities:		
Proceeds from long-term debt issued	398,996	--
Debt issuance costs	(6,443)	--
Payments of debt	(2,152)	(13,713)
Principal payments on capital leases	(13,807)	(10,701)
Early extinguishment of debt	(422,641)	--
Proceeds from exercise of stock options	13,189	2,402
Purchase of Company common stock	(103,598)	(27,870)
Excess tax benefits from share based awards	4,123	--
Payments of dividends	(17,645)	(14,719)
Bank overdrafts and other	2,211	--
Net cash used in financing activities from continuing operations	(147,767)	(64,601)
Net cash used in financing activities from discontinued operations	(2,113)	--
Net cash used in financing activities	(149,880)	(64,601)
Effect of foreign currency	1,124	2,085
Net increase in cash and cash equivalents	182,905	82,389
Cash and cash equivalents at beginning of period	39,880	446,782
Cash and cash equivalents at end of period	\$222,785	\$529,171

SOURCE Service Corporation International

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