



Service Corporation International Announces First Quarter 2008 Financial Results

May 7, 2008

Conference call on Thursday, May 8, 2008, at 9:00 a.m. Central Daylight Time.

HOUSTON, May 7 /PRNewswire-FirstCall/ -- Service Corporation International (NYSE: SCI), a provider of deathcare products and services, today reported results for the first quarter 2008. Our unaudited consolidated financial statements can be found at the end of this press release. The table below summarizes our key financial results:

(In millions, except for per share amounts)	Three Months Ended	
	March 31,	
	2008	2007
Revenues	\$573.5	\$607.6
Operating income	\$99.4	\$98.1
Net income	\$41.5	\$37.6
Diluted earnings per share	\$.16	\$.13
Earnings from continuing operations excluding special items(1)	\$51.8	\$51.7
Diluted earnings per share from continuing operations excluding special items(1)	\$.20	\$.17
Diluted weighted average shares outstanding	264.8	298.6
Net cash provided by operating activities	\$46.3	\$127.9
Net cash provided by operating activities excluding special items(1)	\$136.3	\$127.9

(1) Earnings from continuing operations excluding special items, diluted earnings per share from continuing operations excluding special items, and net cash provided by operating activities excluding special items are non-GAAP financial measures. A reconciliation to net income, diluted earnings per share, and net cash provided by operating activities computed in accordance with GAAP can be found later in this press release under the heading "Non-GAAP Financial Measures".

Highlights:

- * Diluted earnings per share from continuing operations excluding special items increased 18% to \$0.20 compared to \$0.17.
- * Revenues decreased \$34.1 million, or 5.6%, primarily due to significant divestiture activity throughout 2007 which included 55 FTC-mandated properties and 349 non-strategic locations. These divestitures produced total proceeds of over \$400 million.
- * Comparable average revenue per funeral service increased 5.3%. Comparable funeral services performed were 0.9% below prior year levels.
- * Comparable cemetery property sales production increased 7% compared to prior year levels.
- * Comparable cemetery property revenue decreased \$7.2 million due to previously disclosed one-time construction revenues of \$10.8 million primarily at our Rose Hills cemetery in the first quarter of 2007 that were not repeated in 2008.
- * Excluding a \$90 million U.S. federal tax payment in the first quarter

of 2008 related to certain divestitures, cash flow from operating activities increased \$8.4 million compared to the prior year.

- * SCI returned more than \$47 million in capital to shareholders in the first quarter of 2008 through a combination of dividends and share repurchases.

Tom Ryan, the Company's President and Chief Executive Officer, commented on the first quarter of 2008:

"We are encouraged by our strong operating performance in the first quarter of 2008, particularly in the funeral segment of our business. Comparable funeral revenues grew by 5% as we continue to see the benefits from the implementation of strategic pricing initiatives at the former Alderwoods locations. The enhanced revenues generated substantial margin improvement against a leaner infrastructure created by the synergies from the Alderwoods transaction. Cemetery margins decreased from the prior year as certain high-margin construction projects completed in 2007 were not repeated in 2008. However, we are pleased with the momentum in cemetery sales production, especially in these challenging economic times for consumers."

REVIEW OF FIRST QUARTER 2008 RESULTS

The following table represents consolidated results of operations. These results are impacted by significant divestiture activity in 2007, including 55 FTC-mandated properties and 349 non-strategic locations. These divestitures produced total proceeds of over \$400 million.

(In millions)

	Three Months Ended March 31,	
	2008	2007
Funeral		
Funeral revenues	\$405.6	\$422.9
Gross profit	\$108.5	\$102.3
Gross margin percentage	26.8%	24.2%
Cemetery		
Cemetery revenues	\$167.9	\$184.7
Gross profit	\$29.1	\$38.7
Gross margin percentage	17.3%	21.0%

Comparable Funeral Results for the First Quarter 2008

The table below details comparable funeral results of operations ("same store") for the three months ended March 31, 2008 and 2007, including the properties that we acquired in the Alderwoods transaction. We consider comparable operations as those owned for the entire period beginning January 1, 2007 and ending March 31, 2008.

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

	Three Months Ended March 31,	
	2008	2007
Comparable funeral revenue:		
Atneed revenue	\$266.6	\$261.0
Recognized preneed revenue	123.6	113.0
General agency revenues(1)	11.6	8.9
Other revenue	2.3	2.1
Total comparable funeral revenues	\$404.1	\$385.0
Comparable funeral gross profit	\$108.8	\$94.0
Comparable funeral gross margin percentage	26.9%	24.4%
Comparable funeral services performed:		
Preneed	25,791	25,266
Atneed	51,305	52,536
Total	77,096	77,802

Comparable average revenue per funeral service	\$5,061	\$4,807
Comparable preneed funeral sales production:		
Sales	\$107.2	\$110.4
Total preneed funeral contracts sold	19,068	20,741
Average revenue per contract sold	\$5,622	\$5,323

- (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.

Comparable funeral revenue increased 5.0% primarily due to increased average revenue per funeral service. Comparable gross profit and gross margins increased as a result of the increase in revenue as well as decreased costs resulting from the elimination of duplicative processes and other synergies achieved during the Alderwoods integration as well as other cost initiatives.

Comparable Cemetery Results for the First Quarter 2008

The table below details comparable cemetery results of operations ("same store") for the three months ended March 31, 2008 and 2007, including the properties that we acquired in the Alderwoods transaction. We consider comparable operations as those owned for the entire period beginning January 1, 2007 and ending March 31, 2008.

(In millions)	Three Months Ended March 31,	
	2008	2007
Comparable cemetery revenue:		
Atneed revenue	\$65.5	\$67.9
Recognized preneed revenue	79.6	79.6
Other revenue (1)	22.3	24.3
Total comparable cemetery revenues	\$167.4	\$171.8
Comparable cemetery gross profit	\$29.2	\$38.3
Comparable cemetery gross margin percentage	17.4%	22.3%
Comparable preneed and atneed cemetery sales production:		
Preneed and atneed sales	\$158.4	\$154.3
Recognition rate (2)	91.6%	95.6%

- (1) 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.
- (2) Represents the ratio of current period revenue recognition stated as a percentage of current period sales production.

* Comparable cemetery revenues decreased \$4.4 million, or 2.6%. This was driven by \$10.8 million recognized in the first quarter of 2007 from one-time construction projects primarily at our Rose Hills cemetery. As anticipated, no major construction projects were completed in the first quarter of 2008 and we remain confident in our forecasted construction revenue for the remainder of 2008. Increases in both comparable merchandise and services revenue partially offset this decline.

* Comparable cemetery gross profit decreased \$9.1 million, and the comparable gross margin percentage was 17.4% compared to 22.3% in the prior year. The lower margin percentage is driven by the \$10.8 million decreased cemetery property construction revenue described above, which typically generates comparatively higher

margins. After adjusting out this and all other year-over-year variances in cemetery property construction revenues and associated costs from both our 2008 and 2007 gross margins, the 2008 margin percentage would be 17.4% compared to 17.7% in the prior year.

- * Comparable cemetery preneed and atneed property sales production increased 7% compared to prior year levels.

Other First Quarter 2008 Financial Results

- * General and administrative expenses decreased \$10.2 million primarily due to a decrease of \$10.1 million in transition costs related to the acquisition of Alderwoods. In the first quarter of 2008, general and administrative expenses included \$1.2 million on a pretax basis relative to the Alderwoods transition costs.
- * Pretax losses on divestitures and impairment charges were \$12.0 million compared to \$7.7 million.
- * Interest expense decreased \$3.5 million due to the repayment of debt in 2007.

Cash Flow and Capital Spending

Net cash provided by operating activities was \$46.3 million in the first quarter of 2008 compared to \$127.9 million in the first quarter of 2007. As discussed when providing our outlook for 2008, we made a \$90 million federal tax payment in March 2008 related to gains on the sale of our equity investment in French operations and other major divestitures. Adjusting for this tax payment, cash flows from operating activities generated \$136 million versus \$128 million, or an \$8.4 million increase compared to the prior year. This increase is due to a decrease in cash interest payments and lower costs from the elimination of duplicative processes and other synergies achieved during the Alderwoods integration. These improvements were partially offset by cash flows from divested businesses and the receipt of \$7.6 million of insurance proceeds related to Hurricane Katrina in 2007 that did not recur in 2008 and decreases in cash flow from operations that were divested in 2007.

A summary of our capital expenditures is set forth below:

(In millions)	Capital Expenditures	

	Three Months Ended March 31,	

	2008	2007

Capital improvements at existing locations	14.2	15.1
Development of cemetery property	10.6	10.0
Construction of new funeral home facilities and other growth capital	4.4	1.1

Total capital expenditures	\$29.2	\$26.2
	=====	

NON-GAAP FINANCIAL MEASURES

Earnings from continuing operations excluding special items, diluted earnings per share from continuing operations excluding special items, and net cash provided by operating activities excluding special items are all non-GAAP financial measures. We believe these non-GAAP financial measures provide a consistent basis for comparison between quarters and better reflect the performance of our core operations, as they are not influenced by certain income, expense, and cash items not affecting continuing operations. We also believe this measure helps facilitate comparisons to our competitors' operating results.

Set forth below is a reconciliation of earnings from continuing operations excluding special items to our reported net income and diluted earnings per share from continuing operations excluding special items to our reported diluted EPS. We do not intend for this information to be considered in isolation or as a substitute for other measures of performance prepared in accordance with GAAP.

(In millions, except diluted EPS)	Three Months Ended March 31,	

	2008	2007

	Net Income	Diluted EPS	Net Income	Diluted EPS
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Net income as reported	\$41.5	\$.16	\$37.6	\$.13
After-tax reconciling items:				
Losses on divestitures and impairment charges, net	9.6	.04	8.6	.03
Loss on early extinguishment of debt	-	-	1.4	-
Alderwoods transition and other costs	0.7	-	7.0	.02
Discontinued operations	-	-	(2.9)	(.01)
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Earnings from continuing operations excluding special items	\$51.8	\$.20	\$51.7	\$.17
	=====	=====	=====	=====

Set forth below is a reconciliation of net cash provided by operating activities excluding special items to our reported net cash provided by operating activities prepared in accordance with GAAP. We do not intend for this information to be considered in isolation or as a substitute for other measures of performance prepared in accordance with GAAP.

(In millions)	Three Months Ended March 31,	
	2008	2007
	-----	-----
Net cash provided by operating activities, as reported	\$46.3	\$127.9
United States federal transaction-related tax payment	90.0	-
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Net cash provided by operating activities excluding special items	\$136.3	\$127.9
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Conference Call and Webcast

We will host a conference call on Thursday, May 8, 2008, at 9:00 a.m. Central Daylight Time. A question and answer session will follow a brief presentation made by management. The conference call dial-in number is (617) 597-5324 with the passcode of 83373396. 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 May 15, 2008 and can be accessed at (617) 801-6888 with the passcode of 66060160. 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>.

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, access to capital markets, 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, and negative currency translation effects.
- * 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 pending Internal Revenue Service audits. 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 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.
- * The possibility that our credit agreement and privately placed debt securities 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 2007 Annual Report on Form 10-K. 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 March 31, 2008, we owned and operated more than 1,300 funeral homes and 350 cemeteries (of which over 200 are combination locations) in 43 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
(UNAUDITED)

(In thousands, except per share amounts)

Three Months Ended

	March 31,	
	2008	2007
Revenues	\$573,451	\$607,555
Costs and expenses	(435,854)	(466,572)
Gross profit	137,597	140,983
General and administrative expenses	(25,075)	(35,228)
Loss on divestitures and impairment charges, net	(12,046)	(7,680)
Other operating expense	(1,106)	-
Operating income	99,370	98,075
Interest expense	(34,069)	(37,597)
Loss on early extinguishment of debt	-	(2,358)
Equity in earnings of unconsolidated subsidiaries	-	711
Other income (expense), net	1,172	(617)
	(32,897)	(39,861)
Income from continuing operations before income taxes	66,473	58,214
Provision for income taxes	(24,969)	(23,497)
Income from continuing operations	41,504	34,717
Income from discontinued operations (net of income tax provision of \$0 and \$737, respectively)	15	2,925
Net income	\$41,519	\$37,642
Basic earnings per share:		
Income from continuing operations	\$.16	\$.12
Income from discontinued operations, net of tax	-	.01
Net income	\$.16	\$.13
Diluted earnings per share:		
Income from continuing operations	\$.16	\$.12
Income from discontinued operations, net of tax	-	.01
Net income	\$.16	\$.13
Basic weighted average number of shares	260,805	293,096
Diluted weighted average number of shares	264,830	298,621
Dividends declared per share	\$.04	\$.03

SERVICE CORPORATION INTERNATIONAL
CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

(In thousands, except share amounts)

March 31, December 31,
2008 2007

Assets

Current assets:

Cash and cash equivalents	\$132,475	\$168,594
Receivables, net	104,434	113,793
Inventories	33,747	36,203
Deferred tax asset	73,182	73,182
Current assets held for sale	2,560	2,294
Other	31,881	27,261
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Total current assets	378,279	421,327
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Preneed funeral receivables and trust investments	1,355,025	1,434,403
Preneed cemetery receivables and trust investments	1,345,062	1,428,057
Cemetery property, at cost	1,452,443	1,451,666
Property and equipment, at cost, net	1,556,251	1,569,534
Non-current assets held for sale	123,318	122,626
Goodwill	1,226,524	1,198,153
Deferred charges and other assets	436,490	400,734
Cemetery perpetual care trust investments	874,688	905,744
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	\$8,748,080	\$8,932,244
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Liabilities & Stockholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$347,795	\$343,392
Current maturities of long-term debt	38,558	36,594
Current liabilities held for sale	237	149
Income taxes	23	46,305
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Total current liabilities	386,613	426,440
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Long-term debt	1,840,398	1,820,106
Deferred preneed funeral revenues	571,805	526,668
Deferred preneed cemetery revenues	760,511	753,876
Deferred income taxes	139,024	140,623
Non-current liabilities held for sale	91,313	91,928
Other liabilities	381,324	383,642
Non-controlling interest in funeral and cemetery trusts	2,230,721	2,390,288
Non-controlling interest in cemetery perpetual care trusts	880,056	906,590

Stockholders' equity:

Common stock, \$1 per share par value, 500,000,000 shares authorized, 260,548,606 and 262,858,169, issued and outstanding (net of 4,971,900 and 1,961,300 treasury shares, at par, respectively)	260,549	262,858
Capital in excess of par value	1,847,057	1,874,600
Accumulated deficit	(771,775)	(797,965)
Accumulated other comprehensive income	130,484	152,590
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Total stockholders' equity	1,466,315	1,492,083
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	\$8,748,080	\$8,932,244
	=====	=====

	Three Months Ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net income	\$41,519	\$37,642
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations, net of tax	(15)	(2,925)
Equity in earnings of unconsolidated subsidiaries	-	(711)
Loss on early extinguishment of debt	-	2,358
Premiums paid on early extinguishment of debt	-	(650)
Depreciation and amortization	33,201	37,468
Amortization of cemetery property	7,385	8,213
Amortization of loan costs	995	2,114
Provision for doubtful accounts	1,948	3,562
Provision for deferred income taxes	19,231	13,728
Loss on divestitures and impairment charges, net	12,046	7,680
Share-based compensation	2,197	3,809
Excess tax benefits from share based awards	(1,324)	(3,865)
Change in assets and liabilities, net of effects from acquisitions and divestitures:		
Decrease (increase) in receivables	581	(506)
(Increase) decrease in other assets	(7,719)	4,452
Decrease in payables and other liabilities	(80,877)	(11,489)
Net effect of preneed funeral production and maturities	4,443	1,771
Net effect of cemetery production and deliveries	12,721	13,061
Other	12	173
Net cash provided by operating activities from continuing operations	46,344	115,885
Net cash provided by operating activities from discontinued operations	-	12,004
Net cash provided by operating activities	46,344	127,889
Cash flows from investing activities:		
Capital expenditures	(29,240)	(26,238)
Acquisitions, net of cash acquired	(3,882)	(212)
Proceeds from divestitures and sales of property and equipment	7,987	43,709
Net deposits of restricted funds and other	(21,483)	(222)
Net cash (used in) provided by investing activities from continuing operations	(46,618)	17,037
Net cash provided by (used in) investing activities from discontinued operations	858	(6,582)
Net cash (used in) provided by investing activities	(45,760)	10,455
Cash flows from financing activities:		
Proceeds from issuance of long-term debt and capital leases	69,000	-
Payments of debt	(46,179)	(516)
Principal payments on capital leases	(5,888)	(6,795)
Early extinguishment of debt	-	(100,000)
Proceeds from exercise of stock options	1,335	5,889
Excess tax benefits from share-based awards	1,324	3,865
Purchase of Company common stock	(36,606)	-

Payments of dividends	(10,585)	(8,801)
Bank overdrafts and other	(7,829)	6,764
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Net cash used in financing activities from continuing operations	(35,428)	(99,594)
Net cash used in financing activities from discontinued operations	-	(706)
	-----	-----
Net cash used in financing activities	(35,428)	(100,300)
Effect of foreign currency	(1,275)	169
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Net (decrease) increase in cash and cash equivalents	(36,119)	38,213
Cash and cash equivalents at beginning of period	168,594	39,880
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Cash and cash equivalents at end of period	\$132,475	\$78,093
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SOURCE: Service Corporation International

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