

Filed Pursuant to Rule 424(B) (2)  
Registration NO. 33-60683

PROSPECTUS SUPPLEMENT  
(To Prospectus dated September 13, 1995)

[SERVICE CORPORATION INTERNATIONAL LOGO]  
SERVICE CORPORATION INTERNATIONAL

\$150,000,000  
6 7/8% Notes due October 1, 2007

Interest payable April 1 and October 1

ISSUE PRICE: 99.882%

Interest on the Notes of Service Corporation International ("SCI" or the "Company") offered hereby is payable semiannually on April 1 and October 1 of each year, commencing April 1, 1996. The Notes are not redeemable at the option of the Company prior to maturity and will not be subject to any sinking fund. The Notes will be represented by one or more global securities registered in the name of a nominee of The Depository Trust Company, as Depositary (the "Depositary"). Beneficial interests in the Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its participants. Except as described herein, Notes will not be issued in definitive form. See "Description of Notes."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discount (2)	Proceeds to Company (3)
Per Note	99.882%	.675%	99.207%
Total	\$149,823,000	\$1,012,500	\$148,810,500

(1) Plus accrued interest, if any, from October 11, 1995.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."

(3) Before deducting expenses payable by the Company estimated at \$150,000.

The Notes are offered subject to prior sale, when, as and if delivered to and accepted by the Underwriters, and subject to approval of certain legal matters by Cahill Gordon & Reindel, counsel for the Underwriters, and certain other conditions. It is expected that delivery of the Notes will be made against payment therefor on or about October 11, 1995 through the facilities of the Depositary, against payment therefor in immediately available funds.

J.P. MORGAN SECURITIES INC.

CHEMICAL SECURITIES INC.

MERRILL LYNCH & CO.

UBS SECURITIES INC.

October 5, 1995

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH

STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No person is authorized to give any information or to make any representations not contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. Neither this Prospectus Supplement nor the accompanying Prospectus constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

TABLE OF CONTENTS  
PROSPECTUS SUPPLEMENT

	PAGE
The Company.....	S-3
Use of Proceeds.....	S-8
Ratio of Earnings to Fixed Charges.....	S-8
Capitalization.....	S-9
Selected Financial Information.....	S-10
Unaudited Pro Forma Combined Financial Information.....	S-11
Description of Notes.....	S-30
Underwriting.....	S-32

PROSPECTUS

Available Information.....	3
Incorporation of Certain Documents by Reference.....	4
The Company.....	5
Recent Development.....	5
Use of Proceeds.....	5
Description of Company Debt Securities.....	5
Description of Capital Stock.....	21
Description of Common Stock Warrants.....	24
Plan of Distribution.....	26
Legal Matters.....	26
Experts.....	27

S-2

3

THE COMPANY

References to the "Company" or "SCI" herein should be read as referring to Service Corporation International and its subsidiaries, except where the context indicates otherwise. Unless otherwise noted, all monetary amounts in this Prospectus Supplement refer to United States dollars.

The Company is the largest provider of death care services and products in the world. As of June 30, 1995, SCI owned and operated 1,561 funeral homes, 246 cemeteries (including 105 funeral home and cemetery combinations) and 110 crematoria located in the United States, the United Kingdom, Australia and Canada. Included in such facilities are 92 funeral homes, 26 cemeteries and three crematoria worldwide acquired during the six months ended June 30, 1995. See "-- International Expansion and Recent Acquisitions."

In August 1995, SCI acquired controlling ownership positions in Omnium de Gestion et de Financement S.A., ("OGF") and Pompes Funebres Generales S.A. ("PFG") (collectively, "OGF/PFG"), which the Company believes together constitute the largest funeral service organization in Europe. OGF/PFG operates over 950 funeral service locations and performed over 154,000 funerals in France in 1994, approximately 29% of the funerals in France. Additionally, approximately 14,000 funerals were performed by OGF/PFG in other countries, including Belgium, the Czech Republic, Italy, Singapore and Switzerland. See

"-- International Expansion and Recent Acquisitions."

In June 1995, the Company entered into an agreement to acquire Gibraltar Mausoleum Corporation and four related companies (collectively, "Gibraltar"). Gibraltar, a private funeral and cemetery company based in Indianapolis, Indiana, owns and operates 23 funeral homes and 54 cemeteries. Subject to certain conditions, including regulatory approval, the Company expects to complete the Gibraltar acquisition during the fourth quarter of 1995. See "-- International Expansion and Recent Acquisitions."

SCI provides all professional services relating to funerals, burials and cremations, including the use of funeral homes and motor vehicles, the performance of cemetery interment services and the management and maintenance of cemetery grounds. It sells caskets, coffins, burial vaults and garments, cemetery interment rights, including mausoleum spaces and lawn crypts, stone and bronze memorials, cremation receptacles and related merchandise. SCI sells its services and products to client families both at and prior to the time of need. In addition, SCI's finance subsidiary, Provident Services, Inc. ("Provident"), provides financing to independent funeral home and cemetery operators.

SCI's strategy is to:

- o Continue to expand through the acquisition and construction, both domestically and internationally, of funeral homes, cemeteries and crematoria in areas with demographics that SCI believes to be favorable;
- o Increase the operating margins of its existing and acquired facilities by having those facilities share resources pursuant to SCI's cluster strategy;
- o Increase revenue per location through the merchandising of a broad line of funeral and cemetery products and services, both on a pre-need and at-need basis; and
- o Increase future volume and revenues through the sale of prearranged funeral services.

SCI's acquisition strategy focuses on acquiring premier funeral homes and cemeteries in metropolitan areas with demographics that SCI believes to be favorable and in which the cluster strategy can be implemented. SCI typically retains former owners and key managers of acquired businesses in an effort to assure that service quality is maintained and that the businesses' reputation, heritage and local relationships remain intact. Acquired funeral homes and cemeteries retain their original trade names in substantially all cases.

#### FUNERAL SERVICE OPERATIONS

The funeral service operations consist of SCI's funeral homes, cemeteries and related businesses. The operation is organized into six domestic regions and four foreign regions (France, the United Kingdom, Australia and Canada), each of which is under the direction of regional executive management with substantial industry experience. Local funeral home and cemetery managers, under the direction of regional management, receive support and resources from SCI's headquarters in Houston, Texas and have substantial autonomy with respect to the manner in which services are conducted.

S-3

4

#### Death Care Industry

The funeral industry is characterized by a large number of locally owned, independent operations. To compete successfully, SCI's funeral homes must maintain competitive prices, attractive, well-maintained and conveniently located facilities, a good reputation and high professional standards. Heritage and tradition can provide an established funeral home or cemetery with the opportunity for repeat business from client families. Furthermore, an established firm can generate future volume and revenues by successfully marketing prearranged, pre-funded funeral services.

The cemetery industry is also characterized by a large number of locally owned independent operations. SCI's cemetery properties compete with other cemeteries in the same general area. To compete successfully, SCI's cemeteries must maintain competitive prices, attractive and well-maintained properties, a good reputation, an effective sales force and high professional standards.

The Company and the three other largest North American death care companies control in the aggregate approximately eight percent of the funeral homes and approximately five percent of the commercial cemeteries in North America. Based upon industry estimates, these four companies represented less than 16% of 1994 North America death care industry revenues. The Company believes that based on the total number of funeral services performed in 1994, the Company, including companies acquired by it, performed 9%, 29%, 14% and 25% of the funeral services in the United States and Canada, France, the United Kingdom and Australia, respectively.

#### Cluster Strategy

The majority of SCI's funeral homes and cemeteries are managed in groups called clusters. Clusters are established primarily in metropolitan areas to take advantage of operational efficiencies, including the sharing of service personnel, vehicles, preparation services, clerical staff and certain building facility costs. The cluster strategy recognizes that, as SCI adds operations to a geographic area in which SCI already operates, it will achieve additional operating efficiencies through cost-sharing. In addition, SCI believes that it is able, because of its size, to negotiate favorable supply arrangements with volume discounts on supplies, including caskets. SCI has successfully implemented the cluster strategy in its North American and Australian operations and is implementing the cluster strategy in its United Kingdom operations. The Company intends to implement the strategy in France and with respect to other newly acquired operations. As of June 30, 1995, SCI operated approximately 250 clusters which ranged in size from two operations to 54 operations.

#### Pre-need Services

SCI is actively engaged in the marketing of prearranged funeral services. The funds collected from prearranged funeral contracts are generally held in trust, are used to purchase life insurance or annuity contracts or, with respect to French contracts, are held in the Company's French insurance subsidiary. The principal amount of a prearranged funeral contract will be received in cash by an SCI funeral home and recorded as revenue by SCI at the time the funeral is performed. Earnings on trust funds and increasing benefits under insurance-funded contracts increase the revenue to be recognized at the time the service is performed and historically have allowed the Company to more than cover increases in the costs of providing funeral services. At June 30, 1995, SCI's unfulfilled prearranged funeral contracts amounted to approximately \$1.6 billion, and as of the date hereof, exceed \$2.2 billion, including those related to the Company's French operations. SCI's historical cancellation rate for all prearranged funeral contracts approximates ten percent, for which a reserve has been established.

Cemetery sales are often made pursuant to installment contracts providing for monthly payments. The principal amount of these installment contracts is recognized as revenue by SCI at the time of sale, net of an approximate eight percent cancellation reserve that is based on historical results. A portion of the proceeds from cemetery sales is generally required by law to be paid into perpetual care trust funds. Earnings on perpetual care trust funds are used to defray the maintenance cost of cemeteries. In addition, a portion of the proceeds from the sale of pre-need cemetery merchandise may be required by law to be paid into trust until the merchandise is purchased on behalf of the customer.

#### Financial Services and Other Operations

Provident provides secured financing to independent funeral and cemetery operators, primarily related to acquisitions. Provident had \$204 million in loans outstanding at June 30, 1995, funded primarily from SCI bank and commercial paper borrowings. The amount and number of problem loans have been insignificant. While Provident does compete with

S-4

5

banks and other lending institutions, many of which have substantially greater resources than Provident, it believes that its knowledge of the death care industry provides it with a competitive advantage in making such loans.

As part of SCI's newly acquired French operations, the Company owns a funeral service insurance subsidiary which sold more than 22,000 pre-need funeral insurance contracts in 1994, primarily in connection with the Company's French funeral service operations. Additionally, SCI's French operations include a subsidiary that manufactures coffins, which are sold primarily to the Company's

European affiliates.

#### Regulation

In April 1984, the United States Federal Trade Commission (the "FTC") comprehensive Trade Regulation Rule for the funeral industry became fully effective. The rule contains minimum guidelines for funeral industry practices, requires extensive price and other affirmative disclosures and imposes mandatory itemization of funeral goods and services. A pre-existing consent order between SCI and the FTC applicable to certain funeral practices of SCI was amended in 1984 to make the substantive provisions of the consent order consistent with the rule. From time to time in connection with acquisitions, SCI has entered into consent orders with the FTC that have required SCI to dispose of certain operations to proceed with acquisitions or have limited SCI's ability to make acquisitions in specified areas. The rule and the various consent orders have not had a material adverse effect on SCI's operations.

The United Kingdom and France also maintain limited regulations with respect to funeral service industry operations. The Company believes that these regulations are uniformly applied to its operations and others in the funeral service industry.

In May 1995, the Monopolies and Mergers Commission (the "Commission") of the United Kingdom issued a report with respect to SCI's 1994 acquisition of Plantsbrook Group plc that recommended that SCI divest of certain operations in ten localities to achieve a competitive balance satisfactory to the Commission. The Company believes that this recommendation will not adversely affect its results of operations as it pertains to less than two percent of the Company's revenues derived from the United Kingdom. SCI is contesting the Commission's report.

The French funeral services industry is currently undergoing significant regulatory change. Historically, the French funeral services industry has been controlled, as provided by national legislation, either (i) directly by municipalities through municipality-operated funeral establishments ("Municipal Monopoly"), accounting for approximately 30% of the funerals performed in France in 1994, or (ii) indirectly by the remaining municipalities that have contracted for funeral service activities with third party providers, such as OGF/PFG ("Exclusive Municipal Authority"), accounting for approximately 70% of the funerals performed in France in 1994. Legislation has been passed that will generally end municipal control of the French funeral service business and will allow the public to choose their funeral service provider. Under such legislation, the Exclusive Municipal Authority will be abolished by January 1996, and the Municipal Monopolies will be eliminated by January 1998. Cemeteries in France, however, are and will continue to be controlled by municipalities and religious organizations, with third parties, such as OGF/PFG, providing cemetery merchandise such as markers and monuments.

#### ACQUISITION STRATEGY

Over the past several years, SCI has made a significant number of acquisitions. SCI anticipates that it will continue to aggressively pursue acquisition opportunities, as acquisitions form a critical part of SCI's growth strategy. SCI will continue to seek acquisitions in geographic areas in which it presently operates to expand established clusters, as well as acquisitions in new geographic areas, including those outside North America, to develop new clusters and to increase volume and revenue. To date, SCI has been able to increase the profitability of its acquired properties by absorbing a significant portion of their costs, such as transportation and embalming, into SCI's clusters, and by applying SCI's merchandising programs to the new operations. In addition, acquisitions increase SCI's ability to benefit from the consolidation of systems, insurance and other financial services. SCI also believes that because of its size it has been able to negotiate favorable supply arrangements with volume discounts on supplies, including caskets, and that the terms of these supply arrangements have enabled it to increase the profitability of its acquired properties. There can be no assurance that SCI will continue to successfully absorb future acquisitions, domestic or international, or realize cost savings.

SCI typically retains former owners and key managers of acquired businesses in an effort to assure that service quality is maintained and that the businesses' reputation, heritage and local relationships remain intact. Acquired funeral

homes and cemeteries retain their original trade names in substantially all cases.

In evaluating specific properties for acquisition, SCI considers a number of factors including demographics, location, reputation, heritage, physical size, volume of business, profitability, available cemetery property inventory, name recognition, aesthetics, potential for development or expansion, competitive position, pricing structure and quality of operating management. SCI follows a disciplined approach based on specific financial criteria for determining acquisition prices and intends to continue an active acquisition program in the future. There can be no assurance that acquisition prospects will continue to be available in attractive locations at prices acceptable to SCI.

#### INTERNATIONAL EXPANSION AND RECENT ACQUISITIONS

In July 1995, SCI reached an agreement with Lyonnaise des Eaux ("LDE") concerning the funeral service activities of LDE, then grouped within OGF and PFG. Under the terms of this agreement, SCI agreed to acquire LDE's 51% ownership interest in OGF and make public offers for the remaining OGF shares and the approximate 35% of PFG not owned by OGF. Based on the exchange rate in effect on August 25, 1995, the date on which the Company acquired its controlling interest in OGF/PFG, the total cost for SCI to acquire 100% of OGF/PFG is approximately \$607 million and, after considering the estimated cash balances of OGF and PFG, the net cost is approximately \$424 million.

The Company believes that, on a combined basis, OGF/PFG is the largest funeral service organization in Europe. OGF/PFG operates over 950 funeral service locations that in 1994 performed more than 154,000 funerals throughout France. OGF/PFG owns additional funeral operations that performed approximately 14,000 funerals in 1994 in Switzerland, Italy, Belgium, the Czech Republic and Singapore. OGF and PFG estimate that their combined percentage of funerals performed in 1994 is approximately 29% of all funerals performed in France in 1994. Included in the other operations of OGF/PFG is a subsidiary that manufactures coffins, which are sold primarily to the Company's European affiliates, and a funeral service insurance subsidiary, which sold over 22,000 pre-need funeral insurance contracts in 1994, primarily in connection with the Company's French funeral service operations. For the year ended December 31, 1994, OGF/PFG had combined revenues of approximately \$509 million.

On August 22, 1995, SCI received the necessary approvals from the French Treasury to proceed with the OGF/PFG transaction. At September 26, 1995, SCI had acquired over 97% of the outstanding shares of OGF and over 95% of the outstanding shares of PFG.

During June 1995, SCI executed a definitive merger agreement with Gibraltar. In connection with this transaction, SCI will issue 3,286,759 shares of Common Stock, pay approximately \$147 million in cash and assume debts of Gibraltar of approximately \$5 million. Subject to certain conditions, including regulatory approval, the Company expects to complete the Gibraltar acquisition during the fourth quarter of 1995. Gibraltar is the fourth largest consolidator in the North American funeral service industry, with pro forma revenues for the year ended September 30, 1994 of approximately \$88 million, and owns 23 funeral homes and 54 cemeteries located in 12 states.

In July 1995, the Company entered into an agreement to acquire the shares of Service Corporation International (Canada) Limited ("SCIC") not already owned by the Company. SCIC owns 74 funeral homes and three cemeteries in Canada. This transaction was completed on September 5, 1995 at an approximate cost of \$63 million and eliminated the approximate 31% minority ownership interest in SCIC. SCIC is now a wholly owned subsidiary of the Company.

During the second half of 1994, SCI acquired the then two largest publicly traded funeral service providers in the United Kingdom, Great Southern Group plc and Plantsbrook Group plc for approximately \$508 million. These firms owned, on a combined basis, 534 funeral homes, 13 crematoria and two cemeteries, with combined 1994 revenues of approximately \$130 million. The acquired United Kingdom operations performed approximately 80,000 funerals in 1994, which represents approximately 14% of all funerals performed in the United Kingdom during that year.

During the six months ended June 30, 1995, SCI acquired 92 funeral homes, 26 cemeteries and three crematoria worldwide for a total of approximately \$209 million in cash, stock and other securities.

## INDUSTRY TRENDS

## Stability

Death rates have been fairly predictable, thereby lending stability to the death care industry. For example, since 1980, the number of deaths in the United States has increased at a compound rate of approximately one percent per year. According to a 1993 report prepared by the United States Department of Commerce, Bureau of the Census, the number of deaths in the United States is expected to increase by approximately one percent per year between 1993 and 2000 and by 0.9% per year from 2000 to 2020. Because the industry is relatively stable and non-cyclical, business failures are uncommon. As a result, ownership of funeral home and cemetery businesses has traditionally passed from generation to generation within a family. The death rate tends to be somewhat higher in the winter months and funeral and cemetery operations generally experience a higher volume of business during these months.

## Consolidation

In recent years, the pace of acquisition activity in the death care industry has increased. From the standpoint of individual owners, this appears to result principally from family succession issues, a desire for liquidity and increasing tax and estate planning complexities. From the standpoint of the large death care providers, interest in acquisitions is driven by the benefits anticipated to be derived from potential operating efficiencies, improved managerial control and more effective strategic and financial planning.

In recent years, several large death care companies have expanded their operations significantly through acquisitions. The increased interest in acquisitions of funeral homes and cemeteries provides a source of potential liquidity that has not been readily available to individual owners in the past.

## Clustered Operations

During the last several years, larger death care companies have increasingly begun to cluster their funeral home and cemetery operations. Clusters refer to funeral homes or cemeteries that are grouped together in a geographic area. Clusters provide cost savings to funeral homes and cemeteries through the sharing of personnel, vehicles and other resources. In addition, the inclusion of funeral homes and cemeteries in the same cluster provides opportunities for a company to cross-sell the full range of death care services without corresponding increases in overhead expenses.

## Pre-need Marketing

An increasing number of death care products and services are being sold prior to the time of death (i.e., on a "pre-need" basis). SCI believes that consumers are becoming more aware of the benefits of advanced planning, such as the financial assurance and peace of mind achieved by establishing in advance a fixed price and type of service, and the elimination of the emotional strain on family members of making death care plans at the time of need.

## Combination Operations

Combination operations, referring to funeral home and cemetery operations conducted on a single site, have become increasingly popular as they provide cost savings through shared resources and cross-selling opportunities. The ability to offer the full range of products and services at one location tends to increase the sales volume and revenues of both the funeral home and cemetery.

## Cremation

In recent years there has been steady, gradual growth in the number of families in the United States that have chosen cremation as an alternative to traditional methods of disposal. According to industry studies, cremations accounted for approximately 20% of all dispositions of human remains in the United States in 1994. SCI's domestic operations perform substantially more cremations than the national average. In 1994, just over 30% of all families served by SCI's North American funeral homes selected the cremation alternative. SCI has a significant number of operating locations in Florida and all along the west coast of North America where the cremation alternative continues to gain acceptance. Based on industry studies, the Company believes that cremations account for approximately 60% to 70% of all dispositions of human remains in Australia and in the United Kingdom. The cremation rate in France approximates 10% and is expected to increase over the next several years.

Cremations generally result in lower average revenue and gross profit dollars when compared to traditional funeral services. The Company believes, however, that its funeral operations that are predominantly cremation businesses

typically have higher gross profit margins than those produced by its traditional funeral operations.

S-7

8

USE OF PROCEEDS

The net proceeds from the sale of the Notes offered hereby are estimated to be \$148.7 million. The Company has incurred certain indebtedness for acquisitions (other than the acquisitions of OGF and PFG) and to provide financing to Provident under the Company's revolving credit facilities with certain banks (the "Revolving Credit Facilities") and through the issuance of commercial paper backed by the Revolving Credit Facilities. Additionally, the Company has incurred indebtedness under another revolving credit agreement between the Company and certain banks to finance the acquisitions of OGF and PFG (the "French Revolving Credit Agreement"). The Company expects to use the net proceeds from the offering of the Notes made hereby (the "6 7/8% Notes Due 2007 Offering"), the concurrent offering of \$150,000,000 aggregate principal amount of its 6 3/8% Notes due 2000 (the "6 3/8% Notes Due 2000 Offering" and together with the 6 7/8% Notes Due 2007 Offering, the "Senior Notes Offerings") and the offering of an aggregate of 7,300,000 shares of Common Stock, \$1 par value of the Company (the "Common Stock Offering") (excluding 1,095,000 shares subject to an underwriters' over-allotment option), which closed on October 3, 1995, in each case pursuant to a separate prospectus supplement, (i) to repay a portion of indebtedness under the Revolving Credit Facilities and/or commercial paper backed by the Revolving Credit Facilities and/or indebtedness under the French Revolving Credit Agreement and (ii) possibly to fund all or a portion of the cost of the Company's acquisition of Gibraltar. Pending such uses, net proceeds may be invested in short-term investments. As of October 4, 1995, approximately \$64.1 million was outstanding under the Revolving Credit Facilities at a weighted average annual interest rate of 7.28% with maturities ranging from 14 to 26 days; approximately \$161.9 million of commercial paper was outstanding backed by the Revolving Credit Facilities at a weighted average annual interest rate of 5.86% with maturities ranging from one to 40 days; and approximately \$553.2 million was outstanding under the French Revolving Credit Agreement at a weighted average annual interest rate of 6.13% with maturities ranging from two to 20 days. See "The Company -- International Expansion and Recent Acquisitions."

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth SCI's consolidated ratio of earnings to fixed charges for the periods shown:

SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,				
1995	1994	1994	1993	1992	1991	1990
2.94	3.65	3.13	3.19	3.03	2.82	2.88

For purposes of computing the ratio of earnings to fixed charges, earnings of income from continuing operations before income taxes, less undistributed income of equity investees which are less than 50% owned, plus the minority interest of majority-owned subsidiaries with fixed charges and plus fixed charges (excluding capitalized interest). Fixed charges consist of interest expense, whether capitalized or expensed, amortization of debt costs and one-third of rental expense which the Company considers representative of the interest factor in the rentals.

S-8

9

CAPITALIZATION

The following table sets forth the unaudited consolidated capitalization of the Company at June 30, 1995 and on a pro forma basis giving effect to the acquisitions of OGF/PFG and Gibraltar and the minority interest in SCIC and as

adjusted for the Common Stock Offering (assuming that the underwriters' over-allotment option is not exercised), the Senior Notes Offerings and the application of the estimated net proceeds from those offerings.

Dollars and shares in thousands	At June 30, 1995	
	Actual	Pro Forma and as Adjusted(1)
	-----	-----
Current maturities of long-term debt	\$ 21,217	\$ 24,549
Long-term debt:		
Indebtedness to banks under revolving credit facilities and commercial paper	\$ 223,595	\$ 269,476
Notes offered in the Senior Notes Offerings	--	300,000
7% notes	300,000	300,000
8.375% notes	200,000	200,000
8.72% fixed rate notes	199,011	199,011
Medium term notes	186,040	186,040
6.5% convertible subordinated debentures	169,405	169,405
7.875% debentures	150,000	150,000
Convertible debentures issued in connection with various acquisitions	24,040	24,040
8% convertible debentures	14,866	14,866
Variable interest rate notes	10,512	10,512
Mortgage notes and other	102,449	116,546
Total long-term debt	1,579,918	1,939,896
Company obligated, mandatorily redeemable, convertible preferred securities of SCI Finance LLC, whose principal asset is a 6.25%, \$216,315 note from the Company	172,500	172,500
Stockholders' equity:		
Preferred stock, 1,000 shares authorized, no shares issued and outstanding	--	--
Common stock, 200,000 shares authorized, 96,321 shares issued and outstanding, 106,908 shares issued and outstanding pro forma and as adjusted	96,321	106,908
Capital in excess of par value	751,346	1,130,251
Retained earnings	448,377	448,377
Foreign translation adjustment	107	107
Total stockholders' equity	1,296,151	1,685,643
Total capitalization	\$3,048,569	\$3,798,039

(1) The adjustment for the Common Stock Offering is at the initial public offering price of \$38.50 per share less an underwriting discount of \$1.20 per share and estimated aggregate expenses of \$300,000.

S-9

10

#### SELECTED FINANCIAL INFORMATION

The selected consolidated financial data presented below for each of the five years in the period ended December 31, 1994 have been derived from the consolidated financial statements of the Company, which statements, in respect of the two years ended December 31, 1994, have been audited by Coopers & Lybrand, L.L.P. and in respect of the three years ended December 31, 1992, have been audited by Ernst & Young, LLP. The data at and for the six months ended June 30, 1995 and June 30, 1994 have been derived from the unaudited consolidated financial statements of the Company for those periods and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary to state fairly the information included therein in accordance with generally accepted accounting principles for interim financial information. The data should be read in conjunction with the related notes and other financial information included and incorporated by reference in

the Company's Annual Report on Form 10-K for the year ended December 31, 1994 and the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995, incorporated by reference herein. Results for the six months ended June 30, 1995 may not be indicative of results for any other interim period or for the year as a whole.

Dollars in thousands, except per share amounts and Other Data	AT OR FOR THE SIX MONTHS ENDED JUNE 30,		AT OR FOR THE YEARS ENDED DECEMBER 31,				
	1995	1994	1994	1993	1992	1991	1990
<b>INCOME STATEMENT DATA:</b>							
Revenues	\$ 701,762	\$ 524,120	\$ 1,117,175	\$ 899,178	\$ 772,477	\$ 643,248	\$ 563,156
Costs and expenses	(479,105)	(357,837)	(775,980)	(635,858)	(550,422)	(464,740)	(413,236)
Gross Profit	222,657	166,283	341,195	263,320	222,055	178,508	149,920
General and administrative expense	(23,471)	(24,871)	(51,700)	(43,706)	(38,693)	(35,448)	(28,037)
Income from operations	199,186	141,412	289,495	219,614	183,362	143,060	121,883
Interest expense	(52,809)	(32,456)	(80,123)	(59,631)	(53,902)	(42,429)	(36,095)
Dividends on preferred securities of SCI Finance LLC	(5,391)	--	(539)	--	--	--	--
Other income	3,073	4,686	10,188	13,509	9,876	8,241	13,644
Income before income taxes and preferred dividend requirement	144,059	113,642	219,021	173,492	139,336	108,872	99,432
Provision for income taxes	(56,039)	(46,002)	(87,976)	(70,400)	(52,800)	(35,500)	(35,900)
Income before cumulative effect of change in accounting principles and preferred dividend requirement	88,020	67,640	131,045	103,092	86,536	73,372	63,532
Cumulative effect of change in accounting principles (net of income tax)	--	--	--	(2,031)	--	--	--
Preferred dividend requirement	--	--	--	--	--	--	(3,314)
Net income available to common stockholders	\$ 88,020	\$ 67,640	\$ 131,045	\$ 101,061	\$ 86,536	\$ 73,372	\$ 60,218
<b>PER SHARE:</b>							
<b>Primary</b>							
Income before cumulative effect of change in accounting principles	\$ .91	\$ .79	\$ 1.51	\$ 1.24	\$ 1.13	\$ 1.03	\$ .85
Cumulative effect of change in accounting principles (net of income tax)	--	--	--	(.03)	--	--	--
Net income available to common stockholders	\$ .91	\$ .79	\$ 1.51	\$ 1.21	\$ 1.13	\$ 1.03	\$ .85
<b>Fully diluted</b>							
Income before cumulative effect of change in accounting principles	\$ .85	\$ .74	\$ 1.43	\$ 1.19	\$ 1.07	\$ 1.00	\$ .84
Cumulative effect of change in accounting principles (net of income tax)	--	--	--	(.02)	--	--	--
Net income available to common stockholders	\$ .85	\$ .74	\$ 1.43	\$ 1.17	\$ 1.07	\$ 1.00	\$ .84
Dividends	\$ .22	\$ .21	\$ .42	\$ .40	\$ .39	\$ .37	\$ .37
<b>BALANCE SHEET DATA:</b>							
Working capital	\$ 202,932	\$ 135,103	\$ 120,246	\$ 171,901	\$ 155,319	\$ 156,383	\$ 113,391
Prearranged funeral contracts	1,537,085	1,298,558	1,418,104	1,244,866	--	--	--
Total assets	5,444,775	4,023,735	5,161,888	3,683,304	2,611,123	2,123,452	1,653,689
Long-term debt, excluding current portion	1,579,918	1,117,940	1,330,177	1,062,222	980,029	786,685	577,378
Deferred prearranged funeral contract revenues	1,597,454	1,375,843	1,519,582	1,263,407	--	--	--
Stockholders' equity	1,296,151	939,920	1,196,622	884,513	683,097	615,776	434,323
Total capitalization	3,048,569	2,057,860	2,699,299	1,946,735	1,663,126	1,402,461	1,011,701
<b>OTHER DATA (END OF PERIOD):</b>							
Funeral homes	1,561	873	1,471	792	674	655	512
Cemeteries	246	204	220	192	176	163	145

S-10

11

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

In July 1995, the Company entered into an agreement with LDE, a French company, to purchase LDE's funeral service business. LDE's funeral service business was comprised of an approximate 51% ownership interest in OGF which, in turn, owned approximately 65% of PFG. On August 25, 1995, the Company acquired the approximate 51% interest in OGF for \$233,358,000. The Company is making public tender offers for the remaining shares of OGF and PFG with the intent to acquire 100% of the outstanding shares of both companies. On September 26, 1995, the Company owned shares representing over 97% of OGF and over 95% of PFG. The Company believes that OGF/PFG is the largest funeral service organization in

Europe. OGF/PFG operates over 950 funeral service locations that performed over 154,000 funerals throughout France in 1994. OGF/PFG also operate funeral locations in Belgium, the Czech Republic, Italy, Singapore and Switzerland that performed approximately 14,000 funerals in 1994. Included in OGF/PFG operations is a coffin manufacturing business that sells the large majority of its products to OGF/PFG's funeral operations and a funeral insurance business whose primary activity involves insurance policies sold in connection with OGF/PFG's prearranged funeral business. The Company intends that OGF/PFG will continue to operate their funeral service and related businesses. The total purchase price for OGF and the portion of PFG not owned by OGF is expected to be approximately \$607,206,000, based on a June 30, 1995 translation rate of \$.2062 to one French franc, consisting of \$589,570,000 of cash, the assumption of \$12,004,000 of OGF/PFG debt and associated expenses of \$5,632,000 (based on an August 25, 1995 translation rate of \$.1969 to one French franc, the total purchase price would be \$579,820,000). The net cost to the Company, taking into account the estimated available excess cash balances of OGF/PFG, is expected to be approximately \$424,046,000. In August 1995, the Company entered into the French Revolving Credit Agreement, a 364-day revolving credit agreement with Societe Generale, Southwest Agency, Credit Lyonnais Cayman Island Branch and Banque Nationale de Paris, Houston Agency. The French Revolving Credit Agreement allows for borrowings up to \$600,000,000 (which, at the option of the Company, can be borrowed in French francs or U.S. dollars) to provide short-term financing for the purchase of OGF/PFG. The interest rate currently in effect is based on PIBOR plus 25 basis points (5.95% at September 8, 1995).

In June 1995, the Company entered into an agreement to acquire Gibraltar. Gibraltar, a private funeral and cemetery company based in Indianapolis, Indiana, owns and operates 23 funeral homes and 54 cemeteries. Subject to regulatory approval, the Company expects to complete the Gibraltar transaction during the fourth quarter of 1995 for a purchase price of approximately \$271,360,000 consisting of 3,286,759 shares of Company common stock (based on the closing stock price of \$35.75 per share on September 8, 1995), \$146,668,000 in cash, the assumption of \$5,425,000 of Gibraltar debt and associated expenses of \$1,765,000. Such common stock of the Company is registered with the Securities and Exchange Commission and will be issued under the Company's existing shelf registration. The cash portion of the purchase price will be borrowed under the Company's existing revolving credit facilities (5.89% at September 8, 1995).

On September 5, 1995, the Company acquired the shares of SCIC not already owned by the Company. SCIC owns 74 funeral homes and three cemeteries in Canada. This purchase eliminated the approximate 31% minority ownership interest in SCIC and made SCIC a wholly owned subsidiary of the Company. The purchase price was approximately \$62,578,000 and was financed through borrowings under the Company's existing revolving credit facilities in Canadian dollars at an interest rate based on Canadian banker's acceptance rate plus 25 basis points (6.31% at September 5, 1995).

In the third quarter of 1994, the Company acquired the two largest publicly traded funeral service providers in the United Kingdom, Great Southern Group plc ("GSG") and Plantsbrook Group plc ("PG"). PG was an equity investee of OGF before being purchased by the Company. GSG and PG owned a combined 534 funeral homes, 13 crematoria and two cemeteries. The purchase price of approximately \$508,000,000 was financed using a portion of the net proceeds from the Company's December 1994 public offerings, consisting of common stock (7,700,000 shares issued in December 1994 and 780,000 shares issued in January 1995 at a net price of \$24.70 per share), \$172,500,000 of preferred securities of SCI Finance LLC (a wholly owned subsidiary of the Company) and \$200,000,000 of 8.375% fixed rate notes due 2004, long-term fixed rate borrowings, other revolving credit borrowings and debt assumed by the Company. Both GSG and PG have been consolidated with the Company since September 1, 1994.

In addition to the acquisitions discussed above, during 1994 and the six months ended June 30, 1995, the Company continued to acquire funeral and cemetery operations in the United States, the United Kingdom, Canada and Australia. During such period, the Company acquired 232 funeral homes and 52 cemeteries (the 1994 and 1995 "Other Acquired

S-11

Companies") in 120 separate transactions for an aggregate purchase price of approximately \$515,000,000 in the form of combinations of cash, Company common stock, issued and assumed debt, convertible debentures and retired loans



Assets							
Current assets:							
Cash and cash equivalents	\$ 20,251	\$ 203,800	\$ 1,276	\$(183,180) (F11)	\$ 42,147	\$ --	\$ 42,147
Receivables, net of allowances	347,790	59,013	67,021	(215) (G2)	435,758	--	435,758
				(37,851) (G3)			
Inventories	72,192	46,240	16,207	(13,776) (G4)	120,863	--	120,863
Other	7,814	33,171	--	--	40,985	--	40,985
	-----	-----	-----	-----	-----	-----	-----
Total current assets	448,047	342,224	84,504	(235,022)	639,753	--	639,753
Investments -- insurance subsidiary	--	531,726	--	--	531,726	--	531,726
Prearranged funeral contracts	1,537,085	--	3,878	82,350 (G2)	1,623,313	--	1,623,313
Long-term receivables	615,355	--	--	44,137 (G1)	701,372	--	701,372
				37,851 (G3)			
				4,029 (G5)			
Cemetery property, at cost	812,198	--	17,214	13,776 (G4)	1,146,467	--	1,146,467
				290,779 (G10)			
				12,500 (C1)			
Property, plant and equipment, at cost (net)	909,857	222,545	31,778	103,932 (F4)	1,268,112	--	1,268,112
Deferred charges and other assets	233,258	49,661	9,629	25,521 (F5)	298,660	2,235 (P3)	300,895
				(19,409) (F7)			
Goodwill	--	16,910	10,579	(10,579) (G13)	--	--	--
				(16,910) (F6)			
Names and reputations (net)	888,975	--	--	38,562 (C1)	1,044,769	--	1,044,769
				117,232 (F9)			
	-----	-----	-----	-----	-----	-----	-----
Total assets	\$5,444,775	\$1,163,066	\$157,582	\$ 488,749	\$7,254,172	\$ 2,235	\$7,256,407
	-----	-----	-----	-----	-----	-----	-----
Liabilities and Stockholders' Equity							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 191,547	\$ 132,802	\$ 13,816	\$ 1,765 (G11)	\$ 345,562	\$ --	\$ 345,562
				5,632 (F2)			
Income taxes	32,351	6,700	--	--	39,051	--	39,051
Current maturities of long-term debt	21,217	3,332	15,700	(15,700) (G9)	24,549	--	24,549
	-----	-----	-----	-----	-----	-----	-----
Total current liabilities	245,115	142,834	29,516	(8,303)	409,162	--	409,162
Long-term debt	1,579,918	8,672	37,709	146,668 (G8)	2,209,651	300,000 (P1)	1,959,366
				(32,284) (G9)		(297,765) (P1)	
				62,578 (C1)		(252,520) (P2)	
				589,570 (F10)			
Deferred income taxes	275,162	15,421	14,329	(183,180) (F11)	443,595	--	443,595
				101,772 (G12)			
				5,500 (C1)			
Other liabilities	278,475	137,242	18,846	31,411 (F8)	388,143	--	388,143
				44,137 (G1)			
				4,029 (G5)			
				(17,016) (C1)			
				(79,107) (F3)			
				1,537 (F4)			
Deferred prearranged funeral contracts	1,597,454	520,220	6,935	92,859 (G2)	2,217,468	--	2,217,468
Company obligated, mandatorily redeemable, convertible preferred securities of SCI Finance LLC, whose principal asset is a 6.25%, \$216,315 note from the Company	172,500	--	--	--	172,500	--	172,500
Stockholders' equity	1,296,151	338,677	50,247	(50,247) (G6)	1,413,653	252,520 (P2)	1,666,173
				117,502 (G7)			
				(338,677) (F1)			
	-----	-----	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity	\$5,444,775	\$1,163,066	\$157,582	\$ 488,749	\$7,254,172	\$ 2,235	\$7,256,407
	-----	-----	-----	-----	-----	-----	-----

S-13

14

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED BALANCE SHEET  
AT JUNE 30, 1995

CANADA

(C1) To record the acquisition of the approximate 31% minority interest of SCIC that the Company purchased on September 5, 1995. This includes eliminating the minority interest, increasing long-term debt for amounts assumed to be borrowed under the Company's existing revolving credit facilities to finance this transaction, increasing cemetery property to estimated fair value, recording deferred taxes on the allocation of purchase price (at the Canadian statutory tax rate) and allocating the excess of the purchase price over the estimated fair value of SCIC net assets acquired to names and reputations.

GIBRALTAR

(G1) To record Gibraltar's cemetery merchandise and service receivable balances and related liabilities in accordance with the Company's

accounting policies. These merchandise and service receivable balances were not afforded balance sheet recognition by Gibraltar.

- (G2) To record Gibraltar's prearranged funeral contracts outstanding and the related deferred prearranged funeral contract revenues in accordance with the Company's accounting policies. These prearranged funeral contracts were not afforded balance sheet recognition by Gibraltar.
- (G3) To reclassify Gibraltar's receivables not due within one year to long-term receivables. This entry conforms Gibraltar's unclassified balance sheet to the Company's classified balance sheet format.
- (G4) To reclassify Gibraltar's cemetery inventories not expected to be sold within one year to cemetery property. This entry conforms Gibraltar's unclassified balance sheet to the Company's classified balance sheet format.
- (G5) To reclassify amounts held in trust by Gibraltar related to sales of preconstruction mausoleums. Gibraltar netted the trust deposits against the related liability; however under the Company's accounting policies these amounts would be shown separately on the balance sheet.
- (G6) To eliminate the historical stockholders' equity of Gibraltar.
- (G7) To reflect the net proceeds from the issuance of 3,286,759 shares of Company common stock issued in the Gibraltar transaction at an assumed price of \$35.75 per share (the closing stock price on September 8, 1995).
- (G8) To reflect borrowings under the Company's existing revolving credit agreements and/or through the issuance of commercial paper to finance a portion of the purchase price of Gibraltar (\$98,684,000) and the assumed repayment of a portion of Gibraltar debt (\$47,984,000).
- (G9) To reflect the assumed repayment of Gibraltar debt.
- (G10) To increase Gibraltar's cemetery property to estimated fair value.
- (G11) To accrue estimated costs anticipated to be incurred in connection with the acquisition of Gibraltar.
- (G12) To provide for additional deferred income taxes (at the Company's marginal tax rate) for Gibraltar resulting from differences in the carrying values of net assets for financial statement and tax purposes.
- (G13) To eliminate previously recorded Gibraltar goodwill.

OGF/PFG

- (F1) To eliminate the historical stockholders' equity of OGF/PFG.
- (F2) To accrue estimated costs anticipated to be incurred in connection with the acquisition of OGF/PFG.
- (F3) To eliminate OGF's historical minority interest in PFG. These unaudited pro forma combined financials assume 100% ownership of both OGF and PFG, which is the intent of the Company.

S-14

15

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED BALANCE SHEET -- (CONTINUED)

- (F4) To increase OGF/PFG's land and buildings to estimated fair value.
- (F5) To record as an intangible asset the present value of future profits of OGF/PFG's life insurance subsidiary with respect to existing insurance contracts.
- (F6) To eliminate the previously recorded OGF/PFG goodwill.
- (F7) To eliminate the previously recorded deferred acquisition costs of OGF/PFG's life insurance subsidiary.

- (F8) To provide for additional deferred income taxes (at the French statutory tax rate) for OGF/PFG resulting from differences in the carrying values of net assets for financial statement and tax purposes.
- (F9) To allocate the excess of the purchase price over the estimated fair value of OGF/PFG's net assets acquired to names and reputations.
- (F10) To reflect the borrowings under the French Revolving Credit Agreement for the OGF/PFG purchase.
- (F11) To reflect the partial repayment of amounts borrowed under the French Revolving Credit Agreement from cash that was acquired in the acquisition of OGF/PFG.

1995 PUBLIC OFFERINGS

- (P1) To record the Senior Notes Offerings and the use of the net proceeds (\$297,765,000) to repay a portion of the French Revolving Credit Agreement.
- (P2) To record the Common Stock Offering at an assumed price of \$35.75 per share (the closing stock price on September 8, 1995) and the use of the assumed net proceeds (\$252,520,000) to repay a portion of the Company's existing revolving credit facilities.
- (P3) To record the estimated costs and expenses to be incurred in connection with the Senior Notes Offerings.

S-15

16

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED BALANCE SHEET -- (CONTINUED)

The following adjustments were made to the historical financials of OGF/PFG to restate historical financial statements to US GAAP:

Dollars in thousands	HISTORIC	ADJUSTMENTS	AS REPORTED
	AMOUNTS CONVERTED TO U.S. DOLLARS IN F GAAP	TO US GAAP	IN UNAUDITED PRO FORMA COMBINED BALANCE SHEET
Cash and cash equivalents	\$202,886	\$ 416 (1)	\$ 203,800
Receivables, net of allowance	55,746	498 (3)	59,013
Inventories	46,240	3,267 (3)	46,240
Other	21,895	--	33,171
		836 (5)	
		577 (6)	
		9,863 (3)	
Total current assets	326,767	15,457	342,224
Investments for prearranged funerals	--	531,726 (3)	531,726
Property, plant and equipment at cost (net)	182,778	4,199 (2)	222,545
		(4,319) (4)	
		39,887 (3)	
Deferred charges and other assets	47,311	2,350 (3)	49,661
Names and reputations	16,910	--	16,910
Total assets	\$573,766	\$589,300	\$1,163,066
Accounts payable and accrued liabilities	\$114,521	\$ 10,594 (4)	\$ 132,802
		879 (6)	
		6,808 (3)	
Income taxes	6,559	141 (3)	6,700
Current maturities of long-term debt	3,043	289 (2)	3,332
Total current liabilities	124,123	18,711	142,834
Long-term debt	5,217	3,455 (2)	8,672
Deferred income taxes	2,384	1,028 (5)	15,421
		(3,505) (6)	
		15,514 (3)	
Other liabilities	140,730	150 (1)	137,242
		61 (2)	
		(14,913) (4)	
		120 (5)	
		9,380 (6)	
		1,714 (3)	
Deferred prearranged funeral contracts	--	520,220 (3)	520,220
Stockholders' equity	301,312	266 (1)	338,677

		394 (2)	
		43,193 (3)	
		(312) (5)	
		(6,176) (6)	
Total liabilities and stockholders' equity	\$573,766	\$589,300	\$1,163,066

S-16

17

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED BALANCE SHEET -- (CONTINUED)

- \* One French franc equivalent to \$.2062, which represents the rate at June 30, 1995.
- To record the effect of Statement of Financial Accounting Standards ("FAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities."
  - To record capital leases to comply with FAS No. 13 "Accounting for Leases."
  - To consolidate OGF/PFG's wholly owned life insurance subsidiary, which was recorded under the equity method of accounting by OGF/PFG, to comply with FAS No. 94 "Consolidation of All Majority-Owned Subsidiaries," FAS No. 60 "Accounting and Reporting by Insurance Enterprises" and FAS No. 97 "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments."
  - To reclassify a portion of other liabilities to current liabilities and eliminate negative goodwill in accordance with Accounting Principles Board Opinion No. 16.
  - To record FAS No. 109 "Accounting for Income Taxes."
  - To record FAS No. 87 "Employers' Accounting for Pensions" and FAS No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions."

S-17

18

SERVICE CORPORATION INTERNATIONAL

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 1994

In thousands, except per share amounts	1994 TRANSACTIONS				1995 TRANSACTIONS		
	THE COMPANY HISTORICAL	1994 HISTORICAL	PRO FORMA	1994 COMBINED	1994 HISTORICAL		
		GSG & PG AND OTHER ACQUIRED COMPANIES	ADJUSTMENTS	SUBTOTAL	OGF/PFG	GIBRALTAR	OTHER ACQUIRED COMPANIES
Revenues	\$1,117,175	\$ 135,008	\$ 1,146 (A)	\$1,253,329	\$ 509,141	\$ 96,270	\$ 73,505
Costs and expenses	(775,980)	(113,145)	(770) (A) 3,918 (B) 3,757 (C) (217) (D) (4,685) (E) 2,502 (F) (291) (G) (284) (H)	(885,195)	(471,390)	(81,785)	(65,401)

Gross profit	341,195	21,863	5,076	368,134	37,751	14,485	8,104
General and administrative expenses	(51,700)	--	--	(51,700)	--	--	--
Income from operations	289,495	21,863	5,076	316,434	37,751	14,485	8,104
Interest expense	(80,123)	(2,588)	(165) (A)	(86,057)	(5,667)	(3,279)	(1,175)
			(3,860) (B)				
			936 (I)				
			1,451 (J)				
			4,379 (K)				
			(15,354) (L)				
			2,414 (M)				
			6,853 (N)				
Dividends on preferred securities of SCI Finance LLC	(539)	--	(10,242) (O)	(10,781)	--	--	--
Other income (expense)	10,188	201	--	10,389	(12,408)	(83)	--
Gain on sale of subsidiaries	--	--	--	--	57,474	--	--
Income before income taxes	219,021	19,476	(8,512)	229,985	77,150	11,123	6,929
Provision for income taxes	(87,976)	(7,240)	3,015 (P)	(92,201)	(21,176)	(4,219)	(2,702)
Net income	\$ 131,045	\$ 12,236	\$ (5,497)	\$ 137,784	\$ 55,974	\$ 6,904	\$ 4,227
Earnings per share:							
Primary	\$ 1.51			\$ 1.44			
Fully diluted	\$ 1.43			\$ 1.36			
Primary weighted average share	86,926		1,073 (Q)	7,974 (R)	95,973		
Fully diluted weighted average shares	97,408		1,156 (Q)	7,974 (R)	111,988		
			5,450 (S)				

1995 TRANSACTIONS				
PRO FORMA				
In thousands, except per share amounts	1995 ACQUISITIONS ADJUSTMENTS	COMBINED SUBTOTAL	OFFERINGS ADJUSTMENTS	COMBINED TOTAL
Revenues	\$ (4,993) (G1) (1,902) (G2) (5,301) (G3) 4,525 (G4)	\$ 1,924,574	\$ --	\$ 1,924,574
Costs and expenses	4,993 (G1) 830 (G2) 7,134 (G3) (3,260) (G4) 2,038 (G5) 159 (G6) (1,435) (G7) 1,221 (O1) (964) (C1) (63) (C2) 1,594 (F1) (2,561) (F2) 22,253 (F3) (10,547) (F4) (51) (F5) 682 (F6) 2,351 (F7)	(1,479,397)	(263) (P1)	(1,479,660)
Gross profit	16,703	445,177	(263)	444,914
General and administrative expenses	--	(51,700)	--	(51,700)
Income from operations	16,703	393,477	(263)	393,214
Interest expense	(620) (G4) 3,465 (G8) (6,747) (G9) (8,742) (O1) (3,604) (C3) (31,429) (F8) 9,765 (F9)	(134,090)	(20,310) (P2) 11,616 (P3) 18,164 (P4) 582 (P5)	(124,038)
Dividends on preferred securities of SCI Finance LLC	--	(10,781)	--	(10,781)
Other income (expense)	2,227 (C4) (6,681) (F10) 20,399 (F12)	13,843	--	13,843
Gain on sale of subsidiaries	(57,474) (F12)	--	--	--
Income before income taxes	(62,738)	262,449	9,789	272,238
Provision for income taxes	496 (G10) 2,933 (O2) 1,613 (C5) 10,675 (F13)	(104,581)	(3,426) (P6)	(108,007)
Net income	\$ (47,021)	\$ 157,868	\$ 6,363	\$ 164,231

Earnings per share:	=====	=====	=====	=====
Primary				\$ 1.54
				=====
Fully diluted				\$ 1.46
				=====
Primary weighted average share	180 (03) 3,287 (G11)		7,300 (P7)	106,740
				=====
Fully diluted weighted average shares	194 (03) 3,287 (G11)		7,300 (P7)	122,769
				=====

S-18

19

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 1994

1994 TRANSACTIONS

- (A) To record the acquisition of five separate businesses acquired at various dates by PG between January 1, 1994 and August 31, 1994 as if such acquisitions had occurred on January 1, 1994. Internally generated funds were used for the purchase of these businesses; however, for purposes of the unaudited pro forma combined statement of income, imputed interest expense, calculated on the purchase price, has been included at a rate of 6%, which approximated the Company's UK borrowing rate for the year 1994.
- (B) To record a reduction to costs and expenses for the 1994 Other Acquired Companies based on results actually achieved by the Company for the periods subsequent to acquisition in the amount of \$7,019,000 offset in part by additional costs and expenses of \$3,101,000 resulting from the effect of applying purchase accounting adjustments, primarily amortization and depreciation.
- Interest expense was added for debt and convertible debentures, issued in the purchase of the 1994 Other Acquired Companies, at stated rates. In addition, interest expense has been added for the cash portion of the purchase price assumed to be borrowed by the Company at the Company's weighted average borrowing rate of 4.60% for the year ended December 31, 1994 under its existing revolving credit facilities. At September 5, 1995, the borrowing rate was 5.89%.
- (C) To eliminate corporate expenses, consisting primarily of duplicate personnel expenses, related to the acquisitions of GSG and PG.
- (D) To record the additional depreciation expense (based on 50 year useful life and straight-line depreciation) on GSG's funeral home buildings resulting from the estimated change in fair value over historical cost.
- (E) To record the amortization of names and reputations (based on 40 year straight-line amortization) created from the acquisition of PG by the Company.
- (F) To eliminate the historical GSG and PG goodwill amortization expense.
- (G) To record the additional cost of GSG's cemetery and cremation memorialization interment rights sold.
- (H) To record the estimated additional amortization expense from the expenses associated with the December 1994 issuances of preferred securities of SCI Finance LLC and \$200,000,000 of fixed rate notes of the Company.
- (I) To reverse imputed interest expense recorded in the Company's historical financial statements, related to the acquisition of GSG and PG, that would not have occurred if these acquisitions had been completed on January 1, 1994.
- (J) To reverse interest expense recorded in the Company's historical financial statements related to amounts borrowed under the Company's revolving credit agreements to partially fund the acquisitions of GSG and PG. This indebtedness would not have been necessary if the acquisition of GSG and PG had been funded with proceeds from the December 1994 public offerings.

- (K) To record the estimated reduction in interest expense resulting from the assumed partial repayment of \$95,205,000 of indebtedness under the Company's existing revolving credit facilities. Such repayment funds were derived from the net proceeds of the December 1994 public offerings available after the purchase of GSG and PG. The reduction was calculated using the Company's weighted average borrowing rate of 4.60% for the year ended December 31, 1994 under its revolving credit facilities.
- (L) To record approximately 11 months of additional interest expense on the December 1994 \$200,000,000 notes at an annual interest rate of 8.375%.
- (M) To record the estimated reduction in net interest expense achieved from a cross currency hedging transaction entered into by the Company in December 1994 as if such transaction had been entered into on January 1, 1994.

S-19

20

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

This transaction effectively converts \$272,500,000 of U.S. fixed rate indebtedness into floating rate UK pound sterling indebtedness, raising SCI's total UK pound sterling exposure to \$472,500,000, which is comparable to the size of the acquisitions of GSG and PG.

- (N) To reverse interest expense recorded in the Company's historical financial statements related to amounts borrowed under two bank facilities secured to temporarily fund the GSG and PG acquisitions. This indebtedness would not have been necessary if the acquisition of GSG and PG had been funded with proceeds from the December 1994 public offerings.
- (O) To record the additional dividends at 6.25% on the preferred securities of SCI Finance LLC issued in December 1994 to present a full year of dividends.
- (P) To record the tax effect of the pro forma adjustments.
- (Q) To give effect to the additional time period during which the Company common stock (in the case of the primary and fully diluted weighted average number of shares) and convertible debt (in the case of the fully diluted weighted average number of shares) issued during the period between January 1, 1994 and December 31, 1994 in respect to the acquisition of the 1994 Other Acquired Companies would have been outstanding if all of such acquisitions had occurred as of January 1, 1994.
- (R) To record the additional impact from the issuance of 7,700,000 shares in December 1994 and 780,000 shares in January 1995.
- (S) To record the additional impact on the fully diluted weighted average number of shares of the preferred securities of SCI Finance LLC issued in December 1994.

1995 TRANSACTIONS

1995 OTHER ACQUIRED COMPANIES

- (01) To record a reduction to costs and expenses for the 1995 Other Acquired Companies based on results actually achieved by the Company for the periods subsequent to acquisition in the amount of \$3,983,000 offset in part by additional costs and expenses of \$2,762,000 resulting from the effect of applying purchase accounting adjustments, primarily amortization and depreciation.

Interest expense was added for debt and convertible debentures, issued in the purchase of the 1995 Other Acquired Companies, at stated rates. In addition, interest expense has been added for the cash portion of the purchase price assumed to be borrowed by the Company at the Company's weighted average borrowing rate of 4.60% for the year ended December 31, 1994 under its existing revolving credit facilities. At September 8,

1995, the borrowing rate was 5.89%.

- (O2) To record the tax effect for the 1995 Other Acquired Companies pro forma adjustments.
- (O3) To give effect to the additional time period during which the Company common stock (in the case of the primary and fully diluted weighted average number of shares) and convertible debt (in the case of the fully diluted weighted average number of shares) issued during the period between January 1, 1994 and December 31, 1994 in respect to the acquisition of the 1995 Other Acquired Companies would have been outstanding if all of such acquisitions had occurred as of January 1, 1994.

#### CANADA

- (C1) To record the additional amortization of names and reputations (based on 40 year straight-line amortization) created from the acquisition of the SCIC minority interest.
- (C2) To record the additional cost of SCIC's cemetery interment rights sold.

S-20

21

#### SERVICE CORPORATION INTERNATIONAL

##### NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

- (C3) To record the estimated interest expense for the September 5, 1995 purchase of the SCIC minority interest (\$62,578,000) assumed to have been borrowed by the Company under its existing revolving credit facilities. The calculation was based on a weighted average annual three month Canadian banker's acceptance borrowing rate plus 25 basis points for the year ended December 31, 1994 (5.76%). At September 5, 1995, the borrowing rate was 6.31%.
- (C4) To eliminate the 1994 SCIC minority interest charge.
- (C5) To record the tax effect for SCIC's minority interest pro forma adjustments.

#### GIBRALTAR

- (G1) To eliminate Gibraltar intercompany revenues and costs relating to cemetery construction activities.
- (G2) To conform Gibraltar's prearranged funeral accounting to the Company's. The revenue adjustment includes \$1,306,000 of revenue relating to earnings on amounts held in trust which Gibraltar recognized currently which would be deferred under the Company's accounting policies and \$596,000 of revenue recognized by Gibraltar relating to certain prearranged funeral payments not required to be held in trust which would also be deferred under the Company's accounting policies. The adjustment to costs and expenses for \$830,000 relates to prearranged funeral selling expenses that would be capitalized under the Company's accounting policies but were recognized currently by Gibraltar.
- (G3) To conform Gibraltar's cemetery accounting to the Company's. This includes an adjustment to reclassify \$5,301,000 of revenues and costs and expenses relating to contract cancellations. In addition, this adjustment includes a reduction of Gibraltar historical costs and expenses for \$1,833,000, representing reduced cost accruals for certain cemetery sales.
- (G4) To record the acquisition of five separate businesses acquired at various dates by Gibraltar between January 1, 1994 and December 31, 1994 as if such acquisitions had occurred on January 1, 1994.
- (G5) To eliminate Gibraltar corporate expenses consisting primarily of former owner salaries and duplicate home office personnel expenses.
- (G6) To eliminate the historical Gibraltar goodwill amortization expense.

- (G7) To record the additional cost of Gibraltar's cemetery interment rights sold.
- (G8) To eliminate the interest expense on Gibraltar debt assumed to be repaid by the Company.
- (G9) To record additional interest expense for the cash portion of the purchase price assumed to be borrowed by the Company under its existing revolving credit facilities. The Company's weighted average borrowing rate under such revolving credit facilities was 4.60% for the year ended December 31, 1994. At September 8, 1995, the borrowing rate was 5.89%.
- (G10) To record the tax effect of Gibraltar's pro forma adjustments.
- (G11) To reflect the issuance of 3,286,759 shares in respect to the acquisition of Gibraltar that would have been outstanding if the acquisition had occurred on January 1, 1994. The shares were assumed to be issued at \$35.75 per share representing the closing stock price on September 8, 1995.

OGF/PFG

- (F1) To eliminate the historical OGF/PFG goodwill amortization expense.
- (F2) To record the amortization of names and reputations (based on 40 year straight-line amortization) created from the acquisition of OGF/PFG by the Company.

S-21

22

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

- (F3) To eliminate OGF/PFG's historical depreciation expense which was calculated using shorter depreciable asset lives than does the Company under its accounting policies. Additionally, OGF/PFG, for certain assets, used accelerated depreciation methods. The Company uses a straight-line method of depreciation expense recognition.
- (F4) To record the depreciation expense on OGF/PFG's property, plant and equipment using the Company's depreciation policies based on the current fair value.
- (F5) To record the amortization of the present value of future profits related to OGF/PFG's life insurance subsidiary, net of the amount allocated to policyholders, under French insurance regulations.
- (F6) To eliminate the amortization of deferred acquisition costs related to the life insurance subsidiary which were recorded in OGF/PFG's historical income statement.
- (F7) To eliminate historical OGF/PFG expenses that will not continue under the Company's ownership. Such costs are primarily the result of OGF/PFG personnel whose positions were permanently eliminated in anticipation of the acquisition of OGF/PFG by the Company.
- (F8) To record interest expense on amounts borrowed under the French Revolving Credit Agreement (\$589,570,000) at 6.10% which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the year ended December 31, 1994 applied to a French franc balance as of June 30, 1995 and translated at the weighted average exchange rate for the year ended December 31, 1994. At September 8, 1995, the borrowing rate was 5.95%.
- (F9) To eliminate interest expense on amounts borrowed under the French Revolving Credit Agreement that the Company intends to repay with \$183,180,000 of OGF/PFG cash acquired. OGF/PFG received substantially all of this cash from the sale, in 1994, of its investment in PG to the Company. The reduction was calculated using a weighted average annual interest rate of 6.10%, which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the year ended December 31, 1994 applied to a French franc balance as of June 30, 1995 and translated

at the weighted average exchange rate for the year ended December 31, 1994. At September 8, 1995, the borrowing rate was 5.95%.

- (F10) To eliminate OGF/PFG historical interest income earned on OGF/PFG excess cash (\$183,180,000) that the Company intends to use to partially repay borrowings under the French Revolving Credit Agreement.
- (F11) To eliminate OGF's year ended 1994 charge for the minority interest in PFG assuming acquisition of 100% of PFG by the Company.
- (F12) To eliminate the gain on sale of PG. The Company purchased PG, which was an equity investee of OGF, in 1994.
- (F13) To record the tax effect of the OGF/PFG pro forma adjustments.

#### 1995 PUBLIC OFFERINGS

- (P1) To record the amortization expense expected to result from the estimated costs and expenses associated with the Senior Notes Offerings.
- (P2) To record the estimated interest expense on the Senior Notes Offerings at an assumed annual interest rate of 6.77% as if such notes had been issued January 1, 1994 (net proceeds of \$297,765,000).
- (P3) To record the estimated reduction in interest expense resulting from the assumed partial repayment of \$252,520,000 of indebtedness under the Company's existing revolving credit facilities from the assumed net proceeds of the Common Stock Offering. The reduction was calculated using a weighted average annual interest rate of 4.60%, which represents the weighted average borrowing rate under the Company's existing revolving credit facilities for the year ended December 31, 1994 (5.89% at September 8, 1995).

S-22

23

#### SERVICE CORPORATION INTERNATIONAL

#### NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

- (P4) To record the estimated reduction in interest expense from the assumed partial repayment of \$297,765,000 of indebtedness under the French Revolving Credit Agreement from the assumed net proceeds of the Senior Notes Offerings. The reduction was calculated using a weighted average annual interest rate of 6.10%, which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the year ended December 31, 1994 (5.95% at September 8, 1995).
- (P5) To record the estimated decrease in net interest expense resulting from a planned cross currency hedging transaction as if such transaction had been entered into on January 1, 1994. Assuming September 8, 1995 market conditions, this transaction would effectively convert \$150,000,000 of fixed rate indebtedness into fixed rate French franc indebtedness (7.22%) and \$150,000,000 of fixed rate indebtedness into floating rate French franc indebtedness (based on PIBOR plus 45 basis points). Under this transaction the Company would receive an average U.S. dollar 6.88% interest rate and pay an average French franc 6.69% interest rate. With this transaction, the Company's net investment in OGF/PFG will be hedged against currency risk.
- (P6) To record the tax effect of the offerings' pro forma adjustments at the Company's statutory tax rate.
- (P7) To record the anticipated issuance of 7,300,000 shares under the Common Stock Offering as if such shares had been issued January 1, 1994 at an assumed stock price of \$35.75 per share, (the closing stock price on September 8, 1995) (net proceeds of \$252,520,000).

The following adjustments were made to the historical financials of GSG and PG to restate historical financial statements to US GAAP (included in the unaudited pro forma combined statement of income for the year ended December 31, 1994 in the column captioned "1994 Historical -- GSG & PG and Other Acquired Companies"):

	HISTORIC AMOUNTS CONVERTED TO US DOLLARS IN UK GAAP*				AS REPORTED IN UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME	
	GSG		PG		GSG	PG
	ADJUSTMENTS TO US GAAP					
	GSG	PG	GSG	PG	GSG	PG
Dollars in thousands						
Revenues	\$ 33,714	\$ 52,484	\$ --	\$ --	\$ 33,714	\$ 52,484
Costs and expenses	(26,682)	(40,365)	(184) (1)	(205) (1)	(27,254)	(42,684)
			(388) (2)	(2,114) (2)		
Interest expense and other	(731)	(405)	--	--	(731)	(405)
Provision for income taxes	(2,079)	(3,689)	60 (1)	67 (1)	(2,019)	(3,622)
Net income	\$ 4,222	\$ 8,025	\$ (512)	\$ (2,252)	\$ 3,710	\$ 5,773

\* One UK pound sterling equivalent to \$1.52, which represents the average exchange rate for the eight months ended August 31, 1994.

- (1) To depreciate buildings straight-line over 50 years for GSG and PG.
- (2) To amortize historical goodwill balances straight-line over 40 years.

S-23

24

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

The following adjustments were made to the historical financials of OGF/PFG to restate historical financial statements to US GAAP:

	HISTORIC AMOUNTS CONVERTED TO U.S. DOLLARS IN F GAAP		ADJUSTMENTS TO US GAAP	AS REPORTED IN UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME	
Dollars in thousands					
Revenues	\$ 500,884	\$ 8,257 (3)		\$ 509,141	
Costs and expenses	(467,825)	472 (2)		(471,390)	
		18 (5)			
		(4,055) (3)			
Other income (expense)	(18,044)	(129) (1)		(18,075)	
		(384) (2)			
		136 (3)			
		350 (4)			
		(4) (5)			
Gain on sale of subsidiaries	57,474	--		57,474	
Provision for income taxes	(18,927)	(1,019) (4)		(21,176)	
		(6) (5)			
		(1,224) (3)			
Net income	\$ 53,562	\$ 2,412		\$ 55,974	

\* One French franc equivalent to \$.1802, which represents the average exchange rate for the year ended December 31, 1994.

- (1) To record the effect of FAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities."
- (2) To record capital leases to comply with FAS No. 13 "Accounting for Leases."
- (3) To consolidate OGF/PFG's wholly owned life insurance subsidiary, which was recorded under the equity method of accounting by OGF/PFG, to comply with

FAS No. 94 "Consolidation of All Majority-Owned Subsidiaries," FAS No. 60 "Accounting and Reporting by Insurance Enterprises" and FAS No. 97 "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments."

(4) To record FAS No. 109 "Accounting for Income Taxes."

(5) To record FAS No. 87 "Employers' Accounting for Pension" and FAS No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions."

S-24

25

SERVICE CORPORATION INTERNATIONAL  
UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME  
SIX MONTHS ENDED JUNE 30, 1995

In thousands, except per share amounts	HISTORICAL				PRO FORMA			
	THE COMPANY HISTORICAL	OGF/PFG	GIBRALTAR	OTHER ACQUIRED COMPANIES	ACQUISITION ADJUSTMENTS	COMBINED SUBTOTAL	OFFERINGS ADJUSTMENTS	COMBINED TOTAL
Revenues	\$ 701,762	\$ 272,632	\$ 45,556	\$ 18,439	\$ (843) (G1) (3,227) (G2)	\$1,034,319	\$ --	\$1,034,319
Costs and expenses	(479,105)	(257,606)	(38,031)	(16,370)	362 (G1) 4,222 (G2) 1,019 (G3) 112 (G4) (718) (G5) 479 (O1) (482) (C1) (32) (C2) 857 (F1) (1,409) (F2) 12,670 (F3) (6,822) (F4) (52) (F5) 362 (F6) 2,352 (F7)	(778,192)	(132) (P1)	(778,324)
Gross profit	222,657	15,026	7,525	2,069	8,850	256,127	(132)	255,995
General and administrative expenses	(23,471)	--	--	--	--	(23,471)	--	(23,471)
Income from operations	199,186	15,026	7,525	2,069	8,850	232,656	(132)	232,524
Interest expense	(52,809)	(1,901)	(2,361)	(308)	2,144 (G6) (4,503) (G7) (2,714) (O1) (2,519) (C3) (20,468) (F8) 6,359 (F9)	(79,080)	(10,155) (P2) 7,752 (P3) 10,749 (P4) 291 (P5)	(70,443)
Dividends on preferred securities of SCI Finance LLC	(5,391)	--	--	--	--	(5,391)	--	(5,391)
Other income (expense)	3,073	4,111	(47)	--	1,451 (C4) 3,185 (F10) (6,468) (F11)	5,305	--	5,305
Income before income taxes	144,059	17,236	5,117	1,761	(14,683)	153,490	8,505	161,995
Provision for income taxes	(56,039)	(8,857)	(2,121)	(685)	872 (O2) 1,122 (C5) 602 (G8) 4,428 (F12)	(60,678)	(2,977) (P6)	(63,655)
Net income	\$ 88,020	\$ 8,379	\$ 2,996	\$ 1,076	\$ (7,659)	\$ 92,812	\$ 5,528	\$ 98,340
Earnings per share:								
Primary	\$ 0.91							\$ 0.92
Fully diluted	\$ 0.85							\$ 0.86
Primary weighted average shares	96,729				3,287 (G9) 147 (O3)		7,300 (P7)	107,463
Fully diluted weighted average shares	112,611				3,287 (G9) 147 (O3)		7,300 (P7)	123,345

See note (F13) to this unaudited pro forma combined statement of income for the six months ended June 30, 1995.

S-25

26

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME  
SIX MONTHS ENDED JUNE 30, 1995

1995 OTHER ACQUIRED COMPANIES

- (01) To record a reduction to costs and expenses for the 1995 Other Acquired Companies based on results actually achieved by the Company for the periods subsequent to acquisition in the amount of \$1,860,000 offset in part by additional costs and expenses of \$1,381,000 resulting from the effect of applying purchase accounting adjustments, primarily amortization and depreciation.

Interest expense was added for debt and convertible debentures, issued in the purchase of the 1995 Other Acquired Companies, at stated rates. In addition, interest expense has been added for the cash portion of the purchase price assumed to be borrowed by the Company at the Company's weighted average borrowing rate of 6.14% for the six months ended June 30, 1995 under its existing revolving credit facilities. At September 8, 1995, the borrowing rate was 5.89%.

- (02) To record the tax effect for the 1995 Other Acquired Companies pro forma adjustments.
- (03) To give effect to the additional time period during which the Company common stock (in the case of the primary and fully diluted weighted average number of shares) and convertible debt (in the case of the fully diluted weighted average number of shares) issued during the period between January 1, 1995 and June 30, 1995 in respect to the acquisition of the 1995 Other Acquired Companies would have been outstanding for the six months ended June 30, 1995 if all of such acquisitions had occurred as of January 1, 1994.

CANADA

- (C1) To record the additional amortization of names and reputations (based on 40 year straight-line amortization) created from the acquisition of the SCIC minority interest.
- (C2) To record the additional costs of SCIC's cemetery interment rights sold.
- (C3) To record the estimated interest expense for the September 5, 1995 purchase of the SCIC minority interest (\$62,578,000) assumed to have been borrowed by the Company under its existing revolving credit facilities. The calculation was based on a weighted average annual three month Canadian banker's acceptance borrowing rate plus 25 basis points for the six months ended June 30, 1995 (8.05%). At September 5, 1995, the borrowing rate was 6.31%.
- (C4) To eliminate the 1995 SCIC minority interest charge.
- (C5) To record the tax effect for SCIC's minority interest pro forma adjustments.

GIBRALTAR

- (G1) To conform Gibraltar's prearranged funeral accounting to the Company's. The revenue adjustment includes \$604,000 of revenue relating to earnings on amounts held in trust which Gibraltar recognized currently which would be deferred under the Company's accounting policies and \$239,000 of revenue recognized by Gibraltar relating to certain prearranged funeral payments not required to be held in trust which would also be deferred under the Company's accounting policies. The adjustment to costs and expenses for \$362,000 relates to prearranged funeral selling expenses that would be capitalized under the Company's accounting policies but were recognized currently by Gibraltar.
- (G2) To conform Gibraltar's cemetery accounting to the Company's. This includes an adjustment to reclassify \$3,227,000 of revenues and costs and expenses relating to contract cancellations. In addition, this adjustment includes a reduction of Gibraltar's historical costs and expenses for \$995,000, representing reduced cost accruals for certain cemetery sales.

## SERVICE CORPORATION INTERNATIONAL

## NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

- (G3) To eliminate Gibraltar corporate expenses consisting primarily of former owner salaries and duplicate home office personnel expenses.
- (G4) To eliminate the historical Gibraltar goodwill amortization expense.
- (G5) To record the additional cost of Gibraltar's cemetery interment rights sold.
- (G6) To eliminate the interest expense on Gibraltar debt assumed to be repaid by the Company.
- (G7) To record additional interest expense for the cash portion of the purchase price assumed to be borrowed by the Company under its existing revolving credit facilities. The Company's weighted average borrowing rate for such revolving credit facilities was 6.14% for the six months ended June 30, 1995. At September 8, 1995, the borrowing rate was 5.89%.
- (G8) To record the tax effect of Gibraltar's pro forma adjustments.
- (G9) To reflect the issuance of 3,286,759 shares in respect to the acquisition of Gibraltar that would have been outstanding if the acquisition had occurred as of January 1, 1995. The shares were assumed to be issued at \$35.75 per share (the closing stock price on September 8, 1995).

## OGF/PFG

- (F1) To eliminate the historical OGF/PFG goodwill amortization expense.
- (F2) To record the amortization of names and reputations (based on 40 year straight-line amortization) created from the acquisition of OGF/PFG by the Company.
- (F3) To eliminate OGF/PFG's historical depreciation expense which was calculated using shorter depreciable asset lives than does the Company under its accounting policies. Additionally, OGF/PFG, for certain assets, used accelerated depreciation methods. The Company uses a straight-line method of depreciation expense recognition.
- (F4) To record the depreciation expense on OGF/PFG's property, plant and equipment using the Company's depreciation policies based on the current fair value.
- (F5) To record the amortization of the present value of future profits related to OGF/PFG's life insurance subsidiary, net of the amount allocated to policyholders, under French insurance regulations.
- (F6) To eliminate the amortization of deferred acquisition costs related to the life insurance subsidiary which were recorded in OGF/PFG's historical income statement.
- (F7) To eliminate historical OGF/PFG expenses that will not continue under the Company's ownership. Such costs are primarily the result of OGF/PFG personnel whose positions were permanently eliminated and professional expenses incurred in anticipation of the acquisition of OGF/PFG by the Company.
- (F8) To record interest expense on amounts borrowed under the French Revolving Credit Agreement (\$589,570,000) at 7.22% which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the six months ended June 30, 1995 applied to a French franc balance as of June 30, 1995 and translated at the weighted average exchange rate for the six months ended June 30, 1995. At September 8, 1995, the borrowing rate was 5.95%.
- (F9) To eliminate interest expense on amounts borrowed under the French Revolving Credit Agreement that the Company intends to repay with \$183,180,000 of OGF/PFG cash acquired. OGF/PFG received substantially all of this cash from the sale, in 1994, of its investment in PG to the Company. The reduction was calculated using a weighted average annual

interest rate of 7.22%, which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the six months ended June 30, 1995 applied to a French franc balance as of June 30, 1995 and translated at the weighted average exchange rate for the six months ended June 30, 1995. At September 8, 1995, the borrowing rate was 5.95%.

S-27

28

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

- (F10) To eliminate OGF's six month charge for the minority interest in PFG assuming acquisition of 100% of PFG by the Company.
- (F11) To eliminate OGF/PFG historical interest income earned on OGF/PFG excess cash (\$183,180,000) that the Company intends to use to partially repay borrowings under the French Revolving Credit Agreement.
- (F12) To record the tax effect of the OGF/PFG pro forma adjustments.
- (F13) The earnings of OGF/PFG's life insurance subsidiary for the six months ended June 30, 1995 included realized losses on sales of portfolio debt securities. The net effect of the debt security sales, after profit participation by policyholders, was a loss before income taxes of approximately \$7,950,000. On August 25, 1995, the Company adopted a policy with respect to OGF/PFG's life insurance subsidiary to hold all debt securities to maturity. Had the Company's investment policy been in effect during the period, such security sales would not have occurred.

1995 PUBLIC OFFERINGS

- (P1) To record the amortization expense expected to result from the estimated costs and expenses associated with the Senior Notes Offerings.
- (P2) To record the estimated interest expense on the Senior Notes Offerings at an assumed annual interest rate of 6.77% as if such notes had been issued January 1, 1994 (net proceeds of \$297,765,000).
- (P3) To record the estimated reduction in interest expense resulting from the assumed partial repayment of \$252,520,000 of indebtedness under the Company's existing revolving credit facilities from the assumed net proceeds of the Common Stock Offering. The reduction was calculated using a weighted average annual interest rate of 6.14%, which represents the weighted average borrowing rate under the Company's existing revolving credit facilities for the six months ended June 30, 1995 (5.89% at September 8, 1995).
- (P4) To record the estimated reduction in interest expense from the assumed partial repayment of \$297,765,000 of indebtedness under the French Revolving Credit Agreement from the assumed net proceeds of the Senior Notes Offerings. The reduction was calculated using a weighted average annual interest rate of 7.22%, which represents the weighted average three month PIBOR borrowing rate plus 25 basis points for the six months ended June 30, 1995 (5.95% at September 8, 1995).
- (P5) To record the estimated decrease in net interest expense resulting from a planned cross currency hedging transaction as if such transaction had been entered into on January 1, 1994. Assuming September 8, 1995 market conditions, this transaction would effectively convert \$150,000,000 of fixed rate indebtedness into fixed rate French franc indebtedness (7.22%) and \$150,000,000 of fixed rate indebtedness into floating rate French franc indebtedness (based on PIBOR plus 45 basis points). Under this transaction, the Company would receive an average U.S. dollar 6.88% interest rate and pay an average French franc 6.69% interest rate. With this transaction, the Company's net investment in OGF/PFG will be hedged against currency risk.
- (P6) To record the tax effect of the offerings' pro forma adjustments at the Company's statutory tax rate.
- (P7) To record the anticipated issuance of 7,300,000 shares under the Common Stock Offering as if such shares had been issued January 1, 1994 at an

assumed stock price of \$35.75 per share (the closing stock price on September 8, 1995) (net proceeds of \$252,520,000).

S-28

29

SERVICE CORPORATION INTERNATIONAL

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME -- (CONTINUED)

The following adjustments were made to the historical financials of OGF/PFG to restate historical financial statements to US GAAP:

Dollars in thousands	HISTORIC AMOUNTS CONVERTED TO U.S. DOLLARS IN F GAAP	ADJUSTMENTS TO US GAAP	AS REPORTED IN UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME
Revenues	\$ 275,318	\$ 78 (1) (2,764) (3)	\$ 272,632
Costs and expenses	(254,536)	260 (2) (755) (5) (2,575) (3)	(257,606)
Other income (expense)	3,901	(29) (1) (200) (2) (1,500) (3) (133) (4) 171 (5)	2,210
Provision for income taxes	(9,020)	(104) (4) 267 (5)	(8,857)
Net income	\$ 15,663	\$ (7,284)	\$ 8,379

\* One French franc equivalent to \$.1983, which represents the average exchange rate for the six months ended June 30, 1995.

- (1) To record the effect of FAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities."
- (2) To record capital leases to comply with FAS No. 13 "Accounting for Leases."
- (3) To consolidate OGF/PFG's wholly owned life insurance subsidiary, which was recorded under the equity method of accounting by OGF/PFG, to comply with FAS No. 94 "Consolidation of All Majority-Owned Subsidiaries," FAS No. 60 "Accounting and Reporting by Insurance Enterprises" and FAS No. 97 "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments." The earnings of OGF/PFG's life insurance subsidiary for the six months ended June 30, 1995 included realized losses on sales of debt securities. The net effect of the debt security sales, after profit participation by policyholders, was a loss before income taxes of approximately \$7,950,000.
- (4) To record FAS No. 109 "Accounting for Income Taxes."
- (5) To record FAS No. 87 "Employers' Accounting for Pension" and FAS No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions."

S-29

30

DESCRIPTION OF NOTES

The following description of the particular terms of the Notes offered hereby

(referred to herein as the "Notes") supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Senior Debt Securities set forth in the accompanying Prospectus, to which description reference is hereby made. The Notes are Senior Debt Securities as defined in the accompanying Prospectus. Except as otherwise defined herein, capitalized terms used herein have the meanings specified in the accompanying Prospectus or in the Senior Debt Indenture referred to therein.

The maximum aggregate principal amount of Notes that may be issued is limited to \$150,000,000. Interest at the annual rate set forth on the cover page of this Prospectus Supplement is to accrue from October 11, 1995, and is to be payable semiannually on April 1 and October 1, commencing April 1, 1996, to the persons in whose names the Notes are registered at the close of business on the preceding March 15 or September 15, respectively. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will mature on October 1, 2007. The Notes will not be redeemable by the Company prior to maturity. There is no sinking fund applicable to the Notes.

#### BOOK-ENTRY, DELIVERY AND FORM

The Notes will be issued in the form of one or more fully registered Global Notes (the "Global Notes") that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York, as Depository (the "Depository"), and registered in the name of Cede & Co., the Depository's nominee. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of the Depository or to a successor of the Depository or its nominee.

The Depository has advised as follows: It is a limited-purpose trust company which holds securities for its participating organizations (the "Participants") and facilitates the settlement among Participants of securities transactions in such securities through electronic book-entry changes in its Participants' accounts. Participants include securities brokers and dealers (including the Underwriters), banks and trust companies, clearing corporations and certain other organizations. Access to the Depository's system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("indirect participants"). Persons who are not Participants may beneficially own securities held by the Depository only through Participants or indirect participants.

The Depository advises that its established procedures provide that (i) upon issuance of the Notes by the Company, the Depository will credit the accounts of Participants designated by the Underwriters with the principal amounts of the Notes purchased by the Underwriters and (ii) ownership of interests in the Global Notes will be shown on, and the transfer of the ownership will be effected only through, records maintained by the Depository, the Participants and the indirect participants. The laws of some states require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Global Notes is limited to that extent.

So long as a nominee of the Depository is the registered owner of the Global Notes, that nominee for all purposes will be considered the sole owner or holder of such Global Notes under the Senior Debt Indenture. Except as provided below, owners of beneficial interests in the Global Notes will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the owners or holders thereof under the Senior Debt Indenture. Accordingly, each person owning a beneficial interest in the Global Notes must rely on the procedures of the Depository and, if the beneficial owner is not a participant, on the procedures of the participant through which the beneficial owner owns its interest, to exercise any rights of a holder under the Senior Debt Indenture. The Company understands that under existing practice, if the Company requests any action of the holders, or a beneficial owner desires to take any action a holder is entitled to take, the Depository would act upon the instructions of, or authorize, the participant to take such action.

S-30

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating

to or payments made on account of beneficial ownership interests in the Global Notes, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Principal and interest payments on the Notes registered in the name of the Depository's nominee will be made by the Trustee to the Depository. Under the terms of the Senior Debt Indenture, the Company and the Trustee will treat the persons in whose names the Notes are registered as the owners of the Notes for the purpose of receiving payment of principal of and interest on the Notes and for all other purposes whatsoever. Therefore, none of the Company, the Trustee or any Paying Agent has any direct responsibility or liability for the payment of principal of or interest on the Notes to owners of beneficial interests in the Global Notes. The Depository has advised the Company and the Trustee that its present practice is to credit the accounts of the Participants on the appropriate payment date in accordance with their respective holdings in principal amount of beneficial interests in the Global Notes as shown on the records of the Depository, unless the Depository has reason to believe that it will not receive payment on that payment date. Payments by Participants and indirect participants to owners of beneficial interests in the Global Notes will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the Participants or indirect participants.

If the Depository is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will issue Notes in definitive form in exchange for the Global Notes. In addition, the Company may at any time determine not to have the Notes represented by Global Notes and, in such event, will issue Notes in definitive form in exchange for the Global Notes. In either instance, an owner of a beneficial interest in the Global Notes will be entitled to have Notes equal in principal amount to such beneficial interest registered in its name and will be entitled to physical delivery of such Notes in definitive form. Notes so issued in definitive form will be issued in denominations of \$1,000 and integral multiples thereof and will be issued in registered form only, without coupons.

SAME-DAY SETTLEMENT AND PAYMENT

Settlement for the Notes will be made by the Underwriters in immediately available funds. All payments of principal and interest will be made by the Company in immediately available funds.

Secondary trading in long-term notes and notes of corporate issuers is generally settled in clearinghouse or next-day funds. In contrast, the Notes will trade in the Depository's Same-Day Funds Settlement System until maturity, and secondary market trading activity in the Notes will therefore be required by the Depository to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Notes.

UNDERWRITING

Under the terms and subject to the conditions contained in an Underwriting Agreement dated the date hereof (the "Underwriting Agreement"), the Underwriters named below have severally agreed to purchase, and the Company has agreed to sell to them, severally, the respective principal amount of Notes set forth opposite their names below:

	----- PRINCIPAL AMOUNT OF NOTES -----
UNDERWRITERS	
J.P. Morgan Securities Inc. ....	\$ 33,750,000
Chemical Securities Inc. ....	33,750,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	33,750,000

UBS Securities Inc. ....	33,750,000
ABN AMRO Securities (U.S.A.), Inc.....	3,750,000
CIBC Wood Gundy Securities, Corp. ....	3,750,000
RBC Dominion Securities Corp. ....	3,750,000
Societe Generale Securities Corporation .....	3,750,000
	-----
Total	\$150,000,000
	=====

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Notes offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The Underwriters are committed to take and pay for all of the Notes offered hereby if any are taken.

The Underwriters initially propose to offer the Notes in part directly to the public at the public offering price set forth on the cover page of this Prospectus Supplement and in part to certain dealers at that price less a concession not in excess of .400% of the principal amount of the Notes. The Underwriters may allow, and those dealers may reallocate, a concession not in excess of .250% of the principal amount of the Notes to certain other dealers. After the initial public offering of the Notes offered hereby, the public offering price and such concessions may be changed.

In the Underwriting Agreement, the Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments that the Underwriters may be required to make in respect thereof.

J.P. Morgan Securities Inc. ("JPMS"), Chemical Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and UBS Securities Inc. ("UBS") and/or their affiliates from time to time provide commercial banking and/or investment banking services to the Company for which they receive customary fees and expense reimbursement. JPMS and Merrill Lynch are acting as underwriters in connection with the 6 3/8% Notes Due 2000 Offering and JPMS, Merrill Lynch and an affiliate of UBS are acting as Underwriters in connection with the Common Stock Offering. As of September 11, 1995, JPMS and certain of its affiliates beneficially owned (as defined in Rule 13d-3 of the Securities Exchange Act of 1934, as amended) approximately 11.04% of the outstanding Common Stock, such figure representing beneficial ownership in both a fiduciary capacity on behalf of third parties and for their own accounts. As of that date, JPMS and such affiliates owned the economic interest in less than 1% of the outstanding Common Stock.

Prior to the offering made hereby, there has been no public market for the Notes. The Company does not intend to list the Notes on any securities exchange. The Company has been advised by the Underwriters that the Underwriters currently intend to make a market in the Notes; however, the Underwriters are not obligated to do so, and any Underwriter may discontinue any such market making at any time without notice.