



FOR: FIRSTSERVICE CORPORATION

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**FOR IMMEDIATE RELEASE**

**FIRSTSERVICE REPORTS THIRD QUARTER RESULTS**

**TORONTO**, Ontario, January 29, 2002 -- FirstService Corporation (Nasdaq: FSRV; TSE: FSV) today announced the results for its fiscal 2002 third quarter ended December 31, 2001.

Revenues grew 22% to US\$117.8 million from the US\$97.0 million reported in the same quarter a year ago. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$9.2 million, an increase of 19% over EBITDA of US\$7.7 million in the previous year. Net earnings were US\$1.7 million in the current period or US\$0.12 per share (diluted) and reflect the adoption of SFAS No. 142, Goodwill and Other Intangible Assets. The prior year's results, adjusted to reflect SFAS 142, were net earnings of US\$1.9 million or US\$0.13 per share (diluted).

Revenues for the nine months ended December 31, 2001 were US\$394.9 million, a 23% increase from the US\$320.5 million reported in the comparable period last year. EBITDA was US\$50.0 million, up 20%, while net earnings before the extraordinary item and diluted earnings per share before the extraordinary item grew 18% and 11%, to US\$17.7 million and US\$1.21, respectively, after adjusting the prior period figures to reflect SFAS 142.

FirstService Corporation is a leader in the rapidly growing service sector, providing a variety of property and business services -- including residential property management, integrated security services, consumer services, customer support and fulfillment and business process outsourcing -- to businesses and consumers throughout North America.

### *PROPERTY SERVICES*

The Property Services division generated revenues of US\$86.2 million for the third quarter, up 10% over the prior year reflecting the impact of acquisitions together with 5% internal growth. Within Property Services, the Residential Property Management segment grew 12% to US\$45.4 million and Integrated Security Services increased 15% to US\$24.2 million while Consumer Services revenues declined 2% to US\$16.6 million.

Property Services EBITDA was US\$5.0 million or 5.8% of revenues, compared to \$5.6 million or 7.1% of revenues in the third quarter of the prior year. Within Property Services, the Residential Property Management segment reported EBITDA of US\$2.4 million, down from US\$2.9 million in the prior year, primarily due to lower revenues and significantly lower margins from the segment's painting and restoration operations. Decisions relating to condominium painting and restoration work were generally deferred post September 11, causing backlog erosion and a steep decline in revenues late in the quarter. Integrated Security Services generated EBITDA of US\$1.6 million, down from US\$1.7 million in the prior year primarily due to higher than normal margins generated in security systems sales in the prior year quarter. Consumer Services reported EBITDA of US\$1.0 million which is consistent with the EBITDA in the prior year.

### *BUSINESS SERVICES*

Revenues from the Business Services division were US\$31.5 million for the quarter, an increase of 70% due to the acquisition of Herbert A. Watts Limited (Watts) completed in March 2001. Excluding Watts, revenues declined by 5% as strong growth in business process outsourcing was offset by double digit declines in customer support & fulfillment which continued to be negatively impacted by economic trends. Business Services EBITDA increased to US\$5.2 million versus US\$3.3 million in the prior year period, while margins declined to 16.5% from 17.6%. The margin decline is primarily attributable to the change in service mix resulting from the Watts acquisition.

### *OUTLOOK*

Based on third quarter results and in light of continuing weakness in the i) customer support and fulfillment operations within Business Services and ii) painting and restoration operations within Residential Property Management, the Company is revising its outlook for the year ending March 31, 2002 as follows:

(in millions of US dollars, except per share amounts)	<u>Quarter ending March 31, 2002</u>	<u>Year ending March 31, 2002*</u>
<b>Revenues</b>	\$112.0 - \$117.0	\$507.0 - \$512.0
<b>EBITDA</b>	\$6.5 - \$7.0	\$56.5 - \$57.0
<b>Diluted EPS before extraordinary item</b>	\$.01 - \$.04	\$1.23 - \$1.26

\* Note: the outlook for the year ending March 31, 2002 has been revised downward from the guidance provided on October 24, 2001 for revenues, EBITDA and EPS of US\$510.0-520.0, US\$58.0-59.5 and US\$1.30-1.35, respectively.

In addition, the Company is providing initial guidance for the year ending March 31, 2003 as follows:

(in millions of US dollars, except per share amounts)	<u>Year ending March 31, 2003</u>
<b>Revenues</b>	\$540.0 - \$560.0
<b>EBITDA</b>	\$62.0 - \$64.0
<b>Diluted EPS</b>	\$1.46 - \$1.54

Note: revenues and earnings from acquisitions completed before March 31, 2003 will be incremental to these amounts.

### *CONFERENCE CALL*

FirstService will be holding a conference call on Tuesday, January 29, 2002 at 2:00 pm Eastern Time to discuss results for the third quarter and the outlook for the remainder of the current year and for fiscal 2003. The call will be simultaneously webcast and can be accessed “live” or later at [www.firstservice.com](http://www.firstservice.com) in the “News Release” section.

### *FORWARD-LOOKING STATEMENTS*

Certain statements included in this release constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: general economic and business conditions, which will, among other things, impact demand for the Company’s services, service industry conditions and capacity; the ability of the Company to implement its business strategy, including the Company’s ability to acquire suitable acquisition candidates on acceptable terms and successfully integrate newly acquired businesses with its existing businesses; changes in or the failure to comply with government regulations (especially safety and environmental laws and regulations); and other factors which are described in the Company’s filings with the Securities and Exchange Commission.

**FIRSTSERVICE CORPORATION****Condensed Consolidated Statements of Earnings**

(in thousands of US dollars, except per share amounts, in accordance with US GAAP)

(unaudited)

	Three months ended December 31		Nine months ended December 31		
	2001	2000	2001	2000	
<b>Revenues</b>	<b>\$ 117,809</b>	\$ 96,957	<b>\$394,852</b>	\$320,514	
Cost of revenues	<b>81,189</b>	66,879	<b>260,894</b>	211,545	
Selling, general and administrative expenses	<b>27,405</b>	22,339	<b>83,971</b>	67,323	
<b>EBITDA</b>	<b>9,215</b>	7,739	<b>49,987</b>	41,646	
Depreciation and amortization of intangibles	<b>3,040</b>	2,061	<b>8,896</b>	6,018	
Amortization of goodwill	-	899	-	2,581	
Interest	<b>3,000</b>	2,489	<b>8,951</b>	7,200	
Earnings before the following:	<b>3,175</b>	2,290	<b>32,140</b>	25,847	
Income taxes	<b>1,063</b>	916	<b>10,961</b>	10,332	
Earnings before minority interest	<b>2,112</b>	1,374	<b>21,179</b>	15,515	
Minority interest share of earnings	<b>375</b>	319	<b>3,514</b>	2,852	
<b>Net earnings before extraordinary item</b>	<b>1,737</b>	1,055	<b>17,665</b>	12,663	
Extraordinary loss on early retirement of debt, net of income tax benefit of \$578	-	-	<b>797</b>	-	
<b>Net earnings</b>	<b>\$ 1,737</b>	\$ 1,055	<b>\$ 16,868</b>	\$ 12,663	
<b>Net earnings per share before extraordinary item:</b>					
	Basic	\$ 0.13	\$ 0.08	\$ 1.31	\$ 0.97
	<b>Diluted</b>	<b>\$ 0.12</b>	\$ 0.08	<b>\$ 1.21</b>	\$ 0.92
<b>Net earnings per share:</b>	Basic	\$ 0.13	\$ 0.08	\$ 1.25	\$ 0.97
	<b>Diluted</b>	<b>\$ 0.12</b>	\$ 0.08	<b>\$ 1.16</b>	\$ 0.92
<b>Weighted average shares outstanding: (in thousands)</b>	Basic	<b>13,592</b>	13,057	<b>13,501</b>	13,054
	<b>Diluted</b>	<b>14,644</b>	13,908	<b>14,555</b>	13,772

**Note to the Condensed Consolidated Statements of Earnings**

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets (SFAS 141 & 142). Effective April 1, 2001, the Company elected early adoption of both SFAS 141 & 142. The adoption of these standards has the effect of reducing amortization expense of acquired intangible assets including goodwill.

The prior period figures have not been adjusted for this change in accounting policy. Net earnings for the quarter ended December 31, 2000, adjusted to reflect SFAS 142, would be \$1,869 and on a per-share basis, \$0.14 (basic) and \$0.13 (diluted). For the nine months ended December 31, 2000, net earnings would be \$15,008 and on a per-share basis, \$1.15 (basic) and \$1.09 (diluted).

**Segmented Revenues and EBITDA**

(in thousands of US dollars)

(unaudited)

	<u>Property Services – residential property management</u>	<u>Property Services – integrated security services</u>	<u>Property Services – consumer services</u>	<u>Business Services</u>	<u>Corporate</u>	<u>Consolidated</u>
<u>Three months ended December 31</u>						
<b>2001</b>						
Revenues	\$ 45,431	\$ 24,168	\$ 16,624	\$ 31,519	\$ 67	\$ 117,809
EBITDA	2,447	1,567	1,025	5,189	(1,013)	9,215
2000						
Revenues	\$ 40,437	\$ 20,974	\$ 16,914	\$ 18,570	\$ 62	\$ 96,957
EBITDA	2,864	1,700	1,074	3,260	(1,159)	7,739
<u>Nine months ended December 31</u>						
<b>2001</b>						
Revenues	\$ 160,751	\$ 70,441	\$ 69,475	\$ 93,998	\$ 187	\$ 394,852
EBITDA	16,384	5,282	14,406	17,313	(3,398)	49,987
2000						
Revenues	\$ 137,819	\$ 56,721	\$ 65,989	\$ 59,793	\$ 192	\$ 320,514
EBITDA	14,728	4,412	13,310	12,655	(3,459)	41,646

**Condensed Consolidated Balance Sheets**

(in thousands of US dollars, in accordance with US GAAP)

	<b>December 31</b>	March 31
	<b>2001</b>	2001
	<b>(unaudited)</b>	(audited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 7,407	\$ 5,115
Accounts receivable, net	88,492	79,473
Inventory and other current assets	<u>21,797</u>	<u>21,520</u>
<b>Current assets</b>	<b>117,696</b>	106,108
Fixed assets	45,695	40,741
Other assets	12,270	11,498
Goodwill and intangibles	<u>171,418</u>	<u>155,313</u>
<b>Total assets</b>	<b><u>\$ 347,079</u></b>	<b><u>\$ 313,660</u></b>
<b><u>Liabilities and shareholders' equity</u></b>		
Accounts payable and other current liabilities	\$ 60,568	\$ 59,215
Unearned revenues	4,829	9,505
Long term debt – current	<u>5,034</u>	<u>3,050</u>
<b>Current liabilities</b>	<b>70,431</b>	71,770
Long term debt less current portion	160,952	149,374
Deferred income taxes	4,387	4,236
Minority interest	12,763	8,824
Shareholders' equity	<u>98,546</u>	<u>79,456</u>
<b>Total liabilities and equity</b>	<b><u>\$ 347,079</u></b>	<b><u>\$ 313,660</u></b>

**Condensed Consolidated Statements of Cash Flows**

(in thousands of US dollars, in accordance with US GAAP)

(unaudited)

	Nine month periods ended December 31	
	<u>2001</u>	<u>2000</u>
<b><i>Operating activities</i></b>		
Net earnings	<b>\$ 16,868</b>	\$ 12,663
Items not affecting cash:		
Depreciation and amortization	<b>8,896</b>	8,599
Deferred income taxes	<b>(308)</b>	(16)
Minority interest share of earnings	<b>3,514</b>	2,852
Other	<b>1,710</b>	335
	<b>30,680</b>	24,433
Changes in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions	<b>(12,270)</b>	(12,063)
Net cash provided by operating activities	<b>18,410</b>	12,370
<b><i>Investing activities</i></b>		
Acquisition of businesses, net of cash acquired	<b>(15,345)</b>	(22,265)
Purchases of fixed assets, net	<b>(12,678)</b>	(7,046)
Other investing activities	<b>(76)</b>	(1,584)
Net cash used in investing	<b>(28,099)</b>	(30,895)
<b><i>Financing activities</i></b>		
Net increases in long-term debt	<b>13,573</b>	21,136
Other financing activities	<b>(1,043)</b>	176
Net cash provided by financing	<b>12,530</b>	21,312
Effect of exchange rate changes on cash	<b>(549)</b>	(866)
Increase in cash and cash equivalents during the period	<b>2,292</b>	1,921
Cash and cash equivalents, beginning of period	<b>5,115</b>	3,297
Cash and cash equivalents, end of period	<b>\$ 7,407</b>	\$5,218