



FOR: FIRSTSERVICE CORPORATION

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FOR IMMEDIATE RELEASE

**FIRSTSERVICE REPORTS SECOND QUARTER RESULTS AND PROVIDES UPDATED
OUTLOOK FOR YEAR ENDING MARCH 31, 2003**

TORONTO, Ontario October 23, 2002 - FirstService Corporation (Nasdaq: FSRV; TSX: FSV) today reported the results for its second quarter ended September 30, 2002 and provided updated guidance on the outlook for the remainder of the fiscal year ending March 31, 2003.

Revenues for the quarter grew to US\$145.2 million from US\$140.5 million reported in the same quarter a year ago. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$21.2 million for the second quarter, compared to EBITDA of US\$22.0 million in the previous year's second quarter. The quarter's net earnings were US\$8.9 million, up slightly from the prior year's results of US\$8.8 million, resulting in diluted earnings per share of US\$0.61, the same amount as reported in the prior year period.

FirstService Corporation is a leader in the rapidly growing service sector, providing property and business services to commercial and residential customers throughout North America in the following areas: Residential Property

Management; Integrated Security Services; Consumer Services and Business Services, including customer support and fulfillment and business process outsourcing.

SEGMENTED OPERATING RESULTS

In Consumer Services, revenues increased to US\$28.3 million due to internal growth of 7%, after adjusting for a planned reduction in melamine board supply revenues at California Closets, relative to the prior year quarter. Revenue growth resulted from solid year-over-year increases in system-wide sales at Paul Davis Restoration, College Pro Painters and Certa Pro Painters. EBITDA was US\$9.2 million or 32.6% of revenues up from US\$7.9 million or 29.0% of revenues in the prior year quarter. The increase in EBITDA margin is a result of two factors: (i) a significant year-over-year system-wide sales increase at College Pro Painters, which carries seasonally high margins on royalty revenues earned during the second quarter; and (ii) the reduction in melamine board sales which carry a very low gross profit margin.

Integrated Security Services revenues grew 8% relative to a year ago to US\$25.2 million, all as a result of internal growth. EBITDA was US\$2.0 million or 7.9% of revenues compared to US\$1.8 million or 7.8% of revenues in the prior year quarter.

Revenues in the Residential Property Management segment were US\$59.5 million, up 2% versus the second quarter last year. EBITDA was US\$5.4 million, down from US\$6.8 million in the same period last year, due primarily to significantly higher insurance costs in the amount of US\$0.7 million and lower painting and restoration activities in the current period relative to the same period last year.

Revenues from Business Services increased 2% to US\$32.0 million versus US\$31.4 million in the prior year, 5% of which resulted from the March 2002 acquisition of Right Choice Services offset by a 3% decline in revenues due to weak transaction volumes primarily at DDS. The year-over-year reduction in DDS Southwest's textbook fulfillment volumes resulting from lower textbook adoption rates, initially reported in the first quarter, continued in the second quarter. The other Business Services units, BDP and Watts, reported revenues that were essentially flat with the prior year. Business Services EBITDA was US\$5.8 million or 18.0% of revenue, down from US\$6.7 million or 21.2% of revenue in the prior year, primarily as a result of lower revenues from DDS Southwest, which carries seasonally high margins in the second quarter.

CONSUMER SERVICES ACQUISITIONS

After the quarter end, FirstService completed two acquisitions, which add more than US\$5 million in annual revenue to its Consumer Services division. The purchase prices were not disclosed.

As part of its established strategy of converting selected franchises to company-owned operations, FirstService has acquired majority interests in the Chicago, IL and Jacksonville, FL franchises of its highly successfully California Closets franchise system. California Closets is the world leader in organized closets and storage systems with more than 150 franchises in the United States, Canada and in several other countries, and generates in excess of US\$180 million per annum in system-wide sales. These acquisitions follow similar “branchising” transactions previously completed in Boston, MA and Seattle, WA.

BUSINESS SERVICES CLIENT DEPARTURE

After a lengthy bidding process, a significant Business Services client has provided notification of its intention to move the majority of its outsourced fulfillment activities. Revenues from this client for the six months ended September 30, 2002 were US\$3.3 million. Services are expected to cease near the end of the third quarter. The loss of this business is expected to impact diluted earnings per share negatively by approximately US\$0.05, including severance and transition costs of approximately US\$0.03, during the balance of fiscal 2003.

UPDATED OUTLOOK

The Company is updating its estimated range for the year ending March 31, 2003 as follows:

Outlook for year ending March 31, 2003

(in millions of US dollars, except per share amounts)

	Previous	Updated
Revenues	\$540.0 - \$560.0	\$540.0 - \$550.0
EBITDA	\$60.5 - \$63.0	\$58.0 - \$59.5
Diluted EPS	\$1.42 - \$1.52	\$1.37 - \$1.43

The updated range is the product of clearer visibility of trends in the Company’s operating segments. The outlook includes the estimated impact of the two acquisitions discussed above as well as the loss of the significant Business Services client.

CONFERENCE CALL

FirstService will be holding a conference call on Wednesday, October 23 at 2:00 pm Eastern Time to discuss results for the second quarter as well as the updated outlook for the remainder of the fiscal year. The call will be simultaneously webcast and can be accessed live or after the call at 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 statements are generally accompanied by words such as “intend”, “anticipate”, “believe”, “estimate”, “expect” or similar statements. The Company’s actual results may differ materially from such statements. Among the factors that could result in such differences 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 Form 10-K for the year ended March 31, 2002 filed with the Securities and Exchange Commission.

FIRSTSERVICE CORPORATION

Condensed Consolidated Statements of Earnings

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

	Three months ended September 30		Six months ended September 30	
	2002	2001	2002	2001
Revenues	\$ 145,209	\$ 140,468	\$ 291,245	\$ 277,043
Cost of revenues	95,143	90,347	191,334	179,705
Selling, general and administrative expenses	28,902	28,109	60,237	56,566
EBITDA	21,164	22,012	39,674	40,772
Depreciation and amortization of intangibles	3,290	2,900	6,491	5,856
Interest	2,235	3,283	4,584	5,951
Earnings before the following:	15,639	15,829	28,599	28,965
Income taxes	5,157	5,303	9,434	9,898
Earnings before minority interest	10,482	10,526	19,165	19,067
Minority interest share of earnings	1,590	1,688	2,865	3,139
Net earnings before extraordinary item	8,892	8,838	16,300	15,928
Extraordinary loss on early retirement of debt, net of income tax benefit of \$578	-	-	-	797
Net earnings	\$ 8,892	\$ 8,838	\$ 16,300	\$ 15,131
Net earnings per share before extraordinary item:				
Basic	\$ 0.64	\$ 0.65	\$ 1.18	\$ 1.18
Diluted	0.61	0.61	1.11	1.10
Net earnings per share:				
Basic	\$ 0.64	\$ 0.65	\$ 1.18	\$ 1.12
Diluted	0.61	0.61	1.11	1.04
Weighted average shares outstanding: (in thousands)				
Basic	13,862	13,515	13,831	13,456
Diluted	14,682	14,571	14,720	14,488

Notes 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 SFAS 142. The adoption of this standard has the effect of eliminating amortization expense of goodwill and indefinite life intangibles.

EBITDA is not a term recognized under United States generally accepted accounting principles (GAAP). EBITDA refers to net earnings before extraordinary items, minority interest, income taxes, interest, depreciation and amortization. Non-GAAP terms such as EBITDA do not have a standardized meaning and are therefore unlikely to be comparable to similar measures presented by other issuers.

Segmented Revenues and EBITDA

(in thousands of US dollars)

	<u>Residential Property Management</u>	<u>Integrated Security Services</u>	<u>Consumer Services</u>	<u>Business Services</u>	<u>Corporate</u>	<u>Consolidated</u>
<u>Three months ended September 30</u>						
2002						
Revenues	\$ 59,543	\$ 25,216	\$ 28,310	\$ 32,030	\$ 110	\$ 145,209
EBITDA	5,377	1,980	9,243	5,771	(1,207)	21,164
2001						
Revenues	\$ 58,325	\$ 23,399	\$ 27,238	\$ 31,448	\$ 58	\$ 140,468
EBITDA	6,844	1,820	7,908	6,669	(1,229)	22,012
	<u>Residential Property Management</u>	<u>Integrated Security Services</u>	<u>Consumer Services</u>	<u>Business Services</u>	<u>Corporate</u>	<u>Consolidated</u>
<u>Six months ended September 30</u>						
2002						
Revenues	\$ 116,686	\$ 52,526	\$ 57,377	\$ 64,495	\$ 161	\$ 291,245
EBITDA	11,872	4,081	15,255	10,860	(2,394)	39,674
2001						
Revenues	\$ 115,320	\$ 46,273	\$ 52,851	\$ 62,479	\$ 120	\$ 277,043
EBITDA	13,937	3,715	13,381	12,124	(2,385)	40,772

Condensed Consolidated Balance Sheets

(in thousands of US dollars)

	September 30	March 31
	2002	2002
<u>Assets</u>		
Cash and cash equivalents	\$ 10,472	\$ 7,332
Accounts receivable	93,534	88,587
Inventories	9,198	9,078
Prepays and other current assets	11,486	15,874
Current assets	124,690	120,871
Fixed assets	45,267	45,367
Other assets	11,882	11,291
Goodwill and intangibles	186,072	180,676
Total assets	\$ 367,911	\$ 358,205
<u>Liabilities and shareholders' equity</u>		
Accounts payable and other current liabilities	\$ 62,436	\$ 61,698
Unearned revenues	4,354	9,654
Long term debt – current	3,286	7,193
Current liabilities	70,076	78,545
Long term debt less current portion	158,544	160,488
Deferred income taxes	8,443	7,881
Minority interest	13,877	11,449
Shareholders' equity	116,971	99,842
Total liabilities and equity	\$ 367,911	\$ 358,205

Condensed Consolidated Statements of Cash Flows
(in thousands of US dollars)

	Six months periods ended September 30	
	<u>2002</u>	<u>2001</u>
<i>Operating activities</i>		
Net earnings	\$ 16,300	\$ 15,131
Items not affecting cash:		
Depreciation and amortization	6,491	5,856
Deferred income taxes	(1,032)	(330)
Minority interest share of earnings	2,865	3,139
Other	284	1,595
	<u>24,908</u>	<u>25,391</u>
Changes in operating assets and liabilities	<u>(5,399)</u>	<u>(10,776)</u>
Net cash provided by operating activities	<u>19,509</u>	<u>14,615</u>
<i>Investing activities</i>		
Acquisition of businesses, net of cash acquired	(5,203)	(13,614)
Purchases of fixed assets, net	(5,849)	(7,999)
Other investing activities	263	(975)
Net cash used in investing	<u>(10,789)</u>	<u>(22,588)</u>
<i>Financing activities</i>		
Net increase (decrease) in long-term debt	(6,003)	8,791
Other financing activities	500	(1,371)
Net cash provided by financing	<u>(5,503)</u>	<u>7,420</u>
Effect of exchange rate changes on cash	<u>(77)</u>	<u>(580)</u>
Increase (decrease) in cash and cash equivalents during the period	3,140	(1,133)
Cash and cash equivalents, beginning of period	<u>7,332</u>	<u>5,115</u>
Cash and cash equivalents, end of period	<u>\$ 10,472</u>	<u>\$ 3,982</u>