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FOR IMMEDIATE RELEASE

FirstService reports record second quarter results

| Highlights: | Second quarter | Year to date |
|--------------------|-----------------------------|-----------------------------|
| | -Revenues up 24% | -Revenues up 27% |
| | -EBITDA up 12% | -EBITDA up 19% |
| | -Adjusted EPS up 17% | -Adjusted EPS up 25% |

Increases financial outlook - fiscal 2007 adjusted EPS range now \$1.23 to \$1.31

TORONTO, Ontario, October 31, 2006 – FirstService Corporation (NASDAQ: FSRV; TSX: FSV) today reported record results for its second quarter ended September 30, 2006 and updated its financial outlook for its fiscal year ending March 31, 2007. All amounts are in US dollars.

Quarterly revenues were \$338.7 million, an increase of 24% relative to the same period last year. EBITDA (see definition and reconciliation below) increased 12% to \$32.1 million versus \$28.7 million in the prior year. Adjusted diluted earnings per share from continuing operations for the quarter increased 17% to \$0.42 versus \$0.36 in the prior year period. The adjustment to earnings per share represents the non-cash and rapid amortization of short-lived intangible assets, relating to pending commercial real estate brokerage transactions and listings, recognized on acquisitions in the Company's Commercial Real Estate Services unit during the past twelve months.

Cash flow from operations for the quarter was \$26.1 million, up 49% from the \$17.5 million reported in the second quarter last year.

For the six months ended September 30, 2006, revenues were \$664.2 million, an increase of 27% relative to the same period one year ago, while EBITDA increased 19% to \$69.3 million. Adjusted diluted earnings per share from continuing operations were \$0.89, up 25% relative to the prior year period.

“We continue to be pleased with our results and remain confident we will achieve our internal growth targets for the year” said Jay S. Hennick, Founder and Chief Executive Officer of FirstService Corporation. “Our cash flows and balance sheet are very strong and, in addition to the acquisition of Service America which we announced this morning, we hope to complete at least one other acquisition before year end”, he concluded.

About FirstService Corporation

FirstService is a leader in the rapidly growing property services sector, providing services in the following areas: commercial real estate; residential property management; property improvement and integrated security services. Market-leading brands include Colliers International in commercial real estate; The Continental Group in residential property management; consumer brands California Closets, Paul Davis Restoration, Pillar to Post Home Inspections and CertaPro Painters in property improvement; and Intercon Security and SST in integrated security.

FirstService is a diversified property services company with more than US\$1.2 billion in annualized revenues and over 13,000 employees worldwide. More information about FirstService is available at www.firstservice.com.

Segmented Quarterly Results

Revenues in Commercial Real Estate Services totalled \$142.4 million for the quarter, an increase of 37%. Acquisitions contributed 32% of the increase while internal growth of 5% represented the balance. Internal growth was led by the Australian and Central European operations, which reported strong brokerage activity and corresponding market share gains. Second quarter EBITDA was \$7.9 million compared to \$7.7 million during the year-ago period. The margin in the current period was primarily impacted by additional costs and reduced revenue productivity resulting from the expansion and relocation of several offices in the western United States.

Residential Property Management revenues increased to \$110.4 million for the quarter, 20% higher than in the prior year period. Substantially all of the growth was internally generated with continued strength in the Florida, New York, New Jersey and Washington, D.C. markets. EBITDA for the quarter was \$11.9 million, up 27% from \$9.4 million one year ago.

Revenues in Property Improvement Services totalled \$44.0 million, an increase of 9% over the prior year period. Internal revenue growth was 6%, with the balance of the growth resulting from recent acquisitions. EBITDA in the second quarter was \$13.5 million, up 6% from \$12.8 million last year.

Integrated Security Services revenues for the second quarter were \$41.8 million, an increase of 17% relative to the prior year period. After adjusting for changes in foreign exchange rates, internal growth was 12%. The majority of the growth was attributable to increased sales of new systems and installation services in the US compared to the year ago period. Quarterly EBITDA was \$2.1 million, up 20% versus \$1.8 million in the prior year.

Quarterly corporate costs were \$3.4 million, relative to \$2.9 million in the prior year period. The increase was primarily attributable to foreign exchange as most corporate operating expenses are denominated in Canadian dollars.

A comparison of segmented EBITDA to operating earnings is provided below.

Updated Financial Outlook

FirstService is updating the outlook for its fiscal year ending March 31, 2007 issued on August 1, 2006 to reflect the operating results achieved for the first half of the fiscal year as well as the recently announced acquisition of Service America.

| (in millions of US dollars, except per share amounts) | Year ending March 31, 2007 | |
|---|-------------------------------|--------------------------|
| | <u>Updated</u> | <u>Previous</u> |
| Revenues | \$1,225 - \$1,300 | \$1,200 - \$1,275 |
| EBITDA | \$107.5 - \$115.5 | \$105 - \$114 |
| Adjusted EPS | \$1.23 - \$1.31 | \$1.20 - \$1.30 |

Note: EPS refers to adjusted diluted earnings per share from continuing operations. The outlook assumes (i) no further acquisitions or divestitures completed during the outlook period and (ii) current economic conditions in the markets in which the Company operates remaining unchanged and in particular the market for commercial real estate services. Actual results may differ materially. The Company undertakes no obligation to continue to update this information.

Conference Call

FirstService will be holding a conference call on Tuesday, October 31, 2006 at 11:00 a.m. Eastern Time to discuss the results for the second quarter as well as the updated outlook for fiscal 2007. The call will be simultaneously web cast and can be accessed live or after the call at www.firstservice.com in the "Investor Relations / News Releases" section.

Forward-looking Statements

This press release includes forward-looking statements. Forward-looking statements include the Company's financial performance outlook and statements regarding goals, beliefs, strategies, objectives, plans or current expectations. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to be materially different from any future results, performance or achievements contemplated in the forward-looking statements. Such factors include: (i) general economic and business conditions, which will, among other things, impact demand for the Company's services and the cost of providing services; (ii) 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; (iii) changes in or the failure to comply with government regulations; and (iv) other factors which are described in the Company's filings with the Ontario Securities Commission.

FIRSTSERVICE CORPORATION

Condensed Consolidated Statements of Earnings

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

| | Three months ended September 30 | | Six months ended September 30 | |
|---|------------------------------------|------------|----------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| Revenues | \$ 338,681 | \$ 272,320 | \$ 664,185 | \$ 523,536 |
| Cost of revenues | 217,084 | 172,591 | 422,231 | 328,519 |
| Selling, general and administrative expenses | 89,528 | 71,050 | 172,618 | 136,995 |
| Depreciation and amortization other than backlog | 5,120 | 3,760 | 9,962 | 7,531 |
| Amortization of brokerage backlog (1) | 2,076 | 489 | 4,150 | 1,158 |
| Operating earnings | 24,873 | 24,430 | 55,224 | 49,333 |
| Interest expense, net | 2,571 | 2,749 | 5,307 | 5,992 |
| Other (income) expense | (228) | (513) | (2,383) | (1,187) |
| | 22,530 | 22,194 | 52,300 | 44,528 |
| Income taxes | 7,479 | 7,352 | 17,708 | 14,388 |
| | 15,051 | 14,842 | 34,592 | 30,140 |
| Minority interest share of earnings | 3,078 | 3,614 | 8,486 | 7,948 |
| Net earnings from continuing operations | 11,973 | 11,228 | 26,106 | 22,192 |
| Net earnings from discontinued operations, net of tax (2) | - | 2,564 | - | 2,720 |
| Net earnings before cumulative effect of change in accounting principle | 11,973 | 13,792 | 26,106 | 24,912 |
| Cumulative effect of change in accounting principle, net of tax (3) | - | - | (1,353) | - |
| Net earnings | \$ 11,973 | \$ 13,792 | \$ 24,753 | \$ 24,912 |
| Net earnings (loss) per share | | | | |
| Basic | | | | |
| Continuing operations | \$ 0.40 | \$ 0.37 | \$ 0.87 | \$ 0.73 |
| Discontinued operations | - | 0.09 | - | 0.09 |
| Cumulative effect of change in accounting principle | - | - | (0.04) | - |
| | \$ 0.40 | \$ 0.46 | \$ 0.83 | \$ 0.82 |
| Diluted (4) | | | | |
| Continuing operations | \$ 0.38 | \$ 0.35 | \$ 0.81 | \$ 0.69 |
| Discontinued operations | - | 0.09 | - | 0.09 |
| Cumulative effect of change in accounting principle | - | - | (0.04) | - |
| | \$ 0.38 | \$ 0.44 | \$ 0.77 | \$ 0.78 |
| Adjusted diluted net earnings per share from continuing operations (5) | \$ 0.42 | \$ 0.36 | \$ 0.89 | \$ 0.71 |
| Weighted average shares outstanding: | | | | |
| (in thousands) | Basic | 29,840 | 30,256 | 29,927 |
| | Diluted | 30,261 | 31,023 | 30,373 |
| | | | | 30,959 |

Notes to Condensed Consolidated Statements of Earnings

(1) Amortization of short-lived brokerage backlog intangible assets recognized upon the acquisitions of Commercial Real Estate Services businesses in the past twelve months. Brokerage backlog represents the fair value of pending commercial real estate brokerage transactions and listings as at the acquisition date. Amortization is recorded to coincide with the completion of the related brokerage transactions.

(2) Represents earnings of Resolve Corporation, the Business Services segment, which operations were sold in March 2006.

(3) Cumulative effect of the adoption of SFAS No. 123(R), *Share Based Payment*, on April 1, 2006.

(4) Numerators for diluted earnings per share calculations have been adjusted to reflect dilution from stock options at subsidiaries. The adjustment for the quarter ended September 30, 2006 was \$425 (2005 - \$270) and six months ended September 30, 2006 was \$1,302 (2005 - \$701).

(5) See "Reconciliation of operating earnings, net earnings and net earnings per share to adjusted operating earnings, adjusted net earnings and adjusted net earnings per share" below.

Reconciliation of Operating Earnings, Net Earnings and Net Earnings Per Share to Adjusted Operating Earnings, Adjusted Net Earnings and Adjusted Net Earnings Per Share

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

The Company is presenting adjusted earnings measures to eliminate the impact of amortization of the short-lived brokerage backlog intangible asset recognized upon the acquisitions of Commercial Real Estate Services businesses within the past twelve months. All of the adjustments are non-cash and are considered “non-GAAP financial measures” under OSC and SEC guidelines. The following tables provide a reconciliation of the adjusted measures:

| | Three months ended September 30 | | Six months ended September 30 | |
|--|------------------------------------|-------------|----------------------------------|-------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| Adjusted operating earnings | \$ 26,949 | \$ 24,919 | \$ 59,374 | \$ 50,491 |
| Amortization of brokerage backlog | (2,076) | (489) | (4,150) | (1,158) |
| Operating earnings | \$ 24,873 | \$ 24,430 | \$ 55,224 | \$ 49,333 |
| Adjusted net earnings from continuing operations | \$ 13,055 | \$ 11,541 | \$ 28,335 | \$ 22,933 |
| Amortization of brokerage backlog | (2,076) | (489) | (4,150) | (1,158) |
| Deferred income taxes | 774 | 176 | 1,495 | 417 |
| Minority interest | 220 | - | 426 | - |
| Net earnings from continuing operations | \$ 11,973 | \$ 11,228 | \$ 26,106 | \$ 22,192 |
| Adjusted diluted net earnings per share from continuing operations | \$ 0.42 | \$ 0.36 | \$ 0.89 | \$ 0.71 |
| Amortization of brokerage backlog, net of income taxes | (0.04) | (0.01) | (0.08) | (0.02) |
| Diluted net earnings per share from continuing operations | \$ 0.38 | \$ 0.35 | \$ 0.81 | \$ 0.69 |

Reconciliation of EBITDA to Operating Earnings

(in thousands of US dollars)

(unaudited)

EBITDA is defined as net earnings from continuing operations before minority interest share of earnings, income taxes, interest, depreciation and amortization. The Company uses EBITDA to evaluate operating performance and as a measure for debt covenants with its lenders. EBITDA is an integral part of the Company's planning and reporting systems. Additionally, the Company uses multiples of current and projected EBITDA in conjunction with discounted cash flow models to determine its overall enterprise valuation and to evaluate acquisition targets. The Company believes EBITDA is a reasonable measure of operating performance because of the low capital intensity of its service operations. The Company believes EBITDA is a financial metric used by many investors to compare companies, especially in the services industry, on the basis of operating results and the ability to incur and service debt. EBITDA is not a recognized measure of financial performance under United States generally accepted accounting principles (GAAP), and should not be considered as a substitute for operating earnings, net earnings or cash flows from operating activities, as determined in accordance with GAAP. The Company's method of calculating EBITDA may differ from other issuers and accordingly, EBITDA may not be comparable to measures used by other issuers. A reconciliation of EBITDA to operating earnings appears below.

| | <u>Three months ended</u> <u>September 30</u> | | <u>Six months ended</u> <u>September 30</u> | |
|--|--|-------------|--|-------------|
| | <u>2006</u> | <u>2005</u> | <u>2006</u> | <u>2005</u> |
| EBITDA | \$ 32,069 | \$ 28,679 | \$ 69,336 | \$ 58,022 |
| Depreciation and amortization other than backlog | (5,120) | (3,760) | (9,962) | (7,531) |
| Amortization of brokerage backlog | (2,076) | (489) | (4,150) | (1,158) |
| Operating earnings | \$ 24,873 | \$ 24,430 | \$ 55,224 | \$ 49,333 |

Condensed Consolidated Balance Sheets

(in thousands of US dollars)

(unaudited)

| | September 30 2006 | March 31 2006 |
|--|------------------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 116,946 | \$ 167,938 |
| Accounts receivable | 171,999 | 128,276 |
| Inventories | 34,377 | 27,267 |
| Prepays and other current assets | 25,226 | 31,928 |
| Current assets | 348,548 | 355,409 |
| Fixed assets | 53,795 | 48,733 |
| Other non-current assets | 41,241 | 39,600 |
| Goodwill and intangibles | 321,967 | 267,262 |
| Total assets | \$ 765,551 | \$ 711,004 |
| Liabilities and shareholders' equity | | |
| Accounts payable and accrued liabilities | \$ 178,974 | \$ 149,875 |
| Other current liabilities | 19,058 | 16,187 |
| Long term debt – current | 20,907 | 18,646 |
| Current liabilities | 218,939 | 184,708 |
| Long term debt – non-current | 215,800 | 230,040 |
| Deferred income taxes | 33,863 | 30,041 |
| Minority interest | 40,015 | 28,463 |
| Shareholders' equity | 256,934 | 237,752 |
| Total liabilities and equity | \$ 765,551 | \$ 711,004 |
| | | |
| Total debt, excluding interest rate swaps | \$ 236,707 | \$ 248,686 |
| Total debt, net of cash, excluding interest rate swaps | 119,761 | 80,748 |

Condensed Consolidated Statements of Cash Flows

(in thousands of US dollars)

(unaudited)

| | Three months ended September 30 | | Six months ended September 30 | |
|--|------------------------------------|-----------|----------------------------------|-----------|
| | 2006 | 2005 | 2006 | 2005 |
| Operating activities | | | | |
| Net earnings from continuing operations | \$ 11,973 | \$ 11,228 | \$ 26,106 | \$ 22,192 |
| Items not affecting cash: | | | | |
| Depreciation and amortization | 7,196 | 4,249 | 14,112 | 8,689 |
| Deferred income taxes | (532) | (1,140) | (3,334) | (1,786) |
| Minority interest share of earnings | 3,078 | 3,614 | 8,486 | 7,948 |
| Other | 1,841 | 200 | 983 | 7 |
| Changes in operating assets and liabilities | 2,498 | 1,494 | (21,865) | (4,089) |
| Discontinued operations | - | (2,144) | - | 802 |
| Net cash provided by operating activities | 26,054 | 17,501 | 24,488 | 33,763 |
| Investing activities | | | | |
| Acquisitions of businesses, net of cash acquired | (5,103) | (1,369) | (40,986) | (5,461) |
| Purchases of fixed assets, net | (4,290) | (4,604) | (10,753) | (10,073) |
| Other investing activities | (2,949) | (552) | (1,349) | (1,856) |
| Discontinued operations | - | (3,728) | - | (4,916) |
| Net cash used in investing | (12,342) | (10,253) | (53,088) | (22,306) |
| Financing activities | | | | |
| Increase (decrease) in long-term debt, net | 24 | (1,649) | (14,967) | 27,540 |
| Other financing activities | (37) | 387 | (7,700) | (1,349) |
| Discontinued operations | - | 2,032 | - | 1,083 |
| Net cash (used in) provided by financing | (13) | 770 | (22,667) | 27,274 |
| Effect of exchange rate changes on cash | 524 | 3,672 | 275 | 3,448 |
| Increase (decrease) in cash and cash equivalents | 14,223 | 11,690 | (50,992) | 42,179 |
| Cash and cash equivalents, beginning of period | 102,723 | 67,947 | 167,938 | 37,458 |
| Cash and cash equivalents, end of period | \$ 116,946 | \$ 79,637 | \$ 116,946 | \$ 79,637 |

Segmented Revenues, EBITDA and Operating Earnings

(in thousands of US dollars)
(unaudited)

| | Commercial Real Estate Services | Residential Property Management | Property Improve- ment Services | Integrated Security Services | Corporate | Consolidated |
|--|---------------------------------------|---------------------------------------|--|------------------------------------|-----------|--------------|
| Three months ended September 30 | | | | | | |
| 2006 | | | | | | |
| Revenues | \$ 142,402 | \$ 110,383 | \$ 44,032 | \$ 41,795 | \$ 69 | \$ 338,681 |
| EBITDA | 7,932 | 11,937 | 13,518 | 2,108 | (3,426) | 32,069 |
| Operating earnings | 4,158 | 10,376 | 12,415 | 1,419 | (3,495) | 24,873 |
| 2005 | | | | | | |
| Revenues | \$ 103,948 | \$ 91,959 | \$ 40,534 | \$ 35,873 | \$ 6 | \$ 272,320 |
| EBITDA | 7,654 | 9,406 | 12,778 | 1,758 | (2,917) | 28,679 |
| Operating earnings | 6,330 | 8,059 | 11,894 | 1,100 | (2,953) | 24,430 |
| Six months ended September 30 | | | | | | |
| 2006 | | | | | | |
| Revenues | \$ 280,288 | \$ 214,349 | \$ 85,693 | \$ 83,710 | \$ 145 | \$ 664,185 |
| EBITDA | 24,033 | 23,186 | 24,656 | 4,226 | (6,765) | 69,336 |
| Operating earnings | 16,722 | 20,107 | 22,461 | 2,839 | (6,905) | 55,224 |
| 2005 | | | | | | |
| Revenues | \$ 203,252 | \$ 176,040 | \$ 75,756 | \$ 68,374 | \$ 114 | \$ 523,536 |
| EBITDA | 19,439 | 18,036 | 22,313 | 3,476 | (5,242) | 58,022 |
| Operating earnings | 16,487 | 15,392 | 20,600 | 2,178 | (5,324) | 49,333 |