



FirstService

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FOR IMMEDIATE RELEASE

FirstService reports second quarter results

Operating highlights:	Quarter ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Revenues (millions)	\$ 425.3	\$ 454.8	\$ 786.4	\$ 823.9
EBITDA (millions)	\$ 41.2	\$ 47.1	\$ 53.6	\$ 47.5
Adjusted EPS	\$ 0.46	\$ 0.56	\$ 0.55	\$ 0.41

TORONTO, Canada, July 29, 2009 – FirstService Corporation (TSX: FSV; NASDAQ: FSRV; preferred shares - TSX: FSV.PR.U) today reported results for its second quarter ended June 30, 2009. All amounts are in US dollars.

For the quarter ended June 30, 2009, revenues were \$425.3 million, a decrease of 7% relative to the same period in the prior year, EBITDA (1) was \$41.2 million, down from \$47.1 million and Adjusted EPS (2) was \$0.46,

versus \$0.56 reported in the prior year period. GAAP EPS from continuing operations was a loss of \$0.08 per share in the quarter, compared to \$0.45 for the same quarter a year ago.

For the six months ended June 30, 2009, revenues were \$786.4 million, a decrease of 5% relative to the same period in the prior year, EBITDA (1) was \$53.6 million, up 13% from \$47.5 million in the prior year and Adjusted EPS (2) was \$0.55, up from \$0.41 reported in the prior year period. GAAP EPS from continuing operations was a loss of \$1.62 for the six month period, compared to \$0.17 for the same period a year ago.

“We remain pleased with the results of our Residential Property Management and Property Services segments, particularly the strong results from Field Asset Services, one of America’s leading providers of property preservation and foreclosure services,” said Jay S. Hennick, Founder and Chief Executive Officer of FirstService Corporation. “Despite revenue declines in Commercial Real Estate again this quarter compared to the same quarter last year, we did see an increase in revenues compared to the first quarter, which, combined with the significant cost containment initiatives instituted over the past 18 months, allowed us to earn a modest profit led by the results of our market-leading service platforms in Canada, Australia, New Zealand and Latin America,” he concluded.

About FirstService Corporation

FirstService is a global diversified leader in the rapidly growing real estate services sector, providing services in the following three areas: commercial real estate; residential property management; and property services. Industry-leading service platforms include: FirstService Commercial Real Estate Services, the fourth largest global player in commercial real estate; FirstService Residential Management, the largest manager of residential communities in North America; and TFC, North America’s largest provider of property services through franchise and contractor networks.

FirstService is a diversified property services company with more than US\$1.7 billion in annualized revenues and over 18,000 employees worldwide. More information about FirstService is available at www.firstservice.com.

Segmented Quarterly Results

Revenues in Commercial Real Estate Services totalled \$142.6 million for the quarter, down 32% relative to the prior year quarter. Excluding the impact of acquisitions, revenues declined 38% (28% on a local currency basis) as a result of a reduction in investment sales and leasing activity in all markets due to the global economic slowdown, and the depreciation of foreign currencies relative to the US dollar. Quarterly EBITDA, before a non-recurring \$2.9 million cost containment charge, was \$2.0 million, versus EBITDA of \$21.1 million in the year-ago period.

Residential Property Management revenues increased to \$167.9 million for the quarter, up 3% versus the prior year period, attributable to a 6% increase in property management contract revenue, offset by a decline in ancillary service revenues. EBITDA for the quarter was \$16.9 million, versus \$15.9 million in the prior year period.

Revenues in Property Services totalled \$114.8 million, an increase of 42% over the prior year period. The revenue increase was attributable primarily to Field Asset Services and Paul Davis Restoration. Revenues from the segment's consumer-oriented franchise operations declined 30% as a result of the weak US economy. EBITDA in the second quarter was \$22.7 million, an increase of 89% versus \$12.0 million in the prior year.

Quarterly corporate costs were \$2.0 million, relative to \$2.8 million in the prior year period.

Deferred Income Tax Charge

During the quarter, the Company recorded a non-cash valuation allowance with respect to deferred income tax assets, which increased income tax expense by \$2.5 million and reduced GAAP earnings per share by \$0.08. For the six month period ended June 30, 2009, the valuation allowance amounted to \$15.0 million, or \$0.47 per share. The valuation allowance relates to tax loss carry-forwards in the Company's North American Commercial Real Estate operations. The loss carry-forwards remain available to offset taxes over the next 20 years.

Conference Call

FirstService will be holding a conference call on Wednesday, July 29, 2009 at 11:00 am Eastern Daylight Time to discuss results for the second quarter. The call will be simultaneously web cast and can be accessed live or after the call at www.firstservice.com in the "Investors / Newsroom" section.

Footnotes

1. Reconciliation of net earnings (loss) from continuing operations to EBITDA:

(in thousands of US dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Net earnings (loss) from continuing operations	\$ 11,659	\$ 23,837	\$ (32,668)	\$ 17,647
Income tax	11,693	8,811	19,184	179
Other income	(963)	(1,094)	(1,054)	(1,920)
Interest expense, net	3,040	3,724	5,694	7,569
Operating earnings (loss)	25,429	35,278	(8,844)	23,475
Depreciation	6,625	6,062	12,364	11,625
Amortization of intangible assets	4,732	4,038	11,253	9,287
Goodwill impairment charge	-	-	29,583	-
	36,786	45,378	44,356	44,387
Stock-based compensation expense	1,534	945	3,171	2,320
Cost containment	2,863	790	6,075	790
EBITDA	\$ 41,183	\$ 47,113	\$ 53,602	\$ 47,497

EBITDA is defined as net earnings from continuing operations before income taxes, interest, depreciation and amortization, stock-based compensation expense and other non-cash or non-recurring expenses. The Company uses EBITDA to evaluate operating performance. 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 also 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.

2. Reconciliation of net (loss) earnings and net (loss) earnings per common share from continuing operations to adjusted net earnings and adjusted net earnings per share:

(in thousands of US dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Net (loss) earnings attributable to common shareholders	\$ (1,918)	\$ 24,606	\$ (50,397)	\$ (8,796)
Non-controlling interest redemption increment	8,931	(9,357)	10,847	12,068
Company share of net (earnings) loss from discontinued operations, net of tax	(364)	(625)	2,954	1,856
Amortization of intangible assets	4,732	4,038	11,253	9,287
Goodwill impairment charge	-	-	29,583	-
Stock-based compensation expense	1,534	945	3,171	2,320
Cost containment	2,863	790	6,075	790
Realized gain on sale of AFS securities	(943)	-	(943)	-
Income tax on adjustments	(2,906)	(1,996)	(6,653)	(4,249)
Deferred income tax valuation allowance	2,476	-	14,958	-
Non-controlling interest on adjustments	(770)	(407)	(4,709)	(941)
Adjusted net earnings from continuing operations	\$ 13,635	\$ 17,994	\$ 16,139	\$ 12,335

(in US dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Diluted net (loss) earnings per common share from continuing operations	\$ (0.08)	\$ 0.45	\$ (1.62)	\$ 0.17
Non-controlling interest redemption increment	0.30	-	0.37	-
Amortization of intangible assets, net of income tax	0.09	0.07	0.23	0.17
Goodwill impairment charge	-	-	0.93	-
Stock-based compensation expense, net of income tax	0.03	0.02	0.06	0.05
Cost containment, net of income tax	0.06	0.02	0.13	0.02
Realized gain on sale of AFS securities, net of income tax	(0.02)	-	(0.02)	-
Deferred income tax valuation allowance	0.08	-	0.47	-
Adjusted diluted net earnings per common share from continuing operations	\$ 0.46	\$ 0.56	\$ 0.55	\$ 0.41

The Company is presenting adjusted earnings measures to eliminate the impact of: (i) the non-controlling interest (“NCI”) redemption increment in connection with SFAS 160 and related guidance; (ii) amortization expense related to intangible assets recognized in connection with acquisitions; (iii) a non-recurring goodwill impairment charge; (iv) stock-based compensation expense; (v) non-recurring cost containment expenses; (vi) any realized gains or losses on the sale of available-for-sale securities and (vii) a deferred income tax valuation allowance related to tax loss carry-forwards. All of the adjustments are considered “non-GAAP financial measures” under applicable securities regulatory authority policies and guidelines.

Forward-looking Statements

This press release includes or may include 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 applicable Canadian and United States securities regulatory authorities (which factors are adopted herein).

Summary financial information is provided in this press release. This press release should be read in conjunction with the Company's full quarterly financial statements and MD&A to be made available on SEDAR at www.sedar.com.

FIRSTSERVICE CORPORATION

Condensed Consolidated Statements of Earnings

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

(unaudited)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Revenues	\$ 425,344	\$ 454,769	\$ 786,353	\$ 823,900
Cost of revenues	259,316	272,510	486,928	505,864
Selling, general and administrative expenses	129,242	136,881	255,069	273,649
Depreciation	6,625	6,062	12,364	11,625
Amortization of intangible assets	4,732	4,038	11,253	9,287
Goodwill impairment charge	-	-	29,583	-
Operating earnings (loss)	25,429	35,278	(8,844)	23,475
Other income	(963)	(1,094)	(1,054)	(1,920)
Interest expense, net	3,040	3,724	5,694	7,569
	23,352	32,648	(13,484)	17,826
Income tax (1)	11,693	8,811	19,184	179
Net earnings (loss) from continuing operations	11,659	23,837	(32,668)	17,647
Discontinued operations, net of tax (2)	692	325	(3,229)	(3,218)
Net earnings (loss)	12,351	24,162	(35,897)	14,429
Non-controlling interest share of earnings (loss)	2,812	6,297	(1,398)	5,925
Non-controlling interest redemption increment	8,931	(9,357)	10,847	12,068
Net earnings (loss) attributable to Company	\$ 608	\$ 27,222	\$ (45,346)	\$ (3,564)
Preferred share dividends	2,526	2,616	5,051	5,232
Net (loss) earnings attributable to common shareholders	\$ (1,918)	\$ 24,606	\$ (50,397)	\$ (8,796)
Net (loss) earnings per common share (3)				
Basic				
Continuing operations	\$ (0.08)	\$ 0.49	\$ (1.62)	\$ 0.17
Discontinued operations	0.01	0.02	(0.10)	(0.06)
	\$ (0.07)	\$ 0.51	\$ (1.72)	\$ 0.11
Diluted (4)				
Continuing operations	\$ (0.08)	\$ 0.45	\$ (1.62)	\$ 0.17
Discontinued operations	0.01	0.02	(0.10)	(0.06)
	\$ (0.07)	\$ 0.47	\$ (1.72)	\$ 0.11
Adjusted diluted net earnings per common share from continuing operations (5)	\$ 0.46	\$ 0.56	\$ 0.55	\$ 0.41
Weighted average common shares outstanding: (in thousands)	29,405	30,099	29,380	30,041
	29,427	30,365	29,388	30,322

Notes to Condensed Consolidated Statements of Earnings

(1) Income tax expense for the three months ended June 30, 2009 includes a \$2,476 non-cash valuation allowance charge related to deferred income tax assets (2008 - nil); income tax expense for the six months ended June 30, 2009 includes a \$14,958 non-cash valuation allowance charge related to deferred income tax assets (2008 - nil).

(2) Reflects (i) the Integrated Security segment; (ii) the Canadian commercial mortgage securitization operation; and (iii) the Chicago-based US mortgage brokerage and servicing operation. Amounts shown are before NCI share. For the three months ended June 30, 2009, NCI was \$328 (2008 - \$(300)) and for the six months ended June 30, 2009 NCI was \$(275) (2008 - \$(1,362)).

(3) Based on the implementation rules within SFAS 160 and related guidance, comparative earnings per share for both the three months and six months ended June 30, 2008 were not restated for the changes in accounting for NCI.

(4) Numerators for diluted earnings per share calculations have been adjusted to reflect dilution from stock options at a subsidiary. The adjustment for the three months ended June 30, 2009 was nil (2008 - \$1,036) and six months ended June 30, 2009 was nil (2008 - \$18).

(5) See definition and reconciliation above.

Condensed Consolidated Balance Sheets

(in thousands of US dollars)

(unaudited)	June 30 2009	December 31 2008
Assets		
Cash and cash equivalents	\$ 65,230	\$ 79,642
Restricted cash	10,464	10,240
Accounts receivable	198,458	175,520
Inventories	10,550	10,572
Prepays and other current assets	49,494	50,674
Assets held for sale	5,484	14,210
Current assets	339,680	340,858
Fixed assets	76,219	76,789
Other non-current assets	43,633	39,363
Goodwill and intangibles	493,652	527,124
Assets held for sale	2,036	6,503
Total assets	\$ 955,220	\$ 990,637
Liabilities and shareholders' equity		
Accounts payable and accrued liabilities	\$ 193,785	\$ 215,992
Other current liabilities	39,461	35,242
Long term debt – current	24,915	20,899
Liabilities related to assets held for sale	81	12,946
Current liabilities	258,242	285,079
Long term debt – non-current	291,889	245,470
Other liabilities	24,171	21,832
Deferred income tax	43,634	42,072
Liabilities related to assets held for sale	-	278
Non-controlling interest	178,967	196,765
Shareholders' equity	158,317	199,141
Total liabilities and equity	\$ 955,220	\$ 990,637
Supplemental Balance Sheet information		
Total debt	\$ 316,804	\$ 266,369
Total debt, net of cash	251,574	186,727

Condensed Consolidated Statements of Cash Flows

(in thousands of US dollars)

(unaudited)	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Operating activities				
Net earnings (loss) from continuing operations	\$ 11,659	\$ 23,837	\$ (32,668)	\$ 17,647
Items not affecting cash:				
Depreciation and amortization	11,357	10,100	23,617	20,912
Goodwill impairment charge	-	-	29,583	-
Deferred income tax	208	(1,118)	2,426	(19,594)
Other	265	740	1,116	3,796
	<u>23,489</u>	<u>33,559</u>	<u>24,074</u>	<u>22,761</u>
Changes in operating assets and liabilities	71	(31,875)	(31,477)	(42,899)
Discontinued operations	2,060	896	(5,952)	7,307
Net cash provided by (used) in operating activities	<u>25,620</u>	<u>2,580</u>	<u>(13,355)</u>	<u>(12,831)</u>
Investing activities				
Acquisitions of businesses, net of cash acquired	(13,450)	(9,166)	(25,279)	(28,527)
Purchases of fixed assets, net	(7,107)	(8,173)	(11,315)	(15,275)
Other investing activities	(6,325)	1,205	(3,014)	7,394
Discontinued operations	(491)	(691)	(474)	(688)
Net cash used in investing activities	<u>(27,373)</u>	<u>(16,825)</u>	<u>(40,082)</u>	<u>(37,096)</u>
Financing activities				
Increase in long-term debt, net	10,293	24,187	47,821	48,579
Preferred share dividends	(2,526)	(2,616)	(5,051)	(5,232)
Other financing activities	(2,641)	(20,509)	(5,547)	(23,934)
Discontinued operations	-	-	-	140
Net cash provided by financing activities	<u>5,126</u>	<u>1,062</u>	<u>37,223</u>	<u>19,553</u>
Effect of exchange rate changes on cash and cash equivalents	3,976	1,744	1,395	(2,435)
Increase (decrease) in cash and cash equivalents	7,349	(11,439)	(14,819)	(32,809)
Cash and cash equivalents, beginning of period including cash held by discontinued operations	<u>\$ 57,881</u>	<u>\$ 80,666</u>	<u>\$ 80,049</u>	<u>\$ 102,036</u>
Cash and cash equivalents, end of period including cash held by discontinued operations	<u>\$ 65,230</u>	<u>\$ 69,227</u>	<u>\$ 65,230</u>	<u>\$ 69,227</u>

Segmented Revenues, EBITDA and Operating Earnings

(in thousands of US dollars)

(unaudited)	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
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Three months ended June 30

2009

Revenues	\$ 142,570	\$ 167,897	\$ 114,833	\$ 44	\$ 425,344
EBITDA	(832)	16,894	22,727	(2,003)	36,786
Stock-based compensation					1,534
Cost containment	2,863				2,863
	<u>2,031</u>				<u>41,183</u>
Operating earnings (loss)	(6,773)	13,955	20,331	(2,084)	25,429

2008

Revenues	\$ 210,902	\$ 163,176	\$ 80,637	\$ 54	\$ 454,769
EBITDA	20,310	15,859	11,999	(2,790)	45,378
Stock-based compensation					945
Cost containment	790				790
	<u>21,100</u>				<u>47,113</u>
Operating earnings (loss)	14,995	13,018	10,146	(2,881)	35,278

(unaudited)	Commercial Real Estate Services	Residential Property Management	Property Services	Corporate	Consolidated
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Six months ended June 30

2009

Revenues	\$ 261,059	\$ 314,514	\$ 210,715	\$ 65	\$ 786,353
EBITDA	(15,524)	28,428	36,234	(4,782)	44,356
Stock-based compensation					3,171
Cost containment	6,075				6,075
	<u>(9,449)</u>				<u>53,602</u>
Operating earnings (loss) (1)	(58,489)	22,683	31,894	(4,932)	(8,844)

2008

Revenues	\$ 379,184	\$ 303,650	\$ 140,945	\$ 121	\$ 823,900
EBITDA	8,672	25,882	15,103	(5,270)	44,387
Stock-based compensation					2,320
Cost containment	790				790
	<u>9,462</u>				<u>47,497</u>
Operating earnings (loss)	(2,521)	19,970	11,524	(5,498)	23,475

(1) Includes goodwill impairment charge in the amount of \$29,583 recorded in the Commercial Real Estate segment during the quarter ended March 31, 2009.