



**FOR: FIRSTSERVICE CORPORATION**

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**FOR IMMEDIATE RELEASE**

**FIRSTSERVICE REPORTS:**

- **RECORD FOURTH QUARTER, ANNUAL RESULTS;**
- **FOURTH QUARTER EBITDA, EARNINGS PER UP 49% AND 57%, RESPECTIVELY;**
- **DECISION TO BEGIN EXPENSING STOCK OPTIONS**
- **INCREASE TO OUTLOOK FOR FISCAL 2005**

**TORONTO**, Canada, May 12, 2004 – FirstService Corporation (Nasdaq: FSRV; TSX: FSV) today reported record revenue and net earnings for its fourth quarter and year ended March 31, 2004. Each of the Company's operating segments reported strong year-over-year gains in revenues and earnings. As required under generally accepted accounting principles, the Company reported the results of Greenspace Services Ltd., its company-owned lawn care operations, which were sold immediately after year-end on April 1, 2004, as discontinued operations.

Revenues for the quarter were \$155.2 million, an increase of 25% versus the fourth quarter of the prior year (all amounts are in US dollars). Excluding the impact of acquisitions made during the past twelve months, internal revenue growth for the quarter was 17%. EBITDA (earnings before interest, income taxes, depreciation and amortization) for the fourth quarter was \$9.7 million, up 49% relative to the same period a year ago. Diluted net earnings per share for the quarter, including the seasonal results of the discontinued company-owned lawn care operations, were \$0.11, up four cents, or 57%, from a year ago.

Annual revenues were \$609.8 million, 17% higher than the prior year. Full year EBITDA was \$54.3 million, versus \$51.0 million last year, while diluted net earnings per share, including \$0.01 from the discontinued company-owned lawn care operations, were \$1.30, versus \$1.27 in the prior year.

Operating cash flow for the year grew to a record level of \$34.9 million, up 18% relative to the prior year period due to a combination of better operating results and effective working capital management.

FirstService Corporation is a North American leader in the rapidly growing service sector, providing services to commercial and residential customers in the following four areas: Residential Property Management; Integrated Security Services; Consumer Services; and Business Services, including business process outsourcing and marketing support services.

#### SEGMENTED QUARTERLY OPERATING RESULTS

Consumer Services revenues totalled \$20.9 million for the quarter, an increase of 29% relative to the comparable quarter a year ago. Revenue growth related to acquisitions was 22% while internal growth was 7%. Acquisitions contributed disproportionately to growth because they are non-seasonal, whereas existing operations are seasonally lower during the Company's fourth quarter. Internal growth was the result of solid performances in the Paul Davis Restoration and California Closets franchise systems. Consumer Services EBITDA was \$1.5 million, 58% higher than the prior year quarter, benefiting from the acquisition of non-seasonal operations. Segment revenues for the year were \$92.9 million, up 26% relative to the prior fiscal year, while EBITDA was \$16.4 million, a 16% increase versus last year. The results of the company-owned lawn care operations, formerly included in the Consumer Services segment, have been reclassified to discontinued operations for all periods presented.

Quarterly revenues generated by Residential Property Management were \$57.5 million, an increase of 12% over the prior year period. Internal growth was 5% and the balance from acquisitions. EBITDA was \$2.8 million, triple the prior year's result of \$0.6 million with the increase due primarily to growth in core management services and other property services. For the year, segment revenues were \$241.3 million, up 12% relative to the prior year, and EBITDA was \$17.6 million, an increase of 20%.

Integrated Security Services revenues were \$30.4 million; a 14% increase versus the prior year quarter of which 5% was from acquisitions. EBITDA was up 16% to \$1.4 million versus \$1.2 million in the same quarter a year ago. Included in the current quarter was a \$0.2 million loss on the disposal of assets relating to security officer operations in Chicago. The Chicago security officer business, with annual revenues of approximately \$3.0 million, was sold in January 2004 to allow the Chicago branch to focus solely on integrated security systems, which is consistent with the rest of the segment's security operations in the U.S. For the year, revenues totalled \$122.7 million, 14% higher than the previous year, while EBITDA was \$8.2 million, up 12%.

Business Services revenues were \$46.2 million, an increase of 57% versus the prior year period. Internal growth, net of the impact of foreign exchange, was 45%. The increase in the value of the Canadian dollar compared to the prior year quarter contributed 12% to the growth in revenues. EBITDA was \$5.8 million, up 12% from the \$5.2 million

reported in the fourth quarter last year. The prior year's EBITDA included non-recurring executive life insurance proceeds, net of severances and integration costs, of \$1.2 million. Adjusting the prior year's EBITDA downwards to \$4.0 million for the non-recurring amount, EBITDA increased 45%, commensurate with internal revenue growth. Business Services' full year revenues were \$152.4 million, an increase of 21%, approximately half of which was due to the stronger Canadian dollar. Annual EBITDA was \$18.7 million versus \$19.8 million (or \$18.6 million adjusted for the non-recurring items previously noted) in the prior year.

Corporate costs for the quarter were \$1.7 million versus \$1.4 million last year. During the current quarter, the Company elected to expense stock options under generally accepted accounting principles using the prospective method and as a result, recorded \$0.3 million of additional compensation expense. For the year, corporate costs were \$6.6 million versus \$4.8 million in the prior year. The increase was attributable to performance-based executive bonuses (no bonuses were paid in the prior year), stock option expense and higher professional fees.

#### UPDATED OUTLOOK

The Company revised upwards its previously announced earnings outlook for fiscal 2005, despite the sale of the lawn care operations and the adoption of stock option expense accounting, which together result in a reduction in the preliminary outlook's EBITDA and diluted earnings per share of approximately \$2.2 million and \$0.04, respectively.

This outlook does not include the estimated \$0.18 per diluted share gain upon the sale of the company-owned lawn care operations that will be recorded in discontinued operations in the first quarter of fiscal 2005.

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

	Year ending March 31, 2005	
	<u>Previous</u>	<u>Updated</u>
<b>Revenues</b>	\$650.0 - \$675.0	\$650.0 - \$675.0
<b>EBITDA</b>	\$60.5 - \$63.0	\$60.5 - \$63.0
<b>Diluted earnings per share from continuing operations</b>	\$1.40 - \$1.50	\$1.43 - \$1.53

Note: The above outlook assumes: 1) an average foreign exchange rate of \$US0.7300 per \$Cdn1.0000 and a 50 basis point increase in average interest rates during fiscal 2005; 2) no further acquisitions or divestitures completed during fiscal 2005; acquisitions or divestitures actually completed during fiscal 2005 may materially impact these amounts; and 3) no changes in generally accepted accounting principles materially impacting these amounts. The above outlook is based on current expectations and is forward-looking. Actual results may differ materially. Please refer to the cautionary language below when considering this information. The Company undertakes no obligation to update this information.

#### CONFERENCE CALL

FirstService will be holding a conference call on Wednesday, May 12, 2004 at 11:00 am Eastern Time to discuss results for the fourth quarter and year and the outlook for fiscal 2005. The call will be simultaneously web cast and can be accessed live or after the call at [www.firstservice.com](http://www.firstservice.com) in the “Investor Relations / News Releases” 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 U.S. Securities and Exchange Commission and the Ontario Securities Commission.

**FIRSTSERVICE CORPORATION**  
**Condensed Consolidated Statements of Earnings**  
(in thousands of US dollars, except per share amounts)  
(unaudited)

	Three months ended March 31		Year ended March 31	
	2004	2003	2004	2003
<b>Revenues</b>	<b>\$ 155,215</b>	\$ 124,093	<b>\$ 609,794</b>	\$ 523,127
Cost of revenues	<b>109,320</b>	87,744	<b>424,069</b>	359,254
Selling, general and administrative expenses	<b>36,172</b>	29,839	<b>131,431</b>	112,885
EBITDA <sup>1</sup>	<b>9,723</b>	6,510	<b>54,294</b>	50,988
Depreciation and amortization	<b>4,021</b>	3,605	<b>15,223</b>	13,285
Operating earnings	<b>5,702</b>	2,905	<b>39,071</b>	37,703
Interest	<b>1,808</b>	2,314	<b>7,905</b>	8,936
	<b>3,894</b>	591	<b>31,166</b>	28,767
Income taxes	<b>290</b>	(2,331)	<b>9,201</b>	7,701
	<b>3,604</b>	2,922	<b>21,965</b>	21,066
Minority interest share of earnings	<b>107</b>	100	<b>3,101</b>	3,040
<b>Net earnings from continuing operations</b>	<b>3,497</b>	2,822	<b>18,864</b>	18,026
Net earnings from discontinued operations, net of income taxes <sup>2</sup>	<b>(1,863)</b>	(1,819)	<b>160</b>	414
<b>Net earnings</b>	<b>\$ 1,634</b>	\$ 1,003	<b>\$ 19,024</b>	\$ 18,440
Net earnings per share				
Basic				
Continuing operations	<b>\$ 0.24</b>	\$ 0.20	<b>\$ 1.32</b>	\$ 1.29
Discontinued operations	<b>(0.13)</b>	(0.13)	<b>0.01</b>	0.03
	<b>\$ 0.11</b>	\$ 0.07	<b>\$ 1.33</b>	\$ 1.32
Diluted				
Continuing operations	<b>\$ 0.24</b>	\$ 0.20	<b>\$ 1.29</b>	\$ 1.24
Discontinued operations	<b>(0.13)</b>	(0.13)	<b>0.01</b>	0.03
	<b>\$ 0.11</b>	\$ 0.07	<b>\$ 1.30</b>	\$ 1.27
Weighted average shares outstanding: (in thousands)	Basic Diluted	14,577 14,829	14,150 14,298	14,285 14,596
				13,921 14,498

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

- EBITDA is defined as net earnings before minority interest share of earnings, income taxes, interest, depreciation and amortization. EBITDA excludes income taxes and interest, both of which are charges that require cash settlement. EBITDA is not a recognized measure for financial statement presentation under United States generally accepted accounting principles ("US GAAP"). The most directly comparable US GAAP measure is operating earnings. Operating earnings takes into account depreciation and amortization expenses, while EBITDA does not. Management utilizes EBITDA as a measure to assess the performance of its operations, for employee compensation purposes, and within its debt covenants with its lenders. 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.
- Discontinued operations represent the results of the Greenspace Services Ltd. lawn care operations, which were sold on April 1, 2004.

**Segmented Revenues and EBITDA**

(in thousands of US dollars)

(unaudited)

	<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 March 31</u>						
<b>2004</b>						
Revenues	\$ 57,465	\$ 30,435	\$ 20,949	\$ 46,201	\$ 165	\$ 155,215
EBITDA	2,751	1,353	1,484	5,831	(1,696)	9,723
2003						
Revenues	\$ 51,469	\$ 26,769	\$ 16,238	\$ 29,450	\$ 167	\$ 124,093
EBITDA	615	1,162	935	5,204	(1,406)	6,510
<u>Year ended March 31</u>						
<b>2004</b>						
Revenues	\$ 241,293	\$ 122,748	\$ 92,869	\$ 152,449	\$ 435	\$ 609,794
EBITDA	17,606	8,189	16,428	18,656	(6,585)	54,294
2003						
Revenues	\$ 214,965	\$ 107,548	\$ 73,852	\$ 126,373	\$ 389	\$ 523,127
EBITDA	14,620	7,337	14,086	19,773	(4,828)	50,988

**Condensed Consolidated Balance Sheets**

(in thousands of US dollars)

(unaudited)

	<b>March 31 2004</b>	March 31 2003
<b>Assets</b>		
Cash and cash equivalents	<b>\$ 15,620</b>	\$ 5,378
Accounts receivable	<b>97,367</b>	85,484
Inventories	<b>15,229</b>	15,095
Prepays and other current assets	<b>19,017</b>	16,425
<b>Current assets</b>	<b>147,233</b>	122,382
Fixed assets	<b>49,826</b>	46,600
Other assets	<b>17,198</b>	14,998
Goodwill and intangibles	<b>223,296</b>	205,051
<b>Total assets</b>	<b>\$ 437,553</b>	\$ 389,031
<b>Liabilities and shareholders' equity</b>		
Accounts payable and other current liabilities	<b>\$ 73,130</b>	\$ 59,109
Unearned revenues	<b>9,736</b>	8,369
Long term debt – current	<b>3,502</b>	3,030
<b>Current liabilities</b>	<b>86,368</b>	70,508
Long term debt less current portion	<b>160,386</b>	161,889
Deferred income taxes	<b>19,594</b>	19,404
Minority interest	<b>16,104</b>	13,824
Shareholders' equity	<b>155,101</b>	123,406
<b>Total liabilities and equity</b>	<b>\$ 437,553</b>	\$ 389,031
Total debt, excluding swaps	<b>\$ 157,083</b>	\$ 158,640
Total debt, net of cash, excluding swaps	<b>141,463</b>	153,262
Pro forma total debt, net of cash, excluding swaps, after receiving lawn care operations sale proceeds on April 1, 2004	<b>136,454</b>	

**Condensed Consolidated Statements of Cash Flows**

(in thousands of US dollars)

(unaudited)

	Years ended March 31	
	<u>2004</u>	<u>2003</u>
<b>Operating activities</b>		
Net earnings	<b>\$ 19,024</b>	\$ 18,440
Less: net earnings from discontinued operations	<b>(160)</b>	(414)
Items not affecting cash:		
Depreciation and amortization	<b>15,223</b>	13,285
Deferred income taxes	<b>(5,123)</b>	2,786
Minority interest share of earnings	<b>3,101</b>	3,040
Other	<b>(319)</b>	(287)
Changes in operating assets and liabilities	<b>3,173</b>	(7,193)
Net cash provided by operating activities	<b>34,919</b>	29,657
<b>Investing activities</b>		
Acquisitions of businesses, net of cash acquired	<b>(17,117)</b>	(15,913)
Purchases of fixed assets, net	<b>(13,121)</b>	(9,335)
Other investing activities	<b>1,155</b>	912
Net cash used in investing	<b>(29,083)</b>	(24,336)
<b>Financing activities</b>		
Decrease in long-term debt	<b>(2,037)</b>	(14,209)
Other financing activities	<b>7,236</b>	2,607
Net cash provided by (used in) financing	<b>5,199</b>	(11,602)
Net cash (used in) provided by discontinued operations	<b>(318)</b>	1,483
Effect of exchange rate changes on cash	<b>(475)</b>	2,844
Increase (decrease) in cash and cash equivalents during the period	<b>10,242</b>	(1,954)
Cash and cash equivalents, beginning of period	<b>5,378</b>	7,332
Cash and cash equivalents, end of period	<b>\$ 15,620</b>	\$ 5,378