



FOR: FIRSTSERVICE CORPORATION

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**FOR IMMEDIATE RELEASE**

**FIRSTSERVICE POSTS RECORD SECOND QUARTER; PROVIDES OUTLOOK FOR YEAR ENDING  
MARCH 31, 2002**

**TORONTO**, Ontario, October 24, 2001 -- FirstService Corporation (Nasdaq: FSRV; TSE: FSV) today announced record results for the quarter ended September 30, 2001, the second quarter of fiscal 2002.

Revenues grew 19% to US\$140.5 million from the US\$118.2 million reported in the same quarter a year ago. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled US\$22.0 million, an increase of 13% over US\$19.5 million in the previous year. Net earnings were US\$8.8 million, up 15% over the prior year period – or US\$0.61 on a diluted per share basis, an increase of 9%. Net earnings reflect the adoption of FAS No.142, Goodwill and Other Intangible Assets.

Revenues for the six months ended September 30, 2001 were US\$277.0 million, a 24% increase from the \$223.6 million reported in the comparable period last year. EBITDA was US\$40.8 million, up 20%, while net earnings before the

extraordinary item and diluted earnings per share before the extraordinary item grew 21% and 15%, to US\$15.9 million and US\$1.10, respectively, after adjusting the prior period figures to reflect FAS No. 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\$109.0 million for the first quarter, up 14% over the prior year reflecting the impact of acquisitions together with organic growth of 8%. Property Services EBITDA was US\$16.6 million, up 9% over the prior year period while EBITDA margins declined slightly to 15.2% from 15.8%.

Within Property Services, the Residential Property Management segment generated revenues of US\$58.3 million for the quarter, up 15% over the prior year. EBITDA grew 9% to US\$6.8 million, while EBITDA margins declined slightly from 12.3% to 11.7% as a result of changes in service mix due to recent non-seasonal tuck-under acquisitions.

Revenues from the Integrated Security Services segment increased to US\$23.4 million, up 14% over the prior year. EBITDA was US\$1.8 million, an increase of 3%, reflecting margins of 7.8% versus 8.6% in the prior year quarter. The margin decline is primarily the result of strong sales of security officer services in the quarter, which generated very low margins and altered the sales mix relative to a year ago.

Revenues from the Consumer Services segment, which includes franchise operations, were US\$27.2 million, an increase of 11% over last year, while EBITDA increased to US\$7.9 million, up 10%. The margin, at 29.0%, was unchanged versus the prior year period.

### *BUSINESS SERVICES*

Revenues from the Business Services division were US\$31.4 million for the quarter, an increase of 41% entirely due to the acquisition of Herbert A. Watts Limited ("Watts") completed in March 2001. Organic revenue growth was negligible for the quarter as strong growth in business process outsourcing was offset by year-over-year declines in customer support & fulfillment. Many clients have significantly reduced their customer support initiatives until consumer and business spending trends become more clear. Business Services EBITDA increased to US\$6.7 million versus US\$5.4 million in the prior year

period, while margins declined to 21.2% from 24.1%. The margin decline is attributable to the change in service mix resulting from the Watts acquisition.

### *OUTLOOK*

In light of recent world events and the impact of those events on the North American economy in general, and the impact on some of the Company's customers in particular, the Company has decided to provide published earnings guidance for the full year ending March 31, 2002. For the fiscal year, FirstService expects to generate revenues in the range of US\$510-\$520 million, EBITDA in the range of US\$58-\$59.5 million and diluted earnings per share in the range of US\$1.30 to US\$1.35. Revenues and earnings from any acquisitions completed before year-end should be incremental to these amounts.

### *CONFERENCE CALL*

FirstService will be holding a conference call on Wednesday, October 24, 2001 at 2:00 pm Eastern Time to discuss results for the second quarter and the outlook for the remainder of the year. 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 (the "Reform Act"). 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**

**Consolidated Statements of Earnings**

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

	Three months ended September 30		Six months ended September 30	
	2001*	2000	2001*	2000
<b>Revenues</b>	<b>\$ 140,468</b>	\$ 118,166	<b>\$ 277,043</b>	\$ 223,557
Cost of revenues	<b>90,347</b>	75,286	<b>179,705</b>	144,666
Selling, general and administrative expenses	<b>28,109</b>	23,430	<b>56,566</b>	44,984
<b>EBITDA</b>	<b>22,012</b>	19,450	<b>40,772</b>	33,907
Depreciation and amortization of intangibles	<b>2,900</b>	1,951	<b>5,856</b>	3,807
Amortization of goodwill	-	970	-	1,832
Interest	<b>3,283</b>	2,477	<b>5,951</b>	4,711
Earnings before the following:	<b>15,829</b>	14,052	<b>28,965</b>	23,557
Income taxes	<b>5,303</b>	5,616	<b>9,898</b>	9,416
Earnings before minority interest	<b>10,526</b>	8,436	<b>19,067</b>	14,141
Minority interest share of earnings	<b>1,688</b>	1,507	<b>3,139</b>	2,533
<b>Net earnings before extraordinary item</b>	<b>8,838</b>	6,929	<b>15,928</b>	11,608
Extraordinary loss on early retirement of debt, net of income tax benefit of \$578	-	-	<b>797</b>	-
<b>Net earnings</b>	<b>\$ 8,838</b>	\$ 6,929	<b>\$ 15,131</b>	\$ 11,608
<b>Net earnings per share before extraordinary item:</b>				
Basic	<b>\$ 0.65</b>	\$ 0.53	<b>\$ 1.18</b>	\$ 0.89
<b>Diluted</b>	<b>\$ 0.61</b>	\$ 0.50	<b>\$ 1.10</b>	\$ 0.85
<b>Net earnings per share:</b>				
Basic	<b>\$ 0.65</b>	\$ 0.53	<b>\$ 1.12</b>	\$ 0.89
<b>Diluted</b>	<b>\$ 0.61</b>	\$ 0.50	<b>\$ 1.04</b>	\$ 0.85
<b>Weighted average shares outstanding: (in thousands)</b>				
Basic	<b>13,515</b>	13,061	<b>13,456</b>	13,052
<b>Diluted</b>	<b>14,571</b>	13,728	<b>14,488</b>	13,684

\* Adjusted to reflect the adoption of FAS No. 142, Goodwill and Other Intangible Assets. The prior period figures have not been adjusted for this change in accounting policy. Net earnings for the quarter ended September 30, 2000, adjusted to reflect FAS No. 142, would be \$7,721 and on a per-share basis, \$0.59 (basic) and \$0.56 (diluted). For the six months ended September 30, 2000, net earnings would be \$13,138 and on a per-share basis, \$1.01 (basic) and \$0.96 (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 September 30</u>						
<b>2001</b>						
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
2000						
Revenues	\$ 50,771	\$ 20,516	\$ 24,548	\$ 22,246	\$ 85	\$ 118,166
EBITDA	6,251	1,774	7,159	5,372	(1,106)	19,450
<u>Six months ended September 30</u>						
<b>2001</b>						
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
2000						
Revenues	\$ 97,382	\$ 35,747	\$ 49,075	\$ 41,223	\$ 130	\$ 223,557
EBITDA	11,864	2,712	12,236	9,395	(2,300)	33,907

**Condensed Consolidated Balance Sheets**

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

	<b>September 30</b>	March 31
	<b>2001*</b>	2001
	<b>(unaudited)</b>	(audited)
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 3,982	\$ 5,115
Accounts receivable, net	88,089	79,473
Inventory and other current assets	21,247	21,520
<b>Current assets</b>	<b>113,318</b>	106,108
Fixed assets	43,624	40,741
Other assets	12,904	11,498
Goodwill and intangibles	170,435	155,313
<b>Total assets</b>	<b>\$ 340,281</b>	<b>\$ 313,660</b>
<b><u>Liabilities and shareholders' equity</u></b>		
Accounts payable and other current liabilities	\$ 62,241	\$ 59,215
Unearned revenues	3,733	9,505
Long term debt – current	5,103	3,050
<b>Current liabilities</b>	<b>71,077</b>	71,770
Long term debt less current portion	156,369	149,374
Deferred income taxes	4,370	4,236
Minority interest	12,391	8,824
Shareholders' equity	96,074	79,456
<b>Total liabilities and equity</b>	<b>\$ 340,281</b>	<b>\$ 313,660</b>

\* Adjusted to reflect the adoption of FAS No. 142, Goodwill and Other Intangible Assets.

**Condensed Consolidated Statements of Cash Flows**

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

(unaudited)

	Six month periods ended September 30	
	2001*	2000
<b>Operating activities</b>		
Net earnings	\$ 15,131	\$ 11,608
Items not affecting cash:		
Depreciation and amortization	5,856	5,639
Deferred income taxes	(330)	(282)
Minority interest share of earnings	3,139	2,533
Other	1,595	226
	<u>25,391</u>	<u>19,724</u>
Changes in operating assets and liabilities, excluding assets acquired and liabilities assumed in acquisitions	<u>(10,776)</u>	<u>(13,573)</u>
Net cash provided by operating activities	<u>14,615</u>	<u>6,151</u>
<b>Investing activities</b>		
Acquisition of businesses, net of cash acquired	(13,614)	(18,557)
Purchases of fixed assets, net	(7,999)	(4,954)
Other investing activities	(975)	(1,358)
Net cash used in investing	<u>(22,588)</u>	<u>(24,869)</u>
<b>Financing activities</b>		
Net increases in long-term debt	8,791	17,665
Other financing activities	(1,371)	108
Net cash provided by financing	<u>7,420</u>	<u>17,773</u>
Effect of exchange rate changes on cash	<u>(580)</u>	<u>(892)</u>
Increase in cash and cash equivalents during the period	(1,133)	(1,837)
Cash and cash equivalents, beginning of period	5,115	3,297
Cash and cash equivalents, end of period	<u>\$ 3,982</u>	<u>\$ 1,460</u>

\* Adjusted to reflect the adoption of FAS No. 142, Goodwill and Other Intangible Assets.