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*Shopping For Everyday Life*

First Capital Realty Inc.  
Third Quarter 2004 - Interim Financial Statements  
Restated March 10, 2005 (See Note 1)

# Consolidated Balance Sheets

(thousands of dollars)	September 30 2004 (unaudited)	December 31 2003 (audited)
<b>ASSETS</b>		
Real Estate Investments		
Shopping centres (note 3)	\$ 1,464,602	\$ 1,201,330
Land and shopping centres under development	76,262	62,845
Investment in Equity One, Inc.	212,680	211,412
Loans, mortgages and other real estate assets	26,763	21,429
	<b>1,780,307</b>	1,497,016
Other assets	26,581	18,822
Amounts receivable	12,779	7,134
Cash and cash equivalents	3,078	79
Future income tax assets	10,817	15,638
	<b>\$ 1,833,562</b>	\$ 1,538,689
<b>LIABILITIES</b>		
Mortgages and credit facilities	\$ 975,538	\$ 786,301
Accounts payable and accrued liabilities	45,795	54,410
Convertible debentures payable (note 4)	-	20,234
Future income tax liabilities	13,494	12,750
	<b>1,034,827</b>	873,695
<b>SHAREHOLDERS' EQUITY</b> (note 5)	<b>798,735</b>	664,994
	<b>\$ 1,833,562</b>	\$ 1,538,689
See accompanying notes to the consolidated financial statements		

# Consolidated Statements of Operations

(unaudited) (thousands of dollars, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
<b>REVENUE</b>				
Property rental revenue	\$ 54,412	\$ 38,145	\$ 155,479	\$ 111,095
Interest and other income	2,068	1,268	4,558	2,304
	<b>56,480</b>	39,413	<b>160,037</b>	113,399
<b>EXPENSES</b>				
Property operating costs	19,155	14,033	58,763	42,686
Interest expense (note 6)	13,784	10,470	39,163	31,690
Amortization	9,933	3,062	26,338	9,063
Corporate expenses	3,475	2,120	8,658	6,294
	<b>46,347</b>	29,685	<b>132,922</b>	89,733
Equity income from Equity One, Inc.	4,568	5,356	13,692	16,004
Income before the undernoted	14,701	15,084	40,807	39,670
Gain (loss) on disposition of real estate and investments	1,163	3	1,163	(201)
Dilution gain on investment in Equity One, Inc.	1,988	2,977	1,988	17,911
Loss on settlement of convertible debentures (note 4)	(215)	-	(215)	-
Income before income and other taxes	17,637	18,064	43,743	57,380
Income and other taxes				
Current	1,268	1,249	3,563	3,930
Future	5,630	5,991	13,057	18,818
	<b>6,898</b>	7,240	<b>16,620</b>	22,748
Net income for the period	\$ 10,739	\$ 10,824	\$ 27,123	\$ 34,632
Net earnings per common share (note 7)				
<i>Basic (restated - note 7 (a))</i>	\$ 0.17	\$ 0.19	\$ 0.35	\$ 0.82
<i>Diluted (restated - note 7 (a))</i>	\$ 0.15	\$ 0.18	\$ 0.34	\$ 0.76
See accompanying notes to the consolidated financial statements				

# Consolidated Statements of Deficit

(unaudited) (thousands of dollars)	Nine months ended	
	September 30 2004	September 30 2003
<i>Deficit, beginning of period (note 5 (g))</i>	\$ (96,279)	\$ (87,921)
Net income for the period	27,123	34,632
Interest and accretion on equity component of convertible debentures (net of tax of \$6,741; 2003 – \$7,713)	(14,547)	(16,476)
Dividends	(39,367)	(21,105)
<i>Deficit, end of period (note 5 (g))</i>	\$ (123,070)	\$ (90,870)
See accompanying notes to the consolidated financial statements		

# Consolidated Statements of Cash Flows

(unaudited) (thousands of dollars)	Three months ended		Nine months ended	
	September 30		September 30	
	2004	2003	2004	2003
<b>OPERATING ACTIVITIES</b>				
Net income for the period	\$ 10,739	\$ 10,824	\$ 27,123	\$ 34,632
Items not affecting cash				
Amortization	9,140	2,761	24,912	8,187
Amortization of financing fees	793	301	1,426	876
Loss (gain) on disposition of real estate	(1,151)	–	(1,151)	275
Gain on disposition of marketable securities	(12)	(3)	(12)	(74)
Loss on settlement of convertible debentures	215	–	215	–
Non-cash compensation expense	271	135	689	135
Equity income from Equity One, Inc.	(4,568)	(5,356)	(13,692)	(16,004)
Dilution gain on investment in Equity One, Inc.	(1,988)	(2,977)	(1,988)	(17,911)
Future income taxes	5,630	5,991	13,057	18,818
Deferred leasing costs	(3,359)	(1,458)	(8,201)	(2,971)
Dividends received from Equity One, Inc.	4,645	4,710	13,927	14,341
Net change in non-cash operating items	(1,057)	(9,350)	(16,514)	(5,247)
Cash provided by operating activities	19,298	5,578	39,791	35,057
<b>INVESTING ACTIVITIES</b>				
Acquisition of shopping centres	(36,898)	(105,730)	(151,721)	(138,926)
Acquisition of land for development	(455)	(849)	(24,399)	(5,624)
Acquisition of intangible assets and liabilities - net	(631)	(175)	(2,715)	(175)
Proceeds on disposition of land and shopping centre	8,523	–	8,523	2,100
Expenditures on shopping centres	(5,367)	(3,011)	(15,611)	(8,135)
Expenditures on land and shopping centres under development	(11,986)	(19,047)	(30,707)	(49,568)
Investment in common shares of Equity One, Inc.	(2,665)	(4,909)	(5,381)	(26,785)
Advances to development partners	(1,127)	(2,679)	(1,693)	(6,694)
Investment in marketable securities	(1,532)	(1,452)	(5,765)	(3,228)
Disposition of marketable securities	4,962	2,175	6,039	2,935
Cash used in investing activities	(47,176)	(135,677)	(223,430)	(234,100)
<b>FINANCING ACTIVITIES</b>				
Proceeds of mortgage financings and credit facilities	66,607	70,521	153,363	181,955
Repayments of mortgages payable and credit facilities	(22,762)	(6,348)	(35,295)	(62,359)
Payment of financing fees	(135)	(1,082)	(1,930)	(2,298)
Issuance of common shares	50,811	40,107	158,819	118,503
Repayment of debentures	(35,134)	(284)	(35,134)	(324)
Payments on convertible debentures, net of interest expensed	(2,197)	(3,457)	(5,113)	(7,807)
Payment of dividends	(27,394)	(8,404)	(48,749)	(26,322)
Cash provided by financing activities	29,796	91,053	185,961	201,348
Effect of currency rate movement on cash balances	580	166	677	70
Increase (decrease) in cash and cash equivalents	2,498	(38,880)	2,999	2,375
Cash and cash equivalents, beginning of the period	580	41,620	79	365
Cash and cash equivalents, end of the period	\$ 3,078	\$ 2,740	\$ 3,078	\$ 2,740
<b>SUPPLEMENTARY INFORMATION</b>				
Cash income taxes paid	\$ 1,299	\$ 1,337	\$ 2,720	\$ 2,974
Cash interest paid (note 6)	\$ 17,382	\$ 14,960	\$ 47,590	\$ 42,101
See accompanying notes to the consolidated financial statements				

# Notes to the Consolidated Interim Financial Statements

September 30, 2004 (unaudited)

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## 1 Restated Earnings per Share and Reclassified Amounts

The Company has amended its consolidated interim financial statements for the Third Quarter 2004 as follows:

(1) The basic earnings per share amounts for the three and nine-month periods ended September 30, 2004 have been restated to correctly include in these calculations the contributed surplus of \$2.1 million recorded in Shareholders' Equity in the three months ended September 30, 2004. As a result, basic earnings per share have increased in these periods by \$0.04 and \$0.05 per share, respectively. The diluted earnings per share amounts for the three and nine-month periods ended September 30, 2004 were also restated and increased by \$0.02 and \$0.04 per share, respectively. See Note 7.

In addition, the Company restated its diluted earnings per share amounts for the quarters and year-to-date periods ended during 2003 to reflect the exclusion of certain securities from the calculation as they were anti-dilutive. See Note 7.

As a result of the above, the cumulative impact on the diluted earnings per share amount for the period from January 1, 2003 to September 30, 2004 was a net decrease of \$0.01.

(2) Effective January 1, 2003, a reclassification totalling \$2.2 million was recorded within Shareholders' Equity, between the Equity Component of Convertible Debentures and the Deficit, relating to issue costs which were not previously amortized. See Note 5 (g).

There is no impact to Net Income or Shareholders' Equity as a result of the restated earnings per share and reclassified amounts.

**Information in these interim financial statements that is italicized indicates it has changed from the previously filed interim financial statements.**

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## 2 Accounting Policies

### Summary

The accompanying unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in First Capital Realty's ("the Company") December 31, 2003 annual consolidated financial statements except for the changes in accounting policies described below. These interim consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2003 annual consolidated financial statements.

## **2** Accounting Policies continued

### **Changes to Accounting Policies**

#### **(a) Amortization of income properties**

In accordance with recent amendments to Section 1100 of the Canadian Institute of Chartered Accountants Handbook, effective January 1, 2004, the Company changed the amortization method for buildings from the 5% sinking fund basis to straight-line over the remaining useful life of the asset. The change in accounting policy was applied prospectively. The impact of the change in accounting policy was an increase of \$5.4 million and \$13.9 million in amortization expense for the three and nine months ended September 30, 2004, respectively.

#### **(b) Recognition of rental revenue**

Effective January 1, 2004, the Company adopted amendments to Section 1100 of the Canadian Institute of Chartered Accountants Handbook where base rental income from leases with contractual rent increases is recognized on a straight-line basis. The difference between the rental income recognized and the amounts contractually due under the lease agreements is recorded as deferred rent receivable and included in amounts receivable. The change in accounting policy was applied prospectively. Included in property rental revenue is the impact of the straight-lining of contractual rent increases of \$0.8 million and \$2.0 million for the three and nine months ended September 30, 2004, respectively.

## Notes to the Consolidated Interim Financial Statements continued

### 3 Shopping Centres

(thousands of dollars)	September 30 2004	December 31 2003
Land	\$ 297,742	\$ 237,057
Buildings and improvements	1,195,223	984,927
Deferred leasing costs	37,512	21,634
	<b>1,530,477</b>	1,243,618
Accumulated amortization	<b>(65,875)</b>	(42,288)
	<b>\$ 1,464,602</b>	\$ 1,201,330

In the third quarter of 2004, three properties totalling 0.2 million square feet were purchased for \$57.9 million. The properties were financed with \$23.9 million in cash, \$20.4 million from an assumed mortgage and \$13.6 million in new mortgages.

In August 2004, the Company disposed of a 50,000 square foot shopping centre in Leduc, Alberta for cash proceeds of \$7.0 million, net of commission and closing costs, and realized a gain of \$0.3 million. The Company also disposed of a piece of land in Alberta, which was held through a joint venture for cash proceeds of \$1.5 million, and realized a gain of \$0.9 million. The net income after taxes included in the three and nine months ended September 30, 2004 from these disposed assets was \$nil and \$0.1 million (2003 - \$nil and \$0.1 million), respectively.

For the nine months ended September 30, 2004, 20 properties totalling 1.7 million square feet were acquired for \$227.0 million. These properties were financed with \$126.2 million in cash, and \$69.5 million in assumed mortgages, \$28.5 million in new mortgages and \$2.8 million with a vendor take-back mortgage.

The Company's interests in two leasehold properties (December 31, 2003 – two), have a net book value of \$21.3 million (December 31, 2003 – \$21.8 million) net of accumulated amortization of \$2.3 million (December 31, 2003 – \$1.8 million).

### 4 Convertible Debentures Payable

The following table summarizes the terms of the convertible debentures.

Interest Rate	Conversion Price	Maturity	Earliest Redemption Date
7.875%	\$16.43 per common share	January 31, 2007	Redeemed August, 2004
7.00%	\$22.71 per common share	February 28, 2008	February 28, 2004
7.25%	\$24.40 per common share	June 30, 2008	June 30, 2004

The following table summarizes the components of the Company's convertible debentures.

(thousands of dollars)	September 30, 2004			December 31, 2003		
Interest Rate	Principal	Liability	Equity <sup>(a)</sup>	Principal	Liability	Equity <sup>(a)</sup>
7.875%	\$ -	\$ -	\$ -	\$ 97,522	\$ 20,234	\$ 81,088
7.00%	99,999	-	103,865	99,999	-	103,185
7.25%	161,702	-	157,456	161,702	-	155,448
	<b>\$ 261,701</b>	<b>\$ -</b>	<b>\$ 261,321</b>	\$ 359,223	\$ 20,234	\$ 339,721

(a) See Shareholders' Equity note 5 (g)

## Notes to the Consolidated Interim Financial Statements continued

### 4 Convertible Debentures Payable continued

On August 30, 2004, the Company redeemed in cash the outstanding \$35.1 million principal amount of the 7.875% convertible debentures. Prior to the redemption date, holders of \$62.4 million principal amount of 7.875% convertible debentures converted their debentures into 3,797,212 common shares at a conversion price of \$16.43 in accordance with the terms and conditions of the trust indenture including the Company's two largest shareholders who converted \$42.1 million and \$11.1 million principal amount, respectively. The Company also completed a private placement of two million common shares at \$16.00 per share for total net proceeds of approximately \$32 million with these shareholders.

Accounting for the early redemption resulted in a non-cash debt settlement expense of \$0.2 million and contributed surplus of \$2.1 million being recorded in the third quarter.

During the third quarter of 2004, 221,375 (2003 – 237,442) common shares were issued to pay interest to the holders of 7.0% convertible debentures. During the nine months ended September 30, 2004, 450,426 (2003 - 541,252) and 394,990 (2003 - 438,090) common shares were issued to pay interest to the holders of 7.0% and 7.25% convertible debentures, respectively.

### 5 Shareholders' Equity

	September 30 2004	December 31 2003
(thousands of dollars)		
Share capital (a)	\$ 666,651	\$ 422,916
Equity component of convertible debentures (g) (note 4)	261,321	339,721
Warrants (c)	711	6,591
Options and share units (d) (e)	1,011	298
Cumulative currency translation adjustment (f)	(10,012)	(8,253)
Contributed surplus	2,123	–
Deficit (g)	(123,070)	(96,279)
	<b>\$ 798,735</b>	<b>\$ 664,994</b>

#### (a) Share Capital

The following table sets forth the particulars of the issued and outstanding shares of the Company:

	Number of Common Shares	Stated Capital (thousands of dollars)
Issued and outstanding at December 31, 2003	35,109,754	\$ 422,916
Public offering of common shares (b)	3,366,000	54,866
Private placement of common shares (note 4)	2,000,000	32,000
Conversion of 7.875% convertible debentures (note 4)	3,797,212	66,191
Payment of interest on convertible debentures (note 4)	845,416	12,862
Exercise of warrants (c)	5,849,024	76,627
Exercise of options (d)	266,450	3,420
Issue costs, net of income taxes of \$803,500	–	(2,231)
Issued and outstanding at September 30, 2004	<b>51,233,856</b>	<b>\$ 666,651</b>

## Notes to the Consolidated Interim Financial Statements continued

### 5 Shareholders' Equity continued

#### (b) Public Offering of Common Shares

On March 11, 2004, the Company issued 3,366,000 common shares at a price of \$16.30 per share, for total gross proceeds of approximately \$54.9 million.

#### (c) Warrants

During the three and nine month periods ended September 30, 2004, a total of 1,434,954 and 4,849,024 warrants respectively were exercised at a price of \$11.80 per share resulting in proceeds of \$16.9 million and \$57.2 million, respectively. In addition, 1,000,000 advisory warrants were exercised at \$13.53 per share (2003 - nil) resulting in proceeds of \$13.5 million. The equity component of the warrants exercised, which totalled \$1.2 million and \$5.9 million during the three and nine month periods, respectively, was transferred to share capital.

At September 30, 2004, there were 927,405 outstanding share purchase warrants (December 31, 2003 - 5,776,429) exercisable at \$11.80 per share during a three month exercise period commencing on June 1 and ending on August 31 in each year from 2003 to 2008, on and subject to certain terms and conditions, and may be exercisable in certain other limited circumstances.

#### (d) Stock Options

The Company is authorized to grant up to 2,125,000 (2003 - 2,125,000) common shares to the employees, officers and directors of the Company and third party service providers including its property manager. Options granted by the Company generally expire ten years from the date of grant and vest over three years. The outstanding options have exercise prices ranging from \$12.42 to \$16.91. In the three and nine months ended September 30, 2004, \$nil and \$0.2 million (2003 - \$nil) have been recorded as an expense due to the vesting of options granted after January 1, 2003.

	Nine months ended			
	September 30 2004		September 30 2003	
	Weighted Average		Weighted Average	
	Options	Exercise Price	Options	Exercise Price
Outstanding, beginning of period	1,318,000	\$ 13.44	1,199,500	\$ 12.92
Granted	320,000	\$ 16.90	—	—
Exercised	(266,450)	\$ 12.81	(73,750)	\$ 12.61
Cancelled	(5,000)	\$ 15.65	(20,000)	\$ 13.82
Outstanding, end of period	1,366,550	\$ 14.36	1,105,750	\$ 12.92
Options vested at end of period	766,133	\$ 13.74	646,750	\$ 13.10
Weighted average remaining life (years)	7.4		7.1	

## Notes to the Consolidated Interim Financial Statements continued

### 5 Shareholders' Equity

continued

In January 2002, the Company granted 774,500 options which had an approximate fair value of \$0.5 million. The following chart summarized the proforma impact of these options on the Company's financial statement.

(thousands of dollars)	Three months ended	
	September 30, 2004	September 30, 2003
Net income	\$ 10,739	\$ 10,824
Proforma non cash compensation expense	30	30
Proforma net income	\$ 10,709	\$ 10,794
Proforma net earnings per common share (note 7(a))		
<i>Basic</i>	\$ 0.17	\$ 0.19
<i>Diluted</i>	\$ 0.15	\$ 0.18

(thousands of dollars)	Nine months ended	
	September 30, 2004	September 30, 2003
Net income	\$ 27,123	\$ 34,632
Proforma non cash compensation expense	92	92
Proforma net income	\$ 27,031	\$ 34,540
Proforma net earnings per common share (note 7(a))		
<i>Basic</i>	\$ 0.34	\$ 0.81
<i>Diluted</i>	\$ 0.33	\$ 0.75

#### (e) Share Unit Plans

On June 23, 2003, shareholders of the Company approved a Directors Deferred Share Unit Plan, a Restricted Share Unit Plan and a Chief Executive Officer Restricted Share Unit Plan. A total of 350,000 common shares have been reserved for issuance under these plans. As at September 30, 2004, 28,872 units have been issued under the Directors Deferred Share Unit Plan, and \$0.1 million and \$0.2 million have been recorded as an expense in the three and nine months ended September 30, 2004 respectively, (2003 – \$0.1 million and \$0.1 million). In March and May, 2004, a total of 80,000 units were issued under the CEO restricted share unit plan and 40,000 units were issued under the employee restricted share unit plan, and \$0.2 million and \$0.3 million have been recorded as an expense in the three and nine months ended September 30, 2004 respectively (2003 - \$nil).

## Notes to the Consolidated Interim Financial Statements continued

### 5 Shareholders' Equity

continued

#### (f) Cumulative Currency Translation Adjustment

The cumulative currency translation adjustment represents the cumulative unrecognized exchange adjustment on the net assets of the Company's subsidiaries that operate in the United States. The change for the period reflects the impact of U.S. currency movements on these net assets.

The rate of exchange in effect on September 30, 2004 was US\$1.00 = Cdn\$1.26 (December 31, 2003 – Cdn\$1.30). The average rate of exchange for the three months ended September 30, 2004 was US\$1.00 = Cdn\$1.31 (2003 – Cdn\$1.38). The average rate of exchange for the nine months ended September 30, 2004 was US\$1.00 = Cdn\$1.33 (nine months September 30, 2003 - Cdn\$1.43).

#### (g) Issue Costs on Equity Component of Convertible Debentures

Effective January 1, 2003, the Company reclassified within Shareholders' Equity, issue costs (net of tax) of \$1.032 million and \$1.132 million from the Equity Component of the 7% and 7.25% Convertible Debentures, respectively, to the Deficit.

The reclassification represents the amount of issue costs that should have been amortized directly to the Deficit from the date of issuance of the convertible debentures through to December 31, 2002.

There is no change to Net Income or Shareholders' Equity as a result of this reclassification.

### 6 Interest

(thousands of dollars)	Three months ended	
	September 30, 2004	September 30, 2003
Mortgage and credit facility interest expense	\$ 13,521	\$ 9,326
Debenture interest expense	–	278
Convertible debenture interest expense	263	866
Interest expense	13,784	10,470
Payments on convertible debentures, net of interest expensed	5,697	6,957
Less: convertible debenture interest paid in common shares	(3,500)	(3,500)
Interest capitalized to land and shopping centres under development	1,324	994
Other	77	39
Cash interest paid	\$ 17,382	\$ 14,960

## Notes to the Consolidated Interim Financial Statements continued

6 Interest continued	Nine months ended		
	(thousands of dollars)	September 30, 2004	September 30, 2003
Mortgage and credit facility interest expense	\$	<b>37,976</b>	\$ 28,049
Debenture interest expense		–	843
Convertible debenture interest expense		<b>1,187</b>	2,798
Interest expense		<b>39,163</b>	31,690
Payments on convertible debentures, net of interest expensed		<b>17,975</b>	20,669
Less: convertible debenture interest paid in common shares		<b>(12,862)</b>	(12,862)
Interest capitalized to land and shopping centres under development		<b>3,223</b>	2,486
Other		<b>91</b>	118
Cash interest paid	\$	<b>47,590</b>	\$ 42,101

## 7 Per Share Calculations

(a) *The basic earnings per share calculations for the three and nine-month periods ended September 30, 2004 have been restated to correctly include in these calculations the contributed surplus of \$2.1 million recorded in Shareholders' Equity in the three months ended September 30, 2004, which resulted from the early redemption of the 7.875% convertible debentures. As a result, basic earnings per share increased by \$0.04 per share and \$0.05 per share for the three and nine-month periods ended September 30, 2004, respectively. Diluted earnings per share increased by \$0.02 per share and \$0.04 per share for the three and nine-month periods ended September 30, 2004. This change had no impact on Net Income or Shareholders' Equity.*

*In addition, the Company restated its diluted earnings per share amounts for the periods ended during 2003 to reflect the exclusion of certain securities from the calculation as they were anti-dilutive. This change had no impact on basic earnings per share, nor is there any impact on Net Income or Shareholders' Equity.*

*The diluted earnings per share for the three months and year-to-date periods for 2003 are as follows - restated:*

2003	Restated		As Filed	
	Three months ended	Year-to-date period ended	Three months ended	Year-to-date period ended
March 31,	\$ <b>0.39</b>	\$ <b>0.39</b>	\$ 0.38	\$ 0.38
June 30,	\$ <b>0.16</b>	\$ <b>0.59</b>	\$ 0.17	\$ 0.61
September 30,	\$ <b>0.18</b>	\$ <b>0.76</b>	\$ 0.19	\$ 0.82
December 31,	\$ <b>0.12</b>	\$ <b>0.86</b>	\$ 0.13	\$ 0.91

## Notes to the Consolidated Interim Financial Statements continued

### 7 Per Share Calculations continued

(b) Three month period earnings per share calculation - restated:

(thousands of dollars, except per share amounts)	September 30, 2004	September 30, 2003
Net Income for the period	\$ 10,739	\$ 10,824
Accretion of equity component of convertible debentures, net of tax	(4,635)	(5,560)
Contributed surplus on the settlement of convertible debentures	2,123	-
<b>Basic net income available to common shareholders</b>	<b>\$ 8,227</b>	<b>\$ 5,264</b>
Net Income for the period	\$ 10,739	\$ 10,824
Accretion on equity component of convertible debentures, net of tax	(3,838)	(5,560)
Interest expense and issue costs amortization recorded on liability portion of convertible debentures, net of tax	472	-
Loss on settlement of convertible debentures	215	-
<b>Diluted net income available to common shareholders</b>	<b>\$ 7,588</b>	<b>\$ 5,264</b>
Denominator		
Weighted average shares outstanding for basic per share amounts	47,018,537	27,338,724
Conversion of outstanding convertible debentures	3,247,074	-
Outstanding share purchase warrants	493,051	1,616,492
Outstanding options	211,933	146,145
<b>Denominator for diluted net income available to common shareholders</b>	<b>50,970,595</b>	<b>29,101,361</b>
Net earnings per common share		
<i>Basic</i>	\$ 0.17	\$ 0.19
<i>Diluted</i>	\$ 0.15	\$ 0.18

The following securities were not included in the diluted per share calculation for the three month period ended September 30, 2004 and 2003 as the effect would have been anti-dilutive.

	Exercise Price	Number of shares if converted or exercised	
		September 30 2004	September 30 2003
Common share options	\$ 16.85	45,000	-
Common share options	\$ 16.91	275,000	-
Convertible debentures	\$ 14.98	-	3,834,513
Convertible debentures	\$ 16.43	-	5,935,606
Convertible debentures	\$ 22.71	4,403,307	4,403,307
Convertible debentures	\$ 24.40	6,627,127	6,627,127

## Notes to the Consolidated Interim Financial Statements continued

### 7 Per Share Calculations

continued

(c) Nine month period per share calculation - restated:

(thousands of dollars, except per share amounts)	September 30, 2004	September 30, 2003
Net Income for the period	\$ 27,123	\$ 34,632
Accretion of equity component of convertible debentures, net of tax	(14,547)	(16,476)
Contributed surplus on the settlement of convertible debentures	2,123	-
<i>Basic net income available to common shareholders</i>	<b>\$ 14,699</b>	\$ 18,156
Net Income for the period	\$ 27,123	\$ 34,632
Accretion on equity component of convertible debentures, net of tax	(14,547)	(9,553)
Contributed surplus on the settlement of convertible debentures	2,123	-
<i>Diluted net income available to common shareholders</i>	<b>\$ 14,699</b>	\$ 25,079
Denominator		
Weighted average shares outstanding for basic per share amounts	42,277,927	22,264,758
Conversion of outstanding convertible debentures	-	9,770,119
Outstanding share purchase warrants	918,028	878,303
Outstanding options	217,575	52,000
<i>Denominator for diluted net income available to common shareholders</i>	<b>43,413,530</b>	32,965,180
Net earnings per common share		
<i>Basic</i>	<b>\$ 0.35</b>	\$ 0.82
<i>Diluted</i>	<b>\$ 0.34</b>	\$ 0.76

The following securities were not included in the diluted per share calculation for the nine month period ended September 30, 2004 and 2003 as the effect would have been anti-dilutive.

	Exercise Price	Number of shares if converted or exercised	
		September 30 2004	September 30 2003
Advisory warrants	\$ 13.53	-	1,000,000
Common share options	\$ 13.82	-	395,000
Common share options	\$ 16.85	45,000	-
Common share options	\$ 16.91	275,000	-
Convertible debentures	\$ 16.43	5,032,887	-
Convertible debentures	\$ 22.71	4,403,307	4,403,307
Convertible debentures	\$ 24.40	6,627,127	6,627,127

## Notes to the Consolidated Interim Financial Statements continued

### 8 Segmented Information

The Company and its subsidiaries operate in the shopping centre segment of the real estate industry in both Canada and the United States.

Operating income by geographic segment for the three months ended September 30, 2004 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 54,412	\$ –	\$ 54,412
Property operating costs	19,155	–	19,155
Net operating income	35,257	–	35,257
Equity income from Equity One, Inc.	–	4,568	4,568
Interest and other income	2,068	–	2,068
Interest expense	12,505	1,279	13,784
Corporate expenses	3,412	63	3,475
Operating income before amortization	21,408	3,226	24,634
Amortization	9,898	35	9,933
Operating income	\$ 11,510	\$ 3,191	\$ 14,701

Operating income by geographic segment for the three months ended September 30, 2003 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 38,145	\$ –	\$ 38,145
Property operating costs	14,033	–	14,033
Net operating income	24,112	–	24,112
Equity income from Equity One, Inc.	–	5,356	5,356
Interest and other income	1,268	–	1,268
Interest expense	9,319	1,151	10,470
Corporate expenses	2,027	93	2,120
Operating income before amortization	14,034	4,112	18,146
Amortization	3,039	23	3,062
Operating income	\$ 10,995	\$ 4,089	\$ 15,084

## Notes to the Consolidated Interim Financial Statements continued

### 8 Segmented Information

continued

Operating income by geographic segment for the nine months ended September 30, 2004 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 155,479	\$ –	\$ 155,479
Property operating costs	58,763	–	58,763
Net operating income	96,716	–	96,716
Equity income from Equity One, Inc.	–	13,692	13,692
Interest and other income	4,558	–	4,558
Interest expense	35,454	3,709	39,163
Corporate expenses	8,246	412	8,658
Operating income before amortization	57,574	9,571	67,145
Amortization	26,236	102	26,338
Operating income	\$ 31,338	\$ 9,469	\$ 40,807

Operating income by geographic segment for the nine months ended September 30, 2003 is summarized as follows:

(thousands of dollars)	Canada	U.S.	Total
Property rental revenue	\$ 111,095	\$ –	\$ 111,095
Property operating costs	42,686	–	42,686
Net operating income	68,409	–	68,409
Equity income from Equity One, Inc.	–	16,004	16,004
Interest and other income	2,304	–	2,304
Interest expense	28,374	3,316	31,690
Corporate expenses	5,913	381	6,294
Operating income before amortization	36,426	12,307	48,733
Amortization	8,994	69	9,063
Operating income	\$ 27,432	\$ 12,238	\$ 39,670

## Notes to the Consolidated Interim Financial Statements continued

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### 9 Contingencies and Commitments

- (a) The Company is contingently liable, jointly and severally, for approximately \$26.6 million (December 31, 2003 – \$19.1 million) to various lenders in connection with loans advanced to its joint-venture partners secured by the partners' interest in the joint ventures.
- (b) The Company is contingently liable for letters of credit in the amount of \$6.5 million (December 31, 2003 – \$11.6 million) issued in the ordinary course of business.
- (c) The costs to complete projects currently under development are estimated at \$45 million of which \$30 million has been committed under construction contracts.

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### 10 Comparative Amounts

Certain comparative amounts have been reclassified to reflect the current period's presentation.

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