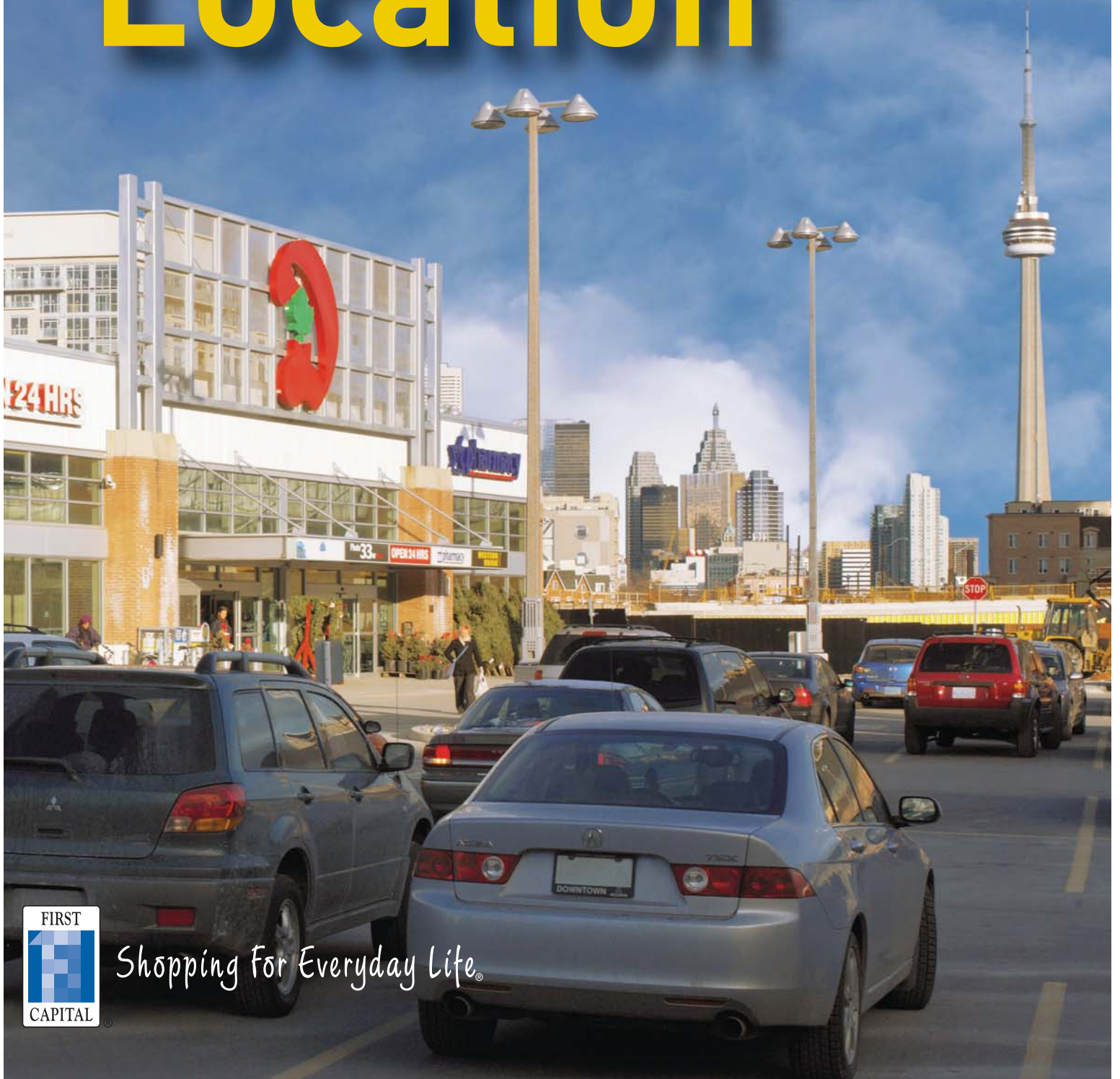


Location

FIRST CAPITAL REALTY INC.
Second Quarter Report 2006

Location

Location



Shopping For Everyday Life.



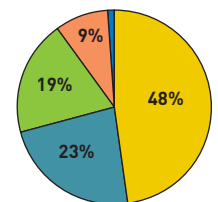
First Capital Realty [TSX:FCR] is Canada's leading owner, developer and operator of supermarket-anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. First Capital is also the second largest shareholder of Equity One (NYSE:EQY), one of the largest shopping centre REITs in the southern United States.

FINANCIAL HIGHLIGHTS

Six months ended June 30

('000s except per share amounts)	2006	2005
Number of properties	143	118
Gross leasable area (square feet)	16,793,000	14,420,000
Real estate investments	\$ 2,627,996	\$ 2,123,742
Shareholders' equity	\$ 890,214	\$ 732,714
Revenues	\$ 159,508	\$ 125,709
Net operating income (NOI)	\$ 95,936	\$ 76,418
Funds from operations (FFO)	\$ 55,958	\$ 42,398
FFO per diluted share	\$ 0.77	\$ 0.71
Debt to gross total assets	55.0%	58.9%
Debt to market capitalization	46.6%	50.7%
Common shares outstanding	73,483,258	63,706,706
Equity market capitalization	\$ 1,690,115	\$ 1,297,069
Total market capitalization	\$ 3,368,810	\$ 2,664,983

ANNUAL MINIMUM RENT BY PROVINCE

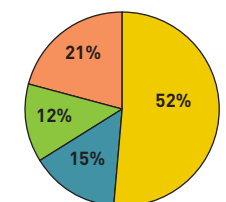


Ontario	48%
Quebec	23%
Alberta	19%
B.C.	9%
Other	1%

SECOND QUARTER HIGHLIGHTS - THREE MONTHS ENDED JUNE 30, 2006

- Property rental revenue increased 24.0% to \$78.6 million.
- Invested \$99 million in acquisitions, development activities and property improvements.
- Debt to market capitalization improved to 46.6% compared to 50.7% at June 30, 2005.
- Net operating income (NOI) increased 24.9% to \$49.5 million.
- Funds from operations (FFO) rose 25.2% to \$28.9 million.
- FFO of \$0.39 per diluted share compared to \$0.36 in the prior year.
- Weighted average number of diluted common shares for FFO was 73,987,091 compared to 64,327,921 in the prior year.
- Added 429,000 square feet of gross leasable area from the acquisition of five income-producing properties totalling 222,000 square feet, additional space adjacent to three existing properties totalling 109,000 square feet and development coming on-line totalling 98,000 square feet.
- 3.5% same property NOI growth; 4.6% increase on renewal leases.
- Occupancy increased to 95.1% from 94.7% last year.
- Net new leasing including development coming on-line totalled 112,900 square feet; renewal leasing totalled 426,000 square feet.
- Average lease rate per occupied square foot increased by 3% to \$13.78 at June 30, 2006 compared to the prior year.

TOP 30 TENANTS ANNUAL MINIMUM RENT BY TYPE



Supermarket and drug store	52%
Discount retailers	21%
Other retailers and services	15%
Banks and government	12%

REPORT TO SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The accounting principles that the financial data has been prepared in accordance with is Canadian Generally Accepted Accounting Principles ("GAAP") and all amounts are in Canadian dollars, unless otherwise noted.

INTRODUCTION

Management's Discussion and Analysis ("MD&A") of financial condition and results of operations is intended to provide readers with an assessment of our performance during the second quarter of this year and the prior year and summarizes our results of operations and financial condition for the six month period ended June 30, 2006. It should be read in conjunction with the 2006 Second Quarter Unaudited Interim Consolidated Financial Statements and Notes and the Company's 2005 Financial Statements and MD&A contained in the Company's 2005 Annual Report. Additional information, including the Company's 2005 Annual Report and Annual Information Form are available on SEDAR's website at www.sedar.com and on the Company's website at www.firstcapitalrealty.ca.

First Capital Realty Inc. (TSX:FCR) is Canada's leading owner, developer and operator of supermarket-anchored neighbourhood and community shopping centres located predominantly in growing metropolitan areas. As of June 30, 2006, the Company owned interests in 143 properties, including five under development, totalling approximately 16.8 million square feet of gross leasable area. Over 90% of its properties are anchored by a supermarket and/or drug store, the two most popular destinations for everyday shopping.

The Company also owns 13.3 million shares (approximately 18.2%) of Equity One, Inc. ("Equity One"), a neighbourhood and community shopping centre REIT operating primarily in the southern United States. The assets of Equity One are similar to those of the Company and at June 30, 2006 comprised 198 properties totalling 20.5 million square feet. Including properties held through its investment in Equity One, at June 30, 2006 the Company had interests in 341 properties totalling approximately 37.3 million square feet of gross leasable area.

The Company's properties are summarized as follows:

June 30	2006			2005		
	Number of Properties	Gross Leasable Area (000s sq. ft.)	Percent Occupied	Number of Properties	Gross Leasable Area (000s sq. ft.)	Percent Occupied
Ontario	55	7,796	96.5%	46	6,492	95.3%
Quebec	49	4,564	94.2%	43	4,267	94.4%
Alberta	21	3,040	94.3%	17	2,562	93.3%
British Columbia	14	1,221	97.3%	8	915	97.2%
Other Provinces	4	172	90.2%	4	184	88.6%
Total	143	16,793	95.1%	118	14,420	94.7%

REPORT TO SHAREHOLDERS continued

SUMMARY CONSOLIDATED INFORMATION AND HIGHLIGHTS

<i>(unaudited)</i> <i>(thousands of dollars, except per share amounts)</i>	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Operation Information				
Gross leasable area (sq. ft.)			16,793,000	14,420,000
Number of properties ⁽¹⁾			143	118
Development land acreage owned ⁽²⁾			236	149
Portfolio occupancy			95.1%	94.7%
Rate per occupied square foot			\$ 13.78	\$ 13.38
Financial Information				
Gross real property investments			\$2,550,120	\$1,972,205
Real estate investments			\$2,627,996	\$2,123,742
Total assets			\$2,714,534	\$2,214,076
Mortgages, credit facilities and debentures payable			\$1,578,695	\$1,267,915
Convertible debentures payable			\$ 97,082	\$ 97,081
Shareholders' equity			\$ 890,214	\$ 732,714
Net operating income – Canada ⁽³⁾	\$ 49,515	\$ 39,634	\$ 95,936	\$ 76,418
Net income	\$ 20,686	\$ 6,479	\$ 27,382	\$ 12,830
Basic earnings per share	\$ 0.28	\$ 0.10	\$ 0.38	\$ 0.36
Diluted earnings per share	\$ 0.28	\$ 0.10	\$ 0.37	\$ 0.20
Equity One				
Dividends received from Equity One (Cdn\$)	\$ 19,360	\$ 4,662	\$ 24,034	\$ 9,194
Dividends from Equity One (US\$)	\$ 17,343	\$ 3,748	\$ 21,345	\$ 7,444
Average exchange on dividends (US\$ to Cdn\$)	\$ 1.12	\$ 1.24	\$ 1.13	\$ 1.24
Debt to market capitalization⁽⁴⁾			46.6%	50.7%
Debt to gross total assets ⁽⁴⁾			55.0%	58.9%
Dividends per common share				
– regular	\$ 0.31	\$ 0.30	\$ 0.61	\$ 0.60
– special	\$ —	\$ —	\$ —	\$ 0.20
Dividends	\$ 22,873	\$ 19,154	\$ 44,366	\$ 46,825
Dividends reinvested by shareholders ⁽⁵⁾	\$ 15,990	\$ 13,774	\$ 32,585	\$ 13,774
Funds from Operations				
Funds from operations ⁽⁶⁾	\$ 28,933	\$ 23,102	\$ 55,958	\$ 42,398
Funds from operations per diluted share	\$ 0.39	\$ 0.36	\$ 0.77	\$ 0.71
Weighted average diluted shares – FFO	73,987,091	64,327,921	73,082,386	59,560,066

(1) Includes five properties currently under development or turned over to tenants for completion.

(2) Excludes properties currently under development.

(3) Net operating income is a non Generally Accepted Accounting Principles ("GAAP") measure of operating performance. See definition under "Net Operating Income" in the Financial Review section of this MD&A.

(4) Calculated in accordance with the unsecured debenture indenture definitions for the period.

(5) Consists of dividends payable at March 31, 2006, June 30, 2006, and June 30, 2005 that were reinvested in April, 2006, July, 2006 and July, 2005 respectively.

(6) Funds from operations is a measure of operating performance that is not defined by GAAP. See "Funds from Operations" in the Financial Review section of this MD&A for an explanation and reconciliation of funds from operations to net income.

BUSINESS AND OPERATIONS REVIEW

The Company's total investments in its acquisition, development and portfolio improvement activities during the second quarter are summarized as follows:

(\$ millions)	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Gross real property investments, beginning of period	\$ 2,450	\$ 1,787	\$ 2,275	\$ 1,685
Acquisition of income-producing properties	47	146	162	219
Acquisition of additional interests in existing properties	—	5	10	5
Acquisition of additional space and land parcels adjacent to existing properties	27	8	59	11
Acquisition of property for development	—	7	—	7
Active development and portfolio improvement	25	17	40	37
Other	1	2	4	8
Gross real property investments, end of period	\$ 2,550	\$ 1,972	\$ 2,550	\$ 1,972

During the second quarter of 2006, the Company acquired interests in five income-producing properties: one in Ontario, two in Quebec and two in British Columbia adding 222,000 square feet of gross leasable area. The aggregate acquisition amount of \$46.9 million, including closing costs, was funded through \$17.9 million in assumed debt with the balance paid in cash.

The Company acquired additional space and land parcels at or adjacent to existing properties adding 109,000 square feet of gross leasable area at three properties and 4.3 acres of expansion land at two others. The aggregate acquisition amount of \$27.7 million, including closing costs, was funded through \$2.7 million of assumed mortgages with the balance paid in cash.

Through the first six months of 2006, the Company has invested \$231.6 million in the acquisition of nine income-producing properties and additional interests in properties totalling 914,000 square feet of gross leasable area and 8.9 acres of expansion land at five others. The Company also acquired the remaining interests in two income-producing properties, one in Toronto, Ontario and one in Edmonton, Alberta.

REPORT TO SHAREHOLDERS continued

In the second quarter of 2006, 98,400 square feet of newly developed retail space came on-line at the following shopping centres:

Property Name	City	Province	Gross Leasable Area (Square Feet)
Carrefour St. David	Beauport	Quebec	42,400
Bowmanville Mall	Bowmanville	Ontario	23,100
Promenades Levis	Levis	Quebec	13,000
Centre commercial Maisonneuve	Montreal	Quebec	7,900
Strandherd Crossing	Ottawa	Ontario	6,100
McLaughlin Corners	Brampton	Ontario	4,100
Harwood Plaza	Ajax	Ontario	1,800
Total			98,400

At the Company's Carrefour St. David in Beauport, Quebec, a 42,400 square foot Metro was completed. At Bowmanville Mall in Bowmanville, Ontario, a 23,100 square foot A&P was completed. At Promenades Levis in Levis, Quebec, a 13,000 square foot Pharmacie Jean Coutu was completed. At Centre commercial Maisonneuve in Montreal, Quebec, a 7,900 Canadian Tire expansion was completed. At Strandherd Crossing in Ottawa, Ontario, 6,100 square feet of new CRU space was completed in the quarter. At McLaughlin Corners in Brampton, Ontario, 4,100 square feet of new CRU space was completed. Construction of an 84,000 square foot mixed use building continues at the Company's King Liberty property in downtown Toronto, Ontario with scheduled construction completion in the third quarter of 2006.

The 98,400 square feet of space developed and brought on-line during the quarter was leased at an average rate of \$15.21 per square foot. Through the first six months of 2006, the Company has developed 125,900 square feet of space of which 100% was occupied at an average lease rate of \$17.41 per square foot. These successfully completed development projects contribute value to the Company by providing a better return on invested capital and by increasing available retail space, improving the tenant mix or accommodating existing tenants' expansion or format changes.

The Company expects to realize similar value in its investments in development initiatives that are currently not generating income but which are expected to contribute significantly to the future growth of the Company.

The Company's development sites and properties as at June 30, 2006 are summarized as follows:

	Number of Sites/Properties	Acreage	Developable Square Feet
Properties under development	5	34.1	472,500
Square footage under development in existing properties	6	14.6	127,800
Land parcels adjacent to/ part of existing properties	30	83.6	905,300
Land sites held for future development	10	152.6	1,423,000
	51	284.9	2,928,600

In addition to the acquisitions of income-producing properties and development assets, the Company invested \$25 million during the second quarter in its active development projects and improvements to existing properties in the portfolio. For the first six months of 2006, investments in these activities totalled \$40 million.

Leasing and Occupancy

Leasing activity in the second quarter resulted in net new leasing of 112,900 square feet, including development coming on-line, while renewal leasing totalled 426,000 square feet. The Company achieved a 4.6% increase on renewal leases over expiring rates. For the six months ended June 30, 2006, net new leasing totalled 124,900 square feet, including development coming on-line, and renewal leasing totalled 705,700 square feet. The average lease rate per occupied square foot at June 30, 2006 increased to \$13.73 per square foot prior to acquisitions, from \$13.61 at December 31, 2005 and from \$13.38 at June 30, 2005.

The occupancy level of the portfolio at June 30, 2006 was 95.1% compared to 95.0% at December 31, 2005 and 94.7% at June 30, 2005. Properties acquired during the six month period ended June 30, 2006 had an average lease rate per occupied square foot of \$15.85 and occupancy of 92.9%. Included in the total vacancy is approximately 228,900 square feet, or 1.4% of the portfolio, which is undergoing or being held for redevelopment.

FINANCIAL REVIEW**Funds From Operations**

In management's view, funds from operations ("FFO") is a commonly accepted and meaningful indicator of financial performance in the real estate industry. First Capital Realty believes that financial analysts, investors and stockholders are better served when the clear presentation of comparable period operating results generated from FFO disclosure supplements Canadian generally accepted accounting principles ("GAAP") disclosure. The Company's method of calculating FFO may be different from methods used by other corporations or REITs and accordingly, may not be comparable to such other corporations or REITs. FFO is presented to assist investors in analyzing the Company's performance. FFO: (i) does not represent cash flow from operating activities as defined by GAAP (ii) is not indicative of cash available to fund all liquidity requirements, including payment of dividends and capital for growth and (iii) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for the purpose of evaluating operating performance.

Funds from Operations – RealPac Recommendations

First Capital Realty calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modelled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States.

The Company's funds from operations are calculated below:

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Net income for the period	\$ 20,686	\$ 6,479	\$ 27,382	\$ 12,830
Add (deduct):				
Amortization of shopping centres, deferred costs and intangible assets	15,473	11,761	29,729	22,136
Gain on disposition of real estate	—	(226)	—	(226)
Current income tax on Equity One special dividend from gain on real estate	2,702	—	2,702	—
Equity income from Equity One	(19,995)	(5,101)	(24,307)	(9,655)
Funds from operations from Equity One	6,135	6,912	13,065	13,319
Future income taxes	3,932	3,277	7,387	3,994
Funds from operations	\$ 28,933	\$ 23,102	\$ 55,958	\$ 42,398

Funds from operations for the three months ended June 30, 2006 totalled \$28.9 million or \$0.39 per diluted common share, compared to \$23.1 million or \$0.36 per diluted common share in the second quarter of 2005. FFO for the first half of 2006 totalled \$56.0 million or \$0.77 per diluted common share compared to \$42.4 million or \$0.71 per diluted common share in the comparable period in 2005. The increase in FFO in the three and six month periods ended June 30, 2006 is primarily due to the Company's income-producing property acquisitions and development projects coming on-line.

Net Operating Income

Net operating income is defined as property rental revenue less property operating costs. In management's opinion, net operating income is useful in analyzing the operating performance of the Company's shopping centre portfolio. Net operating income is not a measure defined by GAAP and there is no standard definition of net operating income. Accordingly, net operating income may not be comparable with similar measures presented by other entities. Net operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
Same property	\$ 34,301	\$ 33,155	\$ 67,088	\$ 65,226
2005 Acquisitions	7,454	3,083	15,070	4,227
2006 Acquisitions	3,150	—	3,940	—
Development and redevelopment	3,492	2,225	7,300	4,437
Deferred rent receivable	791	984	1,818	2,054
Amortization of above- and below- market leases	327	187	720	474
Net operating income	\$ 49,515	\$ 39,634	\$ 95,936	\$ 76,418
Property rental revenue	\$ 78,634	\$ 63,403	\$ 156,573	\$ 123,669
Property operating costs	29,119	23,769	60,637	47,251
	\$ 49,515	\$ 39,634	\$ 95,936	\$ 76,418

Net operating income for the three months ended June 30, 2006 totalled \$49.5 million, compared to \$39.6 million in the second quarter of 2005, an increase of \$9.9 million or 24.9%. Acquisitions during 2006, combined with the full impact of acquisitions in the prior year, contributed \$10.6 million to net operating income in the quarter, while development and redevelopment activities contributed a further \$3.5 million. Same property net operating income increased 3.5%, generating growth of \$1.1 million in the second quarter 2006. Year-to-date, acquisitions completed in 2006 and 2005 contributed \$19.0 million, while development and redevelopment activities contributed a further \$7.3 million. Same property net operating income increased 2.9% generating growth of \$1.9 million in the six months period ended June 30, 2006.

REPORT TO SHAREHOLDERS continued

Interest and other income

Interest and other income for the three months ended June 30, 2006 totalled \$1.3 million, compared to \$1.2 million in the second quarter of 2005, an increase of \$0.1 million. The increase results primarily from the recognition of gains on certain interest rate swaps offset by decreases in dividends on marketable securities and reduced interest income on loans to development partners. In the six month period ended June 30, 2006, interest and other income was \$2.9 million compared to \$2.0 million in the same period in the prior year, an increase of \$0.9 million. The increase resulted primarily from the gain on interest rate swaps and gains on marketable securities, partially offset by reduced interest income on loans to development partners.

Interest Expense

	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>				
Mortgages and credit facilities				
Secured by properties	\$ 16,563	\$ 15,406	\$ 33,084	\$ 29,219
Secured by investment in Equity One	2,380	1,834	4,698	3,166
	18,943	17,240	37,782	32,385
Unsecured Debentures				
Coupon interest	2,583	139	3,864	139
Amortization of discount	8	—	8	—
Convertible Debentures				
Coupon interest	1,371	1,750	2,727	6,390
Amortization of discount	45	242	91	1,181
Total interest expense	\$ 22,950	\$ 19,371	\$ 44,472	\$ 40,095

The increase in interest expense from mortgages and credit facilities is primarily due to higher balances of mortgages and credit facilities. Mortgages and credit facilities payable have increased as a result of the Company's acquisition and development activities and totalled \$1.4 billion at June 30, 2006 compared with \$1.2 billion at June 30, 2005.

On June 21, 2005, the Company issued \$100 million of Series A senior unsecured debentures at a coupon rate of 5.08%. On March 30, 2006, the Company issued \$100 million of Series B senior unsecured debentures at a coupon rate of 5.25%.

The reduction in convertible debenture interest expense is due to the redemption of the 7.25% convertible debentures in March 2005 and the 7.0% convertible debentures in September 2005. Interest on convertible debentures for the three and six months ended June 30, 2006 consists of interest on the 5.50% convertible unsecured subordinated debentures.

Corporate Expenses

Corporate expenses for the three and six months ended June 30, 2006 totalled \$4.9 million and \$9.2 million compared to \$3.3 million and \$6.3 million, respectively, in 2005. Corporate expenses have increased as a result of portfolio growth and related staffing levels including the full internalization of development, leasing, legal, construction management and tenant coordination which was initiated in the fourth quarter of 2004 and completed during 2005. In addition, corporate expenses include costs for all other real estate activities and for general corporate purposes and net capital taxes.

The Company manages all of its acquisitions, development and redevelopment and leasing activities internally. Certain internal costs directly related to development and initial leasing of the properties, including salaries and related costs, are capitalized in accordance with GAAP, to land and shopping centres under development as incurred. Certain costs associated with our internal leasing staff are capitalized to deferred leasing costs and amortized over the lives of the related leases. Amounts capitalized to real estate investments and deferred leasing costs during the three and six months ended June 30, 2006 totalled \$1.6 million and \$3.3 million, compared to \$1.5 million and \$2.3 million in the prior year comparative period. The increase in capitalized costs is due to the full internalization of these activities commencing in the fourth quarter of 2004 and subsequent operations during 2005.

Amortization Expense

Amortization expense in the three and six month periods ended June 30, 2006 totalled \$16.4 million and \$31.6 million compared to \$12.3 million and \$23.2 million in the prior year comparative period. The increase is primarily due to the amortization of acquired properties and development coming on-line.

Equity One

The Company received dividends from Equity One of US\$17.3 million, or US\$1.30 per share, in the three month period ended June 30, 2006, compared to US\$3.7 million, or US\$0.29 per share, in the three month period ended June 30, 2005. The Canadian dollar equivalent of this dividend is \$19.4 million in the second quarter of 2006 and \$4.7 million in the comparable period of 2005. The Company received dividends from Equity One of US\$21.3 million, or US\$1.60 per share, in the six month period ended June 30, 2006, compared to US\$7.4 million, or US\$0.58 per share, in the six month period ended June 30, 2005. The Canadian dollar equivalent of this dividend is \$24.0 million in the six month period ended June 30, 2006 and \$9.2 million in the comparable period of 2005. The increase in the dividend is primarily from the sale by Equity One of 29 of its Texas properties to a joint venture with a third party investor in a transaction valued at approximately US\$387 million. Equity One realized net proceeds of approximately US\$309 million from the transaction, while retaining a 20% interest and will continue to manage the properties. Equity One recorded a gain of approximately \$92 million, and paid a special dividend of US\$1.00 per common share in the second quarter which is included in the \$1.30 per share dividend described above.

REPORT TO SHAREHOLDERS continued

Income Taxes

Income tax expense increased to \$5.9 million and \$10.6 million in the three and six month period ended June 30, 2006, respectively from \$4.6 million and \$6.5 million in the prior year comparative periods. The change is due to the increase in net income before taxes as well as the one-time tax effect of the redemption of the 7.25% convertible debentures in the three months ended March 31, 2005 partially offset by the elimination of Large Corporations Tax, effective January 1, 2006.

Net Income

Net income for the three and six months ended June 30, 2006 amounted to \$20.7 million or 28 cents per share basic and diluted and \$27.4 million or 38 cents per share basic and 37 cents per share diluted, respectively. This compares to \$6.5 million, or 10 cents per share basic and diluted, for the three months ended June 30, 2005 and \$12.8 million, or 36 cents per share basic and 20 cents per share diluted, for the six months ended June 30, 2005. The increase in net income is due to the Company's share in the gain (approximately \$13.4 million, net of taxes) realized on the disposition of the Texas property portfolio of Equity One, Inc. and the Company's property acquisitions and development projects coming on-line. Net income in 2005 included the accounting recognition of a non-cash gain on the redemption of convertible debentures of \$0.8 million and the related tax impacts.

Financing Activities

On March 30, 2006, the Company completed the sale of \$100 million principal amount of 5.25% Series B senior unsecured debentures maturing on March 30, 2011. The debentures are rated BBB(low) with a stable trend by Dominion Bond Rating Services. Net proceeds from the offering were used to pay down amounts owing on the Company's revolving credit facilities, to fund future acquisitions and development activities and for general corporate purposes.

Shareholders' equity has increased to \$890 million at June 30, 2006, from \$847 million at March 31, 2006 and from \$843 million at December 31, 2005.

In the aggregate, the Company issued approximately 2.8 million common shares during the six month period ended June 30, 2006 primarily from the following activities:

- on January 9, 2006, the Company issued 707,876 common shares at a net price of \$22.64 to participants in the Dividend Reinvestment Plan ("DRIP");
- on April 6, 2006, the Company issued 668,356 common shares at a net price of \$24.83 to participants in the DRIP;
- on April 11, 2006, the Company issued 1,000,000 common shares at a price of \$25.75 per share for gross proceeds of \$25.75 million;
- on May 5, 2006, the Company issued 135,000 common shares at a price of \$25.75 per share for gross proceeds of \$3.48 million pursuant to an over-allotment option in connection with the April 11, 2006 share offering.

QUARTERLY FINANCIAL INFORMATION

<i>(thousands of dollars)</i>	Total Revenue	Net Income	Earnings Per Share	
			Basic	Diluted
Q3 2004	\$ 56,480	\$ 5,385	\$ 0.17	\$ 0.15
Q4 2004	\$ 61,465	\$ 6,030	\$ 0.12	\$ 0.12
Q1 2005	\$ 61,061	\$ 6,351	\$ 0.27	\$ 0.10
Q2 2005	\$ 64,648	\$ 6,479	\$ 0.10	\$ 0.10
Q3 2005	\$ 71,192	\$ 8,740	\$ 0.26	\$ 0.14
Q4 2005	\$ 71,741	\$ 7,626	\$ 0.11	\$ 0.11
Q1 2006	\$ 79,569	\$ 6,696	\$ 0.09	\$ 0.09
Q2 2006	\$ 79,939	\$ 20,686	\$ 0.28	\$ 0.28

EVENTS SUBSEQUENT TO JUNE 30, 2006

Subsequent to quarter end, the Company invested \$19.6 million acquiring two income-producing shopping centres in Quebec and British Columbia totalling 28,000 square feet, the purchase of additional space at or adjacent to existing properties adding 62,000 square feet of space at two properties, and the purchase of a 0.8 acre property held for development. The aggregate acquisition cost was funded with cash.

On July 6, 2006 the Company issued 709,709 common shares at a net price of \$22.53 to participants in the Dividend Reinvestment Plan.

On August 1, 2006 the Company issued \$100 million of Series C senior unsecured debentures ("debentures") at a coupon rate of 5.49% for net proceeds of \$99.2 million. The debentures mature December 1, 2011 with interest payable on December 1 and June 1 in each year.

On August 10, 2006 upon the recommendation of the Compensation and Governance Committee the Board of Directors approved an increase in the Director's compensation effective January 1, 2006 to reflect the growth of the Company and the increased responsibilities of Directors.

OUTLOOK

Certain statements included in this MD&A constitute forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events and are based on information currently available to management. Certain material factors and assumptions were applied in providing these forward-looking statements.

Management believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, management can give no assurance that actual results

REPORT TO SHAREHOLDERS continued

will be consistent with these forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risk Management" in the MD&A contained in the Company's 2005 Annual Report which is available on SEDAR at www.sedar.com.

Factors that could cause actual results or events to differ materially from those expressed or implied by forward-looking statements in addition to those described in our MD&A, include, but are not limited to, general economic conditions, the availability of new competitive supply of retail properties which may become available either through construction or sublease, First Capital Realty's ability to maintain occupancy and to lease or re-lease space at current or anticipated rents, tenant bankruptcies, financial difficulties and defaults, changes in interest rates, changes in operating costs, First Capital Realty's ability to obtain insurance coverage at a reasonable cost and the availability of financing.

Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. First Capital Realty undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances.

These forward-looking statements are made as of August 10, 2006.

First Capital Realty has made significant progress in the second quarter toward achieving its 2006 goals:

- to increase the size of the Company's income-producing portfolio through acquisition and development while maintaining and enhancing asset quality;
- to increase the cash flow from operations through increased rental rates and portfolio occupancy;
- to continue to grow the business while maintaining a responsible and prudent leverage ratio, taking into consideration the Company's covenants on its outstanding unsecured debentures; and
- to further increase the market capitalization and public float of the Company.

First Capital Realty has a focussed and clear strategy for managing and growing its business, and management believes the Company is well positioned to continue to deliver increasing value to investors over the long term. Management believes that focussed acquisitions, proactive management of its assets, aggressive leasing efforts and successful development initiatives should result in increased net operating income and continued strength in the occupancy of the Company's portfolio and that the Company's superior locations and well-maintained properties will continue to attract and retain tenants that

provide customers with daily necessities.

The acquisition environment, as well as the retail business continues to be extremely competitive. Nevertheless, the Company will continue its efforts to acquire properties that are well-located and of high quality, which add strategic value and/or operating synergies and will be accretive to FFO over the long term.

Development and redevelopment activities, despite increasing costs, should continue to provide the Company with opportunities to participate in growth markets and once completed, generate higher returns on investment.

With respect to acquisitions of both income-producing and development properties, the Company will continue to focus on maintaining the sustainability and growth potential of rental income. This is particularly important in the current environment with decreasing capitalization rates resulting from increasing real estate prices.

Overall, management is confident that the quality of the Company's real estate is what continues to generate sustainable and growing cash flows while producing superior returns on investment over the long term.

First Capital Realty's 2006 diluted FFO per share guidance remains unchanged.

CONSOLIDATED BALANCE SHEETS

	<i>(unaudited)</i>	
<i>(thousands of dollars)</i>	June 30 2006	December 31 2005
ASSETS		
Real Estate Investments		
Shopping centres (note 2)	\$2,171,419	\$1,939,775
Land and shopping centres under development (note 3)	133,036	136,475
Deferred costs	62,553	52,938
Intangible assets	34,750	24,340
	2,401,758	2,153,528
Investment in Equity One, Inc.	203,566	211,830
Loans, mortgages and other real estate assets	22,672	26,912
	2,627,996	2,392,270
Other assets	44,543	37,592
Amounts receivable	19,025	17,026
Cash and cash equivalents	8,447	5,335
Future income tax assets	14,523	17,065
	\$2,714,534	\$2,469,288
LIABILITIES		
Mortgages and credit facilities (note 4)	\$1,378,861	\$1,297,040
Accounts payable and other liabilities	113,517	102,116
Unsecured debentures (note 5)	199,834	100,000
Convertible debentures (note 6)	97,082	96,990
Future income tax liabilities	35,026	30,598
	1,824,320	1,626,744
SHAREHOLDERS' EQUITY (note 7)	890,214	842,544
	\$2,714,534	\$2,469,288

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(unaudited)</i> <i>(thousands of dollars, except per share amounts)</i>	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
REVENUE				
Property rental revenue	\$ 78,634	\$ 63,403	\$ 156,573	\$ 123,669
Interest and other income	1,305	1,245	2,935	2,040
	79,939	64,648	159,508	125,709
EXPENSES				
Property operating costs	29,119	23,769	60,637	47,251
Interest expense (note 8)	22,950	19,371	44,472	40,095
Amortization	16,409	12,258	31,558	23,241
Corporate expenses	4,903	3,311	9,194	6,286
	73,381	58,709	145,861	116,873
Equity income from Equity One, Inc.	19,995	5,101	24,307	9,655
Gain on redemption of convertible debentures	—	—	—	841
Income before income and other taxes	26,553	11,040	37,954	19,332
Income and other taxes:				
Current	1,935	1,284	3,185	2,508
Future	3,932	3,277	7,387	3,994
	5,867	4,561	10,572	6,502
Net income	\$ 20,686	\$ 6,479	\$ 27,382	\$ 12,830
Net earnings per common share (note 9)				
Basic	\$ 0.28	\$ 0.10	\$ 0.38	\$ 0.36
Diluted	\$ 0.28	\$ 0.10	\$ 0.37	\$ 0.20

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF DEFICIT

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Six months ended	
	June 30 2006	June 30 2005
Deficit, beginning of period	\$ (191,584)	\$ (133,163)
Net income for the period	27,382	12,830
Dividends	(44,366)	(46,825)
Deficit, end of period	\$ (208,568)	\$ (167,158)

See accompanying notes to the consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(unaudited)</i> <i>(thousands of dollars)</i>	Three months ended		Six months ended	
	June 30 2006	June 30 2005	June 30 2006	June 30 2005
CASH FLOW PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income	\$ 20,686	\$ 6,479	\$ 27,382	\$ 12,830
Items not affecting cash				
Amortization	15,649	11,836	30,087	22,270
Amortization of deferred financing fees	760	422	1,471	971
Amortization of above- and below-market leases	(327)	(187)	(720)	(474)
Amortization of deferred rent receivable	(791)	(984)	(1,818)	(2,054)
Gain on marketable securities	(99)	—	(636)	—
Gain on redemption of convertible debentures	—	—	—	(841)
Non-cash compensation expense	733	345	1,127	716
Interest paid in excess of implicit interest on assumed mortgages	(599)	(388)	(1,122)	(717)
Debenture interest in excess of coupon	53	242	99	1,181
Convertible debenture interest paid in common shares	—	—	1,537	6,390
Equity income from Equity One, Inc.	(19,995)	(5,101)	(24,307)	(9,655)
Future income taxes	3,932	3,277	7,387	3,994
Deferred leasing costs	(1,393)	(2,330)	(2,967)	(3,712)
Dividends received from Equity One, Inc.	19,360	4,662	24,034	9,194
Net change in non-cash operating items	4,317	1,852	(1,414)	(3,655)
Cash provided by operating activities	42,286	20,125	60,140	36,438
INVESTING ACTIVITIES				
Acquisition of shopping centres (note 2)	(51,348)	(127,139)	(188,311)	(174,502)
Acquisition of land for development (note 3)	(2,782)	(4,596)	(11,941)	(7,641)
Expenditures on shopping centres	(2,696)	(6,499)	(6,466)	(12,894)
Expenditures on land and shopping centres under development	(21,091)	(9,362)	(30,747)	(21,692)
Investment in common shares of Equity One, Inc.	—	(4,202)	—	(8,734)
Decrease in loans and mortgages receivable	627	1,599	3,841	2,584
Investment in marketable securities	(6,458)	(3,886)	(12,152)	(17,855)
Proceeds on disposition of marketable securities	2,886	1,968	12,890	2,831
Cash used in investing activities	(80,862)	(152,117)	(232,886)	(237,903)
FINANCING ACTIVITIES				
Proceeds of mortgage financings and credit facilities	93,654	107,643	226,968	180,066
Repayments of mortgages payable and credit facilities	(79,420)	(30,663)	(170,410)	(78,228)
Payment of financing fees	(15)	(1,299)	(919)	(2,111)
Issuance of common shares, net of issue costs	30,259	1,982	31,228	58,358
Issuance of unsecured debentures, net of issue costs (note 5)	(49)	99,183	98,724	99,183
Payment of dividends	(4,847)	(27,492)	(10,028)	(42,890)
Cash provided by financing activities	39,582	149,354	175,563	214,378
Effect of currency rate movement on cash balances	299	15	295	30
Increase in cash and cash equivalents	1,305	17,377	3,112	12,943
Cash and cash equivalents, beginning of period	7,142	449	5,335	4,883
Cash and cash equivalents, end of period	\$ 8,447	\$ 17,826	\$ 8,447	\$ 17,826
SUPPLEMENTARY INFORMATION				
Cash income taxes paid	\$ 685	\$ 1,425	\$ 1,022	\$ 1,968
Cash interest paid (note 8)	\$ 23,692	\$ 17,880	\$ 44,581	\$ 34,184

See accompanying notes to the consolidated interim financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

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 the Company's December 31, 2005 annual consolidated financial statements. 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, 2005 annual consolidated financial statements.

2. SHOPPING CENTRES

<i>(thousands of dollars)</i>	June 30 2006	December 31 2005
Land	\$ 527,300	\$ 443,440
Buildings and improvements	1,767,778	1,598,619
	2,295,078	2,042,059
Accumulated amortization	(123,659)	(102,284)
	\$2,171,419	\$1,939,775

The Company acquired properties as follows:

<i>(thousands of dollars)</i>	Three months ended	
	June 30 2006	June 30 2005
Allocation of purchase price:		
Shopping centres	\$ 65,101	\$ 150,292
Deferred costs	4,516	7,219
Intangible assets and liabilities, net	3,716	2,342
Total purchase price, including acquisition costs	73,333	159,853
Less mortgages assumed on acquisition	(20,661)	(31,369)
Difference between principal amount and fair value of assumed mortgages	(1,324)	(1,345)
Net cash outlay for acquisitions	\$ 51,348	\$ 127,139
The acquisitions were funded as follows:		
Proceeds from mortgages	\$ 28,500	\$ 45,894
Cash and credit facilities	22,848	81,245
Net cash outlay for acquisitions	\$ 51,348	\$ 127,139

2. SHOPPING CENTRES - CONTINUED

	Six months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>		
Allocation of purchase price:		
Shopping centres	\$ 205,439	\$ 223,995
Deferred costs	7,381	11,106
Intangible assets and liabilities, net	8,489	(722)
Total purchase price, including acquisition costs	221,309	234,379
Less mortgages assumed on acquisition	(31,486)	(56,676)
Difference between principal amount and fair value of assumed mortgages	(1,512)	(3,201)
Net cash outlay for acquisitions	\$ 188,311	\$ 174,502
The acquisitions were funded as follows:		
Proceeds from new mortgages	\$ 28,500	\$ 56,144
Cash and credit facilities	159,811	118,358
Net cash outlay for acquisitions	\$ 188,311	\$ 174,502

3. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT

The Company acquired land and shopping centres for development as follows:

	Three months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>		
Purchase price of land and shopping centres acquired for development or redevelopment	\$ 2,782	\$ 7,971
Less mortgages assumed on acquisition	—	(3,375)
Net cash outlay for acquisitions	\$ 2,782	\$ 4,596

	Six months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>		
Purchase price of land and shopping centres acquired for development or redevelopment	\$ 11,941	\$ 11,016
Less mortgages assumed on acquisition	—	(3,375)
Net cash outlay for acquisitions	\$ 11,941	\$ 7,641

In addition, during the three months ended June 30, 2006, completed developments with a book value of \$13.1 million (2005 – \$11.6 million) were transferred to shopping centres. During the six months ended June 30, 2006 completed developments with a book value of \$45.2 million (2005 - \$29.8 million) were transferred to shopping centres.

3. LAND AND SHOPPING CENTRES UNDER DEVELOPMENT - CONTINUED

Interest expense and incremental direct internal costs capitalized to development properties during the three months ended June 30, 2006 totalled \$1.9 million (2005 – \$1.0 million) and \$0.7 million (2005 – \$0.4 million), respectively. Interest expense and incremental direct internal costs capitalized to development properties during the six months ended June 30, 2006 totalled \$3.8 million (2005 – \$2.3 million) and \$1.3 million (2005 – \$1.2 million), respectively. The costs to complete projects currently under development are estimated at \$76.2 million.

4. MORTGAGES AND CREDIT FACILITIES

<i>(thousands of dollars)</i>	June 30 2006	December 31 2005
Mortgages payable	\$1,162,180	\$1,080,239
Secured by investment in Equity One, Inc.:		
Fixed rate	61,397	63,965
Floating rate	85,679	90,645
Credit facilities outstanding		
Canadian dollar	69,605	62,191
	\$1,378,861	\$1,297,040

The weighted average interest rate on mortgages payable at June 30, 2006 was 6.38% (December 31, 2005 – 6.46%) and the weighted average term to maturity was 6.0 years (December 31, 2005 – 6.4 years).

5. UNSECURED DEBENTURES

On March 30, 2006, the Company issued \$100 million of 5.25% Series B senior unsecured debentures maturing March 30, 2011. Interest is payable semi-annually. The debentures were issued to yield 5.29% so that the cash proceeds, before issue costs, were \$99.8 million.

On June 21, 2005, the Company issued \$100 million of 5.08% Series A senior unsecured debentures, maturing on June 21, 2012. Interest is payable semi-annually.

6. CONVERTIBLE DEBENTURES

On December 19, 2005, the Company issued \$100 million of 5.50% convertible unsecured subordinated debentures due September 30, 2017. The debentures require interest payments semi-annually on March 31 and September 30. Holders of the debentures have the right to convert them into common shares at a share price of \$27.00 through to December 31, 2011 and \$28.00 thereafter to maturity. The Company has the option of repaying the debentures on maturity through the issuance of common shares at 97% of a weighted average trading price of the Company's common shares. The Company also has the option of paying the semi-annual interest through the issuance of common shares valued in the same fashion.

6. CONVERTIBLE DEBENTURES - CONTINUED

During the first quarter of 2006, 64,754 (2005 - 338,225) common shares were issued to pay interest to holders of convertible debentures. There were no interest payments on convertible debentures during the second quarter of 2006 and the second quarter of 2005.

On March 31, 2005, the Company redeemed the outstanding \$161.7 million principal amount of the 7.25% convertible debentures with the issuance of 8,411,386 common shares. Prior to the redemption date, holders of \$0.035 million principal amount of 7.25% convertible debentures converted their debentures in accordance with the terms and conditions of the trust indenture. The early redemption of the 7.25% convertible debentures resulted in a non-cash gain of \$0.8 million and an increase in contributed surplus of \$8.4 million. The fair value of the common shares issued to redeem the convertible debentures was based upon the quoted market value of the shares adjusted for price fluctuations, quantities traded, and issue costs.

7. SHAREHOLDERS' EQUITY

<i>(thousands of dollars)</i>	June 30 2006	December 31 2005
Share capital (a)	\$1,088,707	\$ 1,022,701
Equity component of convertible debentures	3,015	3,015
Warrants (c)	340	472
Options and deferred share units (d) (e)	4,247	3,004
Cumulative currency translation adjustment	(17,040)	(14,577)
Contributed surplus	19,513	19,513
Deficit	(208,568)	(191,584)
	\$ 890,214	\$ 842,544

(a) Share Capital

	Number of Common Shares	Stated Capital <i>(thousands of dollars)</i>
Issued and outstanding at December 31, 2005	70,645,834	\$ 1,022,701
Issuance of common shares (b)	1,135,000	29,226
Payment of interest on convertible debentures (note 6)	64,754	1,537
Exercise of warrants (c)	165,188	2,082
Exercise of options (d)	96,250	1,444
Dividends reinvested in common shares (f)	1,376,232	32,621
Issue costs	—	(904)
Issued and outstanding at June 30, 2006	73,483,258	\$ 1,088,707

	Number of Common Shares	Stated Capital <i>(thousands of dollars)</i>
Issued and outstanding at December 31, 2004	51,659,583	\$ 673,660
Issuance of common shares (b)	2,700,000	51,975
Redemption of 7.25% convertible debentures	8,411,386	149,891
Conversion of 7.25% convertible debentures	1,434	35
Payment of interest on convertible debentures (note 6)	338,225	6,390
Exercise of warrants (c)	129,433	1,631
Exercise of options (d)	466,645	6,640
Issue costs	—	(1,196)
Issued and outstanding at June 30, 2005	63,706,706	\$ 889,026

7. SHAREHOLDERS' EQUITY - CONTINUED

(b) Issuance of Common Shares

On April 11, 2006, the Company issued 1,000,000 common shares at a price of \$25.75 per share for gross proceeds of \$25.75 million.

On May 5, 2006, the Company completed the sale of 135,000 common shares at a price of \$25.75 per share for gross proceeds of \$3.48 million, pursuant to an over-allotment option, granted to underwriters, in connection with the April 11, 2006 share offering.

On January 26, 2005, 2,700,000 common shares were issued at a price of \$19.25 per share, for total gross proceeds of \$52.0 million, before commission and issue costs.

(c) Warrants

At June 30, 2006, there were 462,906 outstanding share purchase warrants (December 31, 2005 - 628,094) exercisable at \$11.80 per share during a three-month exercise period commencing on June 1 and ending on August 31 in each year to 2008, on and subject to certain terms and conditions, and may be exercisable in certain other limited circumstances.

In the six months ended June 30, 2006, 165,188 (2005 - 129,433) share purchase warrants were exercised at \$11.80 per share resulting in net proceeds of \$1.9 million (2005 - \$1.5 million). The equity component of the warrants exercised totalling \$0.1 million (2005 - \$0.1 million) was transferred to share capital.

(d) Stock Options

The Company is authorized to grant up to 3,625,000 (December 31, 2005 - 3,625,000) common share options to the employees, officers and directors of the Company and third party service providers. As of June 30, 2006, 835,818 (December 31, 2005 - 1,405,800) common share options are available to be granted. Options granted by the Company generally expire ten years from the date of grant and vest over three to five years. The outstanding options have exercise prices ranging from \$12.42 to \$25.75.

	Six months ended June 30 2006		Six months ended June 30 2005	
	Common Share Options	Weighted Average Exercise Price	Common Share Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,145,105	\$ 17.46	1,257,550	\$14.49
Granted	598,682	\$ 25.00	15,000	\$19.11
Exercised	(96,250)	\$ 14.51	(466,645)	\$14.02
Cancelled	(28,700)	\$ 21.08	(12,500)	\$15.65
Outstanding, end of period	1,618,837	\$ 20.36	793,405	\$14.47
Options vested at end of period	448,405	\$ 14.66	567,155	\$13.62
Weighted average remaining life (years)	6.1		7.6	

7. SHAREHOLDERS' EQUITY - CONTINUED

On April 10, 2006, the Company granted 350,850 options with an exercise price of \$24.75 to employees, which had an approximate fair value of \$0.8 million at the time of issue.

On May 24, 2006, the Company granted (i) 114,212 options at an exercise price of \$25.75 to its Chair and President and (ii) 133,620 options at an exercise price of \$25.00 to its other executive officers. These options had an aggregate fair value of approximately \$0.4 million at the time of issue.

The fair value associated with the options issued was calculated using the Black-Scholes Model for option valuation, assuming an average volatility of 15% on the underlying shares, a ten-year term to expiry, and the ten-year weighted average risk-free interest rate (typically, the ten-year Canada bond rate at the date of grant).

(e) Share Unit Plans

The Company's share unit plans include a Directors Deferred Share Unit Plan, an Employee Restricted Share Unit Plan and a Chief Executive Officer Restricted Share Unit Plan. A total of 500,000 common shares has been reserved for issuance under these plans. At June 30, 2006, 58,146 units (December 31, 2005 - 49,854 units) have been granted under the Directors Deferred Share Unit Plan.

On May 24, 2006, 76,000 restricted share units were granted under the Restricted Share Unit Plan. At June 30, 2006, 279,516 units (December 31, 2005 - 197,458 units) were outstanding under the Restricted Share Unit Plan.

(f) Dividend Reinvestment Plan

The Company adopted a Dividend Reinvestment Plan ("DRIP") in May 2005. Shareholders who hold at least 500 common shares can elect to reinvest cash dividends into additional common shares at a 2% discount to the weighted average trading price of the common shares on the Toronto Stock Exchange for the five consecutive trading days preceding the dividend payment date.

8. INTEREST

	Three months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>		
Mortgage and credit facility interest expense	\$ 18,943	\$ 17,240
Unsecured debenture interest expense	2,591	139
Convertible debenture interest expense	1,416	1,992
Interest expense	22,950	19,371
Change in accrued interest	(1,739)	(2,681)
Implicit interest rate in excess of coupon rate on convertible and unsecured debentures	(53)	(242)
Interest paid in excess of implicit interest on assumed mortgages	599	388
Interest capitalized to land and shopping centres under development	1,935	1,044
Cash interest paid	\$ 23,692	\$ 17,880

	Six months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars)</i>		
Mortgage and credit facility interest expense	\$ 37,782	\$ 32,385
Unsecured debenture interest expense	3,872	139
Convertible debenture interest expense	2,818	7,571
Interest expense	44,472	40,095
Convertible debenture interest paid in common shares	(1,537)	(6,390)
Change in accrued interest	(3,161)	(1,310)
Implicit interest rate in excess of coupon rate on convertible and unsecured debentures	(99)	(1,181)
Interest paid in excess of implicit interest on assumed mortgages	1,122	717
Interest capitalized to land and shopping centres under development	3,784	2,253
Cash interest paid	\$ 44,581	\$ 34,184

9. PER SHARE CALCULATIONS

The following tables set forth the computation of per share amounts for the three months ended June 30, 2006 and 2005:

	Three months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars, except per share amounts)</i>		
Basic net income available to common shareholders	20,686	6,479
Convertible debentures		
Interest expense and issue costs amortization, net of tax	990	—
Diluted net income	\$ 21,676	\$ 6,479
Denominator		
Weighted average shares outstanding for basic per share amounts	73,402,501	63,777,207
Convertible debentures	3,703,704	—
Outstanding warrants	308,982	358,091
Outstanding options	275,608	192,623
Denominator for diluted net income available to common shareholders	77,690,795	64,327,921
Basic earnings per share	\$ 0.28	\$ 0.10
Diluted earnings per share	\$ 0.28	\$ 0.10

The following securities were not included in the diluted per share calculation for the three month periods ended June 30, 2006 and 2005 as the effect would have been anti-dilutive:

	Exercise Price	Number of shares if converted or exercised	
		June 30 2006	June 30 2005
Convertible debentures — 7.0%	\$ 22.71	—	4,403,307

9. PER SHARE CALCULATIONS - CONTINUED

The following tables set forth the computation of per share amounts for the six months ended June 30, 2006 and 2005:

	Six months ended	
	June 30 2006	June 30 2005
<i>(thousands of dollars, except per share amounts)</i>		
Net income	\$ 27,382	\$ 12,830
Contributed surplus on settlement of convertible debentures	—	8,433
Basic net income available to common shareholders	27,382	21,263
Net income	27,382	12,830
Interest expense and issue costs amortization, net of tax	—	2,314
Gain on redemption of convertible debentures	—	(2,364)
Diluted net income	\$ 27,382	\$ 12,780
Denominator		
Weighted average shares outstanding for basic per share amounts	72,479,475	58,949,273
Convertible debentures	—	3,258,635
Outstanding warrants	313,591	366,198
Outstanding options	289,320	244,595
Denominator for diluted net income available to common shareholders	73,082,386	62,818,701
Basic earnings per share	\$ 0.38	\$ 0.36
Diluted earnings per share	\$ 0.37	\$ 0.20

The following securities were not included in the diluted per share calculation for the six month periods ended June 30, 2006 and 2005 as the effect would have been anti-dilutive:

	Exercise Price	Number of shares if converted or exercised	
		June 30 2006	June 30 2005
Convertible debentures — 5.5%	\$ 27.00	3,670,790	—
Convertible debentures — 7.0%	\$ 22.71	—	4,403,307

10. 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 June 30, 2006 is summarized as follows:

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 78,634	\$ —	\$ 78,634
Property operating costs	29,119	—	29,119
Income before the undernoted items	49,515	—	49,515
Equity income from Equity One, Inc.	—	19,995	19,995
Interest and other income	1,305	—	1,305
Interest expense	20,570	2,380	22,950
Corporate expenses	4,811	92	4,903
Income before amortization	25,439	17,523	42,962
Amortization	16,367	42	16,409
Income before income and other taxes	\$ 9,072	\$ 17,481	\$ 26,553

Operating income by geographic segment for the three months ended June 30, 2005 is summarized as follows:

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 63,403	\$ —	\$ 63,403
Property operating costs	23,769	—	23,769
Income before the undernoted items	39,634	—	39,634
Equity income from Equity One, Inc.	—	5,101	5,101
Interest and other income	1,245	—	1,245
Interest expense	17,537	1,834	19,371
Corporate expenses	3,276	35	3,311
Income before amortization	20,066	3,232	23,298
Amortization	12,227	31	12,258
Income before income and other taxes	\$ 7,839	\$ 3,201	\$ 11,040

10. SEGMENTED INFORMATION - CONTINUED

Operating income by geographic segment for the six months ended June 30, 2006 is summarized as follows:

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 156,573	\$ —	\$ 156,573
Property operating costs	60,637	—	60,637
Income before the undernoted items	95,936	—	95,936
Equity income from Equity One, Inc.	—	24,307	24,307
Interest and other income	2,935	—	2,935
Interest expense	39,772	4,700	44,472
Corporate expenses	8,811	383	9,194
Income before amortization	50,288	19,224	69,512
Amortization	31,437	121	31,558
Income before income and other taxes	\$ 18,851	\$ 19,103	\$ 37,954

Operating income by geographic segment for the six months ended June 30, 2005 is summarized as follows:

<i>(thousands of dollars)</i>	Canada	U.S.	Total
Property rental revenue	\$ 123,669	\$ —	\$ 123,669
Property operating costs	47,251	—	47,251
Income before the undernoted items	76,418	—	76,418
Equity income from Equity One, Inc.	—	9,655	9,655
Interest and other income	2,040	—	2,040
Interest expense	36,929	3,166	40,095
Corporate expenses	5,944	342	6,286
Gain on redemption of convertible debentures	841	—	841
Income before amortization	36,426	6,147	42,573
Amortization	23,176	65	23,241
Income before income and other taxes	\$ 13,250	\$ 6,082	\$ 19,332

11. SUBSEQUENT EVENTS

(a) Subsequent to quarter end, the Company invested \$19.6 million acquiring two income-producing shopping centres in Quebec and British Columbia totalling 28,000 square feet, the purchase of additional space at or adjacent to existing properties adding 62,000 square feet of space at two properties, and the purchase of a 0.8 acre property held for development. The aggregate acquisition cost was funded with cash.

(b) On July 6, 2006, the Company issued 709,709 common shares at a net price of \$22.53 to participants in the Dividend Reinvestment Plan.

(c) On August 1, 2006 the Company issued \$100 million of Series C senior unsecured debentures ("debentures") at a coupon rate of 5.49% for net proceeds of \$99.2 million. The debentures mature December 1, 2011 with interest payable on December 1 and June 1 in each year.

(d) On August 10, 2006 upon the recommendation of the Compensation and Governance Committee the Board of Directors approved an increase in the Director's compensation effective January 1, 2006 to reflect the growth of the Company and the increased responsibilities of Directors.

12. COMPARATIVE AMOUNTS

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

SHAREHOLDER INFORMATION

HEAD OFFICE

King Liberty Village
85 Hanna Avenue
Suite 400
Toronto, Ontario M6K 3S3
Tel: 416.504.4114
Fax: 416.941.1655

MONTREAL OFFICE

Galeries Normandie
2620 de Salaberry, Suite 201
Montreal, Quebec H3M 1L3
Tel: 514.332.0031
Fax: 514.332.5135

CALGARY OFFICE

McKenzie Towne Centre
60 High Street S.E.
Calgary, Alberta T2Z 3T8
Tel: 403.257.6888
Fax: 403.257.6899

VANCOUVER OFFICE

Terra Nova Village
3671 Westminster Hwy., Suite 240
Richmond, British Columbia V7C 5V2
Tel: 604.278.0056
Fax: 604.278.3364

TORONTO STOCK EXCHANGE LISTINGS

Common Shares:	FCR
Warrants:	FCR.WT
5.50% Debentures – CDN	FCR. DB. A
5.50% Debentures – U.S.	FCR. DB. B

TRANSFER AGENT

COMPUTERSHARE TRUST
COMPANY OF CANADA
100 University Avenue, 11th Floor
Toronto, Ontario M5J 2Y1
Tel: 416.981.9633
(Toll Free) 1.800.663.9097

LEGAL COUNSEL

TORYS LLP
Toronto, Ontario
DAVIES WARD PHILLIPS &
VINEBERG LLP
Montreal, Quebec

AUDITORS

DELOITTE & TOUCHE LLP
Toronto, Ontario

OFFICERS

DORI J. SEGAL
President and Chief Executive Officer
SYLVIE LACHANCE
Executive Vice President
KAREN H. WEAVER
Chief Financial Officer and Secretary
BRIAN KOZAK
Vice President, Western Canada

www.firstcapitalrealty.ca



Shopping For Everyday Life.®

FIRST CAPITAL REALTY INC.

www.firstcapitalrealty.ca

HEAD OFFICE

King Liberty Village

85 Hanna Avenue

Suite 400

Toronto, Ontario M6K 3S3

Tel: 416.504.4114

Fax: 416.941.1655