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## Melcor reports strong second quarter results

Edmonton, Alberta | August 13, 2013

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development company, today reported strong results for the quarter ended June 30, 2013. Revenue increased by 45% to \$50.74 million in the second quarter compared to Q2-12 and by 35% to \$92.35 million year-to-date. Melcor earned net income of \$10.21 million or \$0.34 per share (basic) in Q2-13, a decrease of 46% over Q2-12. Year-to-date net income was \$22.83 million, a decrease of 8% over the first six months of 2012. The decline in net income is the result of one-time costs relating to the formation of Melcor REIT.

Adjusted earnings, which excludes REIT transaction costs and unitholders' portion of earnings of the REIT, was \$20.57 million in the second quarter, an increase of 9% over Q2-12, and \$33.19 million year-to-date, an increase of 34%. Management believes that adjusted earnings provides a clearer measure of operational and relative performance.

Funds from operations (FFO) was \$0.21 per share in Q2-13 compared to \$0.24 per share in Q2-12. Year-to-date FFO was \$0.51 per share compared to \$0.44 per share in the first six months of 2012. FFO per share adjusts for certain non-cash earnings items included in income such as fair value adjustments on investment properties, fair value adjustments on REIT units and stock based compensation expense.

Brian Baker, Melcor's President and Chief Executive Officer commented on the quarter: "We are pleased to report strong growth in revenue, adjusted earnings and gross margin stability. All operating divisions are performing well and we've had a productive construction season to date. With strong leadership in all divisions and a strategic supply of short- and long-term development assets, we remain well positioned for continued growth and success."

### Second Quarter Highlights

- Melcor achieved solid results in the first half of 2013:
  - Consolidated revenues of \$50.74 million, up 45%; year-to-date revenues of \$92.35 million, up 35%
  - Adjusted basic earnings per share of \$0.68 in the quarter and \$1.10 year-to-date compared to \$0.63 and \$0.82 respectively in 2012. Basic earnings per share were \$0.34 in the quarter and \$0.75 year to date. Net income and earning per share were impacted by the formation of Melcor REIT. Adjusted earnings per share provide a clearer measure of operational and relative performance than basic earnings per share as a result.
  - FFO of \$0.21 per share in the quarter, down 13%; year-to-date FFO of \$0.51, up 16%
- On May 1<sup>st</sup> we formed Melcor REIT through an initial public offering which raised gross proceeds of \$83.00 million and on May 10<sup>th</sup>, 2013 the underwriters exercised, in full, their over-allotment option for gross proceeds of \$8.30 million.
- We declared and paid \$7.66 million in semi-annual dividends and \$15.33 million in special dividends.
- Revenues were higher across all divisions in Q2-13 as a result of increased activity and continued execution of Melcor's growth strategy.

- The Community Development division sold 197 single-family lots (Q2-12: 149), sold 7.37 acres for multi-family projects (Q2-12: 2.47) and 5.11 acres for commercial and industrial use (Q2-12: 5.96). This resulted in revenue growth of 49% to \$32.19 million.
- The Property Development division completed construction on 4 buildings in Q2-13 and recognized \$1.43 million in fair value gains. This compares to fair value gains of \$1.06 million in Q2-12.
- Leasing activity in the Investment Properties division was strong with portfolio-wide occupancy rates rising to 96% compared to 86% in Q2-12. This increase is a result of new leasing activity on two commercial properties as well as the assets transferred from our Property Development division in the last fiscal year at 100% occupancy. Funds from operations grew 53% to \$2.77 million in Q2-13.
- Leasing activity in the properties owned by Melcor REIT was also strong, with rental revenue increasing 9% over Q2-12 as a result of increases in base rents and higher average occupancy in the quarter.
- Subsequent to the quarter, Brian Baker assumed the role of Chief Executive Officer of Melcor Developments Ltd.

## Outlook

The majority of Melcor's business operations and assets remain focused on Alberta. Alberta economic fundamentals remain strong, with low unemployment rates, net in-migration, higher than the national average weekly earnings, strong capital investment, stabilizing inflation and relative stability in the price of oil. These fundamentals create a favorable environment for both residential and commercial property development.

The company continues its selective US expansion by increasing its stable of residential rental properties, serviced lot inventory and raw development land. These assets now comprise approximately 10% of the company's total assets in a strengthening real estate market. With Melcor's inventory of raw and developed land, financial resources and strong management group, the company is well positioned to take advantage of market opportunities.

## MD&A and Financial Statements

Melcor's consolidated financial statements and management's discussion and analysis for the three- and six-months ended June 30, 2013 can be found on the company's website at [www.Melcor.ca](http://www.Melcor.ca) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

## About Melcor Developments Ltd.

Melcor is a diversified real estate development and management company with a rich heritage of integrity and innovation in real estate since 1923.

Through four integrated operating divisions, Melcor manages the full life cycle of real estate development: from acquiring raw land, to community planning, to construction and development, to managing leasable office, retail and residential sites. The company develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and British Columbia. Company developments span western Canada and the US. Melcor has been a public company since 1968 and trades on the Toronto Stock Exchange (TSX:MRD).

## Forward Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, our public communications often include written or verbal forward-looking statements.

Forward-looking statements are disclosures regarding possible events, conditions, or results of operations that are based on assumptions about future economic conditions, courses of action and include future-oriented financial information.

This news release and other materials filed with the Canadian securities regulators contain statements that are forward-looking. These statements represent Melcor's intentions, plans, expectations, and beliefs and are based on our experience and our assessment of historical and future trends, and the application of key assumptions relating to future events and circumstances. Future-looking statements may involve, but are not limited to, comments with respect to our strategic initiatives for 2013 and beyond, future development plans and objectives, targets, expectations of the real estate, financing and economic environments, our financial condition or the results of or outlook of our operations.

By their nature, forward-looking statements require assumptions and involve risks and uncertainties related to the business and general economic environment, many beyond our control. There is significant risk that the predictions, forecasts, valuations, conclusions or projections we make will not prove to be accurate and that our actual results will be materially different from targets, expectations, estimates or intentions expressed in forward-looking statements. We caution readers of this document not to place undue reliance on forward-looking statements. Assumptions about the performance of the Canadian and US economies and how this performance will affect Melcor's business are material factors we consider in determining our forward-looking statements. For additional information regarding material risks and assumptions, please see the discussion under Business Environment and Risk in our annual MD&A.

Readers should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Except as may be required by law, we do not undertake to update any forward-looking statement, whether written or oral, made by the company or on its behalf.

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