

## PRESS RELEASE

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# Melcor Developments announces second quarter results, declares quarterly dividend of \$0.15

Edmonton, Alberta | August 11, 2015

Melcor Developments Ltd. (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the quarter ended June 30, 2015. Revenue for the quarter was \$46.11 million compared to \$66.06 million in Q2-2014. Year-to-date revenue decreased to \$83.67 million from \$98.07 million. Growth in size and revenue from our income-producing properties portfolio was offset by lower sales from the Community Development division. The decrease in revenue is primarily due to the timing of plan registrations and softening of demand in Community Development division land sales.

Quarterly comparison of results is not always meaningful as revenue and income fluctuates significantly from period to period due to the timing of plan registrations and land sales, the cyclical nature of real estate and construction markets, the mix of lot sales and product types, and the mix of joint arrangement sales activity.

Funds from operations (FFO) was \$0.45 per share year-to-date compared to \$0.67 per share in the same period of 2014. FFO adjusts for all non-cash earnings items and was impacted by the conversion of the Melcor debenture, which increased the number of shares outstanding by 7% compared to Q2-2014.

Melcor earned net income of \$18.48 million or \$0.56 per share (basic) year-to-date, compared to \$24.45 million or \$0.79 per share (basic) in Q2-2014. Income in Q2-2015 declined from \$17.59 million in Q2-2014 to \$3.92 million. A contributor to this decline was a non-cash accrual of \$4.84 million for future taxes in Q2-2015 as a result of an unexpected 2% increase in the Alberta provincial tax rate.

Brian Baker, Melcor's President and Chief Executive Officer, commented on the quarter: "Our results are in line with expectations for the first half of 2015. Activity levels remain stable across our operating divisions. We continue to conservatively manage our assets and to carefully monitor expenses; an initiative that has been underway since 2013. We are also mitigating risk by carefully monitoring market demand to ensure that we develop saleable product in a changing Alberta economy.

We are taking advantage of this market to proactively plan for the future, progressing land use through municipal approvals, and carefully managing our resources in order to take advantage of acquisition opportunities when they arise. The strength of our balance sheet, geographic diversification and asset diversification ensure we are well positioned for the future."

The Board today declared a quarterly dividend of \$0.15 per share, payable on September 30, 2015 to shareholders of record on September 15, 2015. The dividend is an eligible dividend for Canadian tax purposes.

## Second Quarter Highlights

All areas of our business remain active through the first half of 2015, with activity level varying based on asset class and region. Growth in our income-producing assets portfolio continues to offset the volatility of revenue recognized in the Community Development division, which is impacted by the timing of plan registrations.

We continue to ensure that our exposure to risk related to the economic environment in Alberta is managed by building only when demand exists. We also continue to conservatively manage our assets and liabilities and focus on increasing the value of our real estate assets through development activity.

Highlights of the second quarter include:

- Revenue declined 30% to \$46.11 million compared to Q2-2014 as a result of the timing of plan registrations in our Community Development division and softening of demand on land sales.
- Revenue from income-producing assets grew by 21% over Q2-2015 and by 23% year-to-date. Increasing the mix of revenue from income-producing assets is part of our long-term diversification strategy.
- We continue to invest in income-producing assets and completed two acquisitions in the quarter, including a 63,112 sf office building in Denver, Colorado for \$6.15 million (US\$4.88 million). The building has a good tenant mix in a high profile commercial location near the Denver airport.
- We continue to move land use designations through the municipal approval process to increase our supply of shovel ready assets so that we are ready to capitalize when market demand improves.

## Selected Highlights

(\$000s except as noted)	Three months ended			Six months ended		
	30-Jun-15	30-Jun-14	Change	30-Jun-15	30-Jun-14	Change
Revenue	<b>46,113</b>	66,062	(30.2)%	<b>83,667</b>	98,073	(14.7)%
Gross margin (%) *	<b>46.0%</b>	48.5%	(2.5)%	<b>46.6%</b>	49.5%	(2.9)%
Net income	<b>3,917</b>	17,585	(77.7)%	<b>18,477</b>	24,449	(24.4)%
Net Margin (%) *	<b>8.5%</b>	26.6%	(18.1)%	<b>22.1%</b>	24.9%	(2.8)%
Funds from operations *	<b>8,578</b>	14,409	(40.5)%	<b>14,791</b>	20,605	(28.2)%
<b>Per Share Data</b>						
Basic earnings	<b>0.12</b>	0.57	(78.9)%	<b>0.56</b>	0.79	(29.1)%
Diluted earnings	<b>0.12</b>	0.55	(78.2)%	<b>0.56</b>	0.77	(27.3)%
Funds from operations *	<b>0.26</b>	0.47	(44.7)%	<b>0.45</b>	0.67	(32.8)%

As at (\$000s except as noted)	30-Jun-15	31-Dec-14	Change
Shareholders' equity	<b>918,389</b>	901,335	1.9 %
Total assets	<b>1,891,533</b>	1,863,296	1.5 %
<b>Per Share Data</b>			
Book value *	<b>27.67</b>	27.22	1.7 %

### MD&A and Financial Statements

Information included in this press release is a summary of results. This press release should be read in conjunction with Melcor's consolidated financial statements and management's discussion and analysis for the three and six months ended June 30, 2015, which 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 asset management company that transforms real estate from raw land through to high-quality finished product in both residential and commercial built form. Melcor develops and manages mixed-use residential communities, business and industrial parks, office buildings, retail commercial centres and golf courses. Melcor owns a well diversified portfolio of assets in Alberta, Saskatchewan, British Columbia, Arizona, Colorado and Texas.

Melcor has been focused on real estate since 1923. The company has built over 90 communities across Western Canada and today manages over 3.3 million sf in commercial real estate assets and 1,286 residential rental units. Melcor is committed to building communities that enrich quality of life - communities where people live, work, shop and play.

Melcor's headquarters are located in Edmonton, Alberta, with regional offices throughout Alberta and in Kelowna, British Columbia and Phoenix, Arizona. 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 2015 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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