

MEDIA RELEASE

for immediate distribution

Melcor Developments announces second quarter results, declares quarterly dividend of \$0.13 per share

Edmonton, Alberta | August 14, 2025

Melcor Developments Ltd. ("Melcor") (TSX: MRD), an Alberta-based real estate development and asset management company, today reported results for the second quarter ended June 30, 2025. The second quarter Management Discussion & Analysis (MD&A) and Condensed Interim Financial Statements are available on our website (www.melcor.ca) under Investors, or on SEDAR+ (www.sedarplus.ca).

Timothy Melton, Melcor's Executive Chair and Chief Executive Officer, commented: "Melcor is pleased to report results for the second quarter of 2025. Consolidated revenues year-to-date reached \$150.88 million, a 26.3% increase over 2024. Gross margin also saw an improvement, which was up to 54.6%, from a gross margin of 49.1% to date last year. Funds from operations increased 36.7% to \$85.96 million year-to-date (2024: \$62.88 million) the result of strong performance across our operating divisions.

The Land division delivered solid results in the first half of 2025, primarily the result of sales in our US region. We closed on the sale of 154.40 acres of subdivided but unserviced lots in April 2025 for revenue of \$49.67 million (US\$35.88 million) and earnings of \$30.52 million (US\$22.18 million). To date in 2025 we have sold 198.40 acres of unserviced lots in the US for revenue of \$61.67 million (US\$44.24 million) and earnings of \$38.69 million (US\$27.98 million).

While our revenues from our Properties division decreased slightly as a result of recent property sales, we remain focused on long-term value creation. Overall occupancy rates have also decreased over year-end to 81.6% (December 31, 2024: 86.1%). We completed construction on one building in Woodbend Market (9,913 sf) and have an additional three buildings under construction or awaiting lease-up (71,842 sf). Our leasing team remains active and completed 208,293 sf in renewals and an additional 58,534 sf of new leasing.

On April 23, 2025, we completed a major milestone when we closed on the acquisition of all outstanding public trust units (approximately 44.6%) in Melcor REIT for \$5.50 per unit, bringing all our income producing properties back under Melcor's full ownership. Melcor has been focused on maintaining and building strength in our balance sheet to create the bandwidth to fund this purchase. Our overall general debt is down from year-end by 1.7% (December 31, 2024: \$611.34 million) despite the \$71.30 million cash outlay required to fund the purchase.

Melcor continues to evaluate strategic asset sales to further strengthen its balance sheet and reduce the bank operating line. These decisions are made with a long-term view, balancing market conditions and shareholder value creation.

Today the Board declared its quarterly dividend of \$0.13 per share, up from \$0.11 per share demonstrating the Board's focus on returning value to our shareholders. This dividend is payable on September 29, 2025 to shareholders of record on September 15, 2025 and is an eligible dividend for Canadian tax purposes."

Transaction with Melcor REIT:

On September 12, 2024, Melcor and the REIT announced that they entered into an arrangement agreement (the "Arrangement Agreement") with Melcor REIT GP Inc. (the "GP") pursuant to which, among other steps, Melcor will acquire its unowned equity interest (approximately 44.6%) in Melcor REIT Limited Partnership ("REIT LP") for \$4.95 per unit in cash consideration ("REIT LP Sale").

Details on the transaction with the REIT are as follows:

- On April 11, 2025, the unitholders voted in favour of a special resolution to approve the plan of arrangement for Melcor to purchase its unowned equity interest in REIT LP for \$5.50 per Class A LP Unit or \$71.30 million in cash consideration (the "REIT LP Sale").
- The transaction closed on April 23, 2025 and in accordance with the Amended Arrangement Agreement, the REIT used the proceeds from the REIT LP Sale to redeem and cancel all of the REIT's outstanding trust units (the "Transaction").
- This transaction also resulted in an increase in deferred tax liabilities in the second quarter of \$22.20 million. Prior to the close of the transaction, Melcor was only taxable on our share (55.4%) of the REIT and as a result, only recorded 55.4% of the REIT's deferred tax balances. Subsequent to the transaction closing, we own 100% of the REIT LP and recognize 100% of the deferred tax balances related to REIT LP.
- As at June 30, 2025, we have recorded \$7.08 million in transaction costs and other fees related to this transaction of which \$5.88 million of transaction costs were capitalized to REIT units, with the remaining costs being expensed through G&A.

Further details regarding the Transaction is contained in a REIT management information circular which was filed on SEDAR+ under the REIT's profile at www.sedarplus.ca.

Financial Highlights

Financial highlights of our performance are summarized below:

Second quarter:

- Revenue was up 43.7% to \$100.14 million (Q2-2024: \$69.71 million)
- Gross profit was up 56.8% to \$55.04 million (Q2-2024: \$35.09 million)
- Net income was down 68.9% to \$7.26 million (Q2-2024: \$23.34 million)
- Funds from operations (FFO) was up 79.6% to \$36.13 million (Q2-2024: \$20.12 million)
- Basic earnings per share was down 68.4% to \$0.24 per share (Q2-2024: \$0.76 per share)

Year-to-date:

- Revenue was up 26.3% to \$150.88 million (2024: \$119.46 million)
- Gross profit was up 40.3% to \$82.35 million (2024: \$58.70 million)
- Net income was down 66.0% to \$12.27 million (2024: \$36.13 million)
- Funds from operations (FFO) was up 47.4% to \$49.91 million (2024: \$33.86 million)
- Basic earnings per share was down 65.3% to \$0.41 per share (2024: \$1.18 per share)

The real estate industry is impacted by the cyclical nature of development, demand for product, the timing of raw and multi-family land sales and lot registrations. Revenue and net income can also fluctuate significantly from quarter to quarter due to the timing of plan registrations. Lot sales, which have a significant impact on quarterly results, are uneven by nature and it is difficult to predict when they will close.

We continuously assess assets held in our Properties division, with aim to focus on our core Alberta market. We disposed of four investment properties in 2024, and one additional property was disposed of in early 2025 impacting current and comparative financial results which are adjusted for in our same-asset calculation.

Consolidated revenue was up 43.7% to \$100.14 million in Q2-2025 (Q2-2024: \$69.71 million) and was up 26.3% to \$150.88 million year-to-date (2024: \$119.46 million). This increase is the result of higher revenue generated in our land division compared to Q2-2024 and year-to-date, partially offset by lower revenue generated by our Properties division. Gross profit was up 56.8% to \$55.04 million in Q2-2025 (Q2-2024: \$35.09 million), and up 40.3% or \$23.65 million to \$82.35 million year-to-date (2024: \$58.70 million), with our consolidated gross margin up 4.7% since Q2-2024 to 55.0%, and up 5.5% to 54.6% year-to-date.

In the second quarter, we closed on the sale of 154.40 acres of subdivided but unserviced lots (paper lots) sale for revenue in the quarter of \$49.67 million and gross profit of \$30.52 million. To date in 2025 we have sold a total of 198.40 acres in the US for revenue of \$61.67 million and \$38.69 million in gross profit. There were no land sales in our US region in the Q2-2024 comparative period or 2024 year-to-date.

To date in 2025, our Land division has contributed 60.5% of total revenue before intersegment elimination compared to 48.7% in 2024. Our Properties division contributed 35.5% of revenue before intersegment eliminations in 2025 compared to 46.7% in 2024. Revenues from our Properties division were down 4.0% to \$26.24 million in the quarter (Q2-2024: \$27.33 million) and down 4.1% to \$53.62 million year-to-date (2024: \$55.89 million) as a result of recent property disposals partially offset by revenue generated from newly developed commercial properties developed in our Properties division.

The US contributed 52.6% of total revenue or \$52.65 million in the quarter and 44.9% or \$67.70 million in the year, with our land division contributing \$49.67 million in the quarter and \$61.67 million year-to-date. This compares to total revenues of \$4.53 million in the quarter and \$8.16 million year-to-date in 2024 (6.5% and 6.8% of total revenue respectively). This large increase is the result of sales in our US region, as noted above.

In the second quarter net income was down 68.9% to \$7.26 million (Q2-2024: \$23.34 million) and down 66.0% to \$12.27 million year-to-date (2024: \$36.13 million). The decrease was the result of an additional \$22.20 million in deferred income taxes recorded in the quarter as a result of the Transaction with Melcor REIT described above, which negatively impacted net income.

Additionally, Melcor incurred \$7.08 million in transaction costs and other fees related to this transaction to date in 2025 which negatively impacted net income. \$5.88 million of these costs were considered directly attributable to the acquisition and accordingly included in adjustments related to REIT units, with the balance of costs recorded through general and administrative expenses. Costs included in adjustments related to REIT units have been adjusted for in our FFO calculations.

Other non-cash items that have a significant impact on net income include:

- *Fair value adjustments on investment properties:* in Q2-2025, we have recorded a fair value loss on investment properties of \$3.08 million in the quarter (Q2-2024: fair value gain of \$0.86 million) and a fair value gain of \$1.02 million year-to-date (2024: fair value loss \$7.97 million) impacting our net income year-to-date.
- *Change in the REIT's unit price:* this change has a counter-intuitive impact on net income as an increase in unit value decreases net income. The fair value adjustment on REIT units was a loss of \$0.91 million in the quarter and a loss of \$3.24 million year-to-date compared to a gain of \$5.83 million in the quarter and a gain of \$17.89 million year-to-date in 2024 contributing a swing of \$6.74 million in the period and \$21.13 million year-to-date negatively affecting our net income.
- *Non-cash financing costs:* we have recorded non-cash financing recoveries of \$0.58 million in the quarter and non-cash financing costs of \$0.91 million year-to-date. This compares to 2024 non-cash financing costs of \$1.10 million in the quarter and non-cash financing recoveries of \$0.13 million year-to-date.

These non-cash gains and losses are driven by market forces outside of Melcor's control and are a key reason we focus on FFO as a truer measure of our financial performance.

FFO increased by 79.6% to \$36.13 million in Q2-2025 (Q2-2024: \$20.12 million) and increased by 47.4% to \$49.91 million year-to-date (2024: \$33.86 million). FFO increased as a result of higher gross profit, which increased 61.7% or \$21.67 million to \$56.80 million in the quarter (Q2-2024: \$35.13 million) and increased 36.7% or \$23.08 million to \$85.96 million year-to-date (2024: \$62.88 million). The increase in gross profit contributed to an increase in current income tax expense which was up \$6.59 million in the period and \$7.44 million year-to-date. FFO was also impacted by higher G&A expenses incurred as a result of the Transaction which closed on April 23, 2025. Included in G&A are items excluded for the purpose of calculating FFO, including depreciation on corporate assets and stock based compensation. Excluding these items, G&A expenses were up \$1.78 million or 15.6% over 2024, of which \$1.20 million relates to higher professional fees incurred as a result of the Transaction.

DIVISIONAL OPERATING HIGHLIGHTS

Our **Land** division revenue was up 83.0% or \$30.92 million in Q2-2025 to \$68.15 million (Q2-2024: \$37.23 million) and up 56.8% or \$33.13 million to \$91.43 million year-to-date (2024: \$58.30 million). The increase was attributed to our US region, which contributed \$49.67 million to revenues in the quarter and \$61.67 million year-to-date. Included in revenue in the quarter was the sale of 154.40 acres of subdivided but unserviced lots (paper lots) which contributed to the 198.40 total acres sold in the US year-to-date. Our Canadian market, saw a decrease in revenues of \$17.36 million in the quarter and \$15.15 million year-to-date directly attributed to lower single-family lot sales and acre sales in both the period and year-to-date over 2024.

Our **Properties** division accounted for 35.5% of total revenue, before intersegment eliminations compared to 46.8% in 2024 year-to-date. Occupancy decreased over year-end to 81.6% (December 31, 2024: 86.1%) and was down over last year (Q2-2024: 86.5%). During the quarter we completed 208,293 sf in renewals and an additional 58,534 sf of new leasing. Our Properties division currently has 71,842 sf under active development or awaiting lease-up on three projects (Chestermere Station, Winterburn Point, and Greenwich) and we completed construction on one building in Woodbend Market adding 9,913 sf to our portfolio. Construction and leasing activity resulted in a \$0.88 million fair value gain in the period and \$1.95 million year-to-date.

In our **Golf** division, rounds of golf were up 8.8% to 53,674 rounds played to date (2024: 49,346 rounds) and revenue is up 10.6% or \$0.58 million to \$6.02 million year-to-date (2024: \$5.44 million).

ASSET DISPOSITIONS

We continue to focus on pruning non-core assets within our portfolio.

2025 Dispositions:

- Melcor Crossing, a retail power centre located in Grande Prairie, AB for net proceeds of \$47.63 million
- 5 residential units located at the Edge at Grayhawk in Phoenix, AZ for net proceeds of \$2.03 million (US\$1.43 million)

2024 Dispositions:

- 14 residential units located at the Edge at Grayhawk in Phoenix, AZ for net proceeds of \$6.14 million (US\$4.47 million)
- 104th Street Building, an office building located in Edmonton, AB for net proceeds of \$2.69 million (\$0.90 million at JV%)
- Lethbridge Industrial, an industrial building located in Lethbridge, AB for net proceeds of \$4.34 million
- Parliament Place, an office building located in Regina, SK for net proceeds of \$4.84 million
- Richter Street Building, an office building located in Kelowna, BC for net proceeds of \$7.48 million

In 2025, Melcor will focus on divesting select non-core assets to generate cash for the purpose of reducing borrowings on our line of credit. This credit facility was utilized to repay maturing debentures in late 2024 and fund the purchase of the approximately 44.6% unowned equity interest in the REIT in April 2025. Asset sales will be conducted with careful consideration of long-term shareholder value.

SHAREHOLDER HIGHLIGHTS

We continue to focus on returning value to our shareholders:

- We repurchased 174,276 shares for cancellation pursuant to the NCIB at a cost of \$2.24 million to date in 2025.
- On August 14, 2025, we declared a quarterly dividend of \$0.13 per share, payable on September 29, 2025, to shareholders of record on September 15, 2025. The dividend is an eligible dividend for Canadian tax purposes.
- On April 23, 2025 Melcor acquired its unowned equity interest in the REIT for \$5.50 per Unit. The REIT used the proceeds to purchase and cancel all of the REIT's outstanding participating trust units.

Selected Highlights

(\$000s except as noted)	Three months ended June 30			Six months ended June 30		
	2025	2024	Change %	2025	2024	Change %
Revenue	100,139	69,707	43.7	150,882	119,455	26.3
Gross margin ¹	55.0 %	50.3 %	9.3	54.6 %	49.1 %	11.2
Net income	7,258	23,340	(68.9)	12,274	36,128	(66.0)
Net margin ¹	7.2 %	33.5 %	(78.5)	8.1 %	30.2 %	(73.2)
FFO ²	36,125	20,115	79.6	49,910	33,863	47.4
Per Share Data (\$)						
Basic earnings	0.24	0.76	(68.4)	0.41	1.18	(65.3)
Diluted earnings	0.24	0.76	(68.4)	0.40	1.18	(66.1)
FFO ³	1.19	0.65	83.1	1.65	1.10	50.0
Dividends	0.11	0.11	–	0.22	0.22	–

As at (\$000s except share and per share amounts)	June 30, 2025	December 31, 2024	Change %
Total assets	2,035,077	2,108,553	(3.5)
Shareholders' equity	1,235,032	1,242,630	(0.6)
Total shares outstanding	30,193,350	30,367,626	(0.6)
Per Share Data (\$)			
Book value ⁽³⁾	40.90	40.92	–

1 Supplementary financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

2 Non-GAAP financial measure. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

3 Non-GAAP financial ratio. Refer to the Non-GAAP and Non-Standard Measures section of the MD&A for further information.

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, 2025, which can be found on the company's website at www.Melcor.ca or on SEDAR+ (www.sedarplus.ca).

Non-GAAP & Non-Standard Measures

FFO is a key measure of performance used by real estate operating companies; however, that is not defined by IFRS Accounting Standards, do not have standard meanings and may not be comparable with other industries or income trusts. This non-IFRS Accounting Standards measure is more fully defined and discussed in the Melcor's management discussion and analysis for the period ended June 30, 2025, which is available on SEDAR+ (www.sedarplus.ca).

Funds from operations (FFO): FFO is a non-GAAP financial measure and is defined as net income in accordance with IFRS Accounting Standards, excluding (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, transaction costs, interest expense and other effects of redeemable units classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) adjustment for amortization of deferred financing fees, which is included in non-cash financing costs and (vii) fair value adjustment on derivative instrument, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties. See tables below for reconciliation of FFO:

Consolidated

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Net income for the period	7,258	23,340	12,274	36,128
Amortization of tenant incentives	1,759	42	3,606	4,180
Fair value adjustment on investment properties	3,081	(862)	(1,017)	7,971
Depreciation on property and equipment	420	423	537	565
Stock based compensation expense	356	285	672	581
Non-cash finance costs (recoveries)	(575)	1,100	911	(127)
Gain on sale of asset	(115)	(6)	(116)	(53)
Deferred income taxes	22,776	1,626	23,925	2,507
Fair value adjustment on REIT units	907	(5,833)	3,240	(17,889)
Transaction costs on REIT units acquisition	258	–	5,878	–
FFO	36,125	20,115	49,910	33,863

Properties

(\$000s)	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
Segment Earnings	10,289	14,982	27,603	20,274
Fair value adjustment on investment properties	3,081	(862)	(1,017)	7,971
Amortization of tenant incentives	1,759	42	3,606	4,180
Divisional FFO	15,129	14,162	30,192	32,425

Gross margin (%): Gross margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn revenue. This ratio is calculated by dividing gross profit by revenue.

Net margin (%): Net margin percent is a supplementary financial measure that indicates the relative efficiency with which we earn income. This ratio is calculated by dividing net income by revenue.

Book value per share: Book value per share is a non-GAAP financial ratio and is calculated as shareholders' equity over number of common shares outstanding.

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 and Colorado.

Melcor has been focused on real estate since 1923. The company has built over 170 communities and commercial projects across Western Canada and today manages 4.48 million sf in commercial real estate assets and 447 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 2025 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 and the additional disclosure under Business Environment and Risk in this 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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