

**SKYLINE INVESTMENTS INC.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
March 31, 2018
and 2017
(UNAUDITED)**

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(UNAUDITED)

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SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian Dollars)

	As at		
	March 31, 2018 <i>(Unaudited)</i>	March 31, 2017 <i>(Unaudited)</i>	December 31, 2017 <i>(Audited)</i>
ASSETS			
Current			
Cash and cash equivalents	23,127	24,903	25,897
Trade receivables	5,722	5,267	6,159
Other receivables	13,645	6,907 **)	12,113
Prepayments	3,833	2,660	3,288
Inventories	1,658	1,379	2,027
Real estate inventory	70,765	60,648	61,008
Property held for sale	--	18,357	--
Loans to purchasers - current maturity	5,337	5,565 **)	7,287
Restricted bank deposits	4,490	4,294	5,175
Total current assets	<u>128,577</u>	<u>129,980</u>	<u>122,954</u>
Non-current			
Financial derivative	4,454	3,307	3,675
Investment properties	93,269	90,730	92,983
Property, plant and equipment, at cost	3,184	3,862	3,235
Property, plant and equipment, at fair value	451,288	273,066	443,355
Loans to purchasers	31,982	--	32,968
Other assets	2,604	372	2,544
Deferred tax	7,299	6,961	7,832
Restricted bank deposits	5,407	4,414	4,593
Total non-current assets	<u>599,487</u>	<u>382,712</u>	<u>591,185</u>
Total Assets	<u>728,064</u>	<u>512,692</u>	<u>714,139</u>
LIABILITIES AND EQUITY			
Current			
Loans payable	41,445	15,816	33,919
Bonds - current maturities	4,161	2,076	2,450
Trade payables	10,904	4,982	10,456
Other payables and credit balances	19,078	18,189	20,730
Deferred revenue	6,308	5,425	7,519
Income taxes payable	97	338 *)	-
Purchasers' deposits	10,846	7,114	9,930
Total current liabilities	<u>92,839</u>	<u>53,940</u>	<u>85,004</u>
Non-current			
Loans payable	178,559	62,669	174,816
Bonds	104,812	43,436	105,277
Other liabilities	1,211	2,552	1,189
Deferred tax	51,932	61,459 *)	51,856
Total non-current liabilities	<u>336,514</u>	<u>170,116</u>	<u>333,138</u>
Total liabilities	<u>429,353</u>	<u>224,056</u>	<u>418,142</u>
Equity			
Equity attributable to Shareholders of the Company	257,786	247,600	255,020
Non-controlling interest	40,925	41,036 *)	40,977
Equity	<u>298,711</u>	<u>288,636</u>	<u>295,997</u>
Total Liabilities and Equity	<u>728,064</u>	<u>512,692</u>	<u>714,139</u>

*) See note 2

**) Reclassified

The accompanying notes are an integral part of these interim consolidated financial statements.

May 14, 2018

Date

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF INCOME

(in thousands of Canadian dollars, except per share amounts)

	FOR THE PERIOD ENDED March 31, 2018 <i>(Unaudited)</i>	FOR THE PERIOD ENDED March 31, 2017 <i>(Unaudited)</i>	FOR THE YEAR ENDED December 31, 2017 <i>(Audited)</i>
REVENUE			
Hospitality income	46,055	32,885	118,123
Income from investment properties	1,018	870	3,671
Sale of residential real estate	194	892	30,694
Other operating income	6	66	75
	<u>47,273</u>	<u>34,713</u>	<u>152,563</u>
EXPENSES AND COSTS			
Hospitality operating expenses	35,610	25,909	98,709
Operating expenses of investment properties	364	303	1,079
Cost of sale of residential real estate	519	719	26,403
Other operating expense	33	16	113
	<u>36,526</u>	<u>26,947</u>	<u>126,304</u>
	10,747	7,766	26,259
Selling and marketing expenses	192	151	480
Administrative and general expenses	1,220	1,106	5,572
OPERATING INCOME BEFORE DEPRECIATION, VALUATION ADJUSTMENTS AND OTHER INCOME	9,335	6,509	20,207
Depreciation	4,295	2,530	11,415
Loss (gain) from fair value adjustments	70	75	(6,715)
Loss on sale of investments	--	26	17
Other expense	101	501	1,111
PROFIT FROM OPERATIONS	4,869	3,377	14,379
Financial expense	4,882	1,917	11,089
Financial income	(613)	(1,451)	(3,119)
PROFIT BEFORE INCOME TAXES	600	2,911	6,409
Income tax (recovery) expense	474	1,184	(2,212)
PROFIT FOR THE PERIOD	126	1,727	8,621
Attributable to:			
Shareholders of the Company	545	1,903	6,066
Non-controlling interest	(419)	(176)	2,555
	<u>126</u>	<u>1,727</u>	<u>8,621</u>
BASIC EARNINGS PER SHARE	0.03	0.11	0.37
DILUTED EARNINGS PER SHARE	0.03	0.11	0.36

The accompanying notes are an integral part of these interim consolidated financial statements.

SKYLINE INVESTMENTS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of Canadian Dollars)

	<u>FOR THE PERIOD ENDED March 31, 2018 (Unaudited)</u>	<u>FOR THE PERIOD ENDED March 31, 2017 (Unaudited)</u>	<u>FOR THE YEAR ENDED December 31, 2017 (Audited)</u>
PROFIT FOR THE PERIOD	126	1,727	8,621
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation surplus (loss) of property, plant and equipment, before income taxes	--	--	(1,801)
Income taxes	--	--	6,116
Items that will or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	2,525	(705) *)	(3,017)
OTHER COMPREHENSIVE INCOME FOR THE YEAR net of taxes	<u>2,525</u>	<u>(705)</u>	<u>1,298</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of taxes	<u>2,651</u>	<u>1,022</u>	<u>9,919</u>
Attributable to:			
Shareholders of the Company	2,703	1,390	10,346
Non-controlling interest	(52)	(368) *)	(427)
	<u>2,651</u>	<u>1,022</u>	<u>9,919</u>

*) | See note 2

The accompanying notes are an integral part of these interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian Dollars)

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Share based Compensation Surplus	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest	Total
FOR THE PERIOD ENDED March 31, 2018										
<i>(Unaudited)</i>										
Balance at the beginning of the period	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997
Profit for the period	--	--	--	--	--	--	545	545	(419)	126
Other comprehensive income for the year	--	--	--	--	--	2,158	--	2,158	367	2,525
Total comprehensive income for the year	--	--	--	--	--	2,158	545	2,703	(52)	2,651
Recognition of revaluation surplus of property plant and equipment, net of taxes to retained earnings	--	--	(587)	--	--	--	587	--	--	--
Recognition of Share-based payment	--	--	--	63	--	--	--	63	--	63
Balance at the end of the period	78,779	519	87,195	733	125	5,545	84,890	257,786	40,925	298,711
FOR THE PERIOD ENDED March 31, 2017										
<i>(Unaudited)</i>										
Balance at the beginning of the period	77,900	519	83,749	1,014	125	4,827	77,834	245,968	41,404	287,372
Issuance of new shares	879	--	--	(879)	--	--	--	--	--	--
Profit for the year	--	--	--	--	--	--	1,903	1,903	(176) *)	1,727 *)
Other comprehensive loss for the year	--	--	(285)	--	--	(228)	--	(513)	(192)	(705)
Total comprehensive Income for the year	--	--	(285)	--	--	(228)	1,903	1,390	(368)	1,022
Recognition of Share-based payment	--	--	--	242	--	--	--	242	--	242
Balance at the end of the period	78,779	519	83,464	377	125	4,599	79,737	247,600	41,036	288,636

*) | See note 2

The accompanying notes are an integral part of these interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of Canadian Dollars)

	Share Capital and Premium	Warrant Certificates	Re-valuation Surplus	Share based Compensation Surplus	Related Party Surplus	Foreign Exchange translation	Retained Earnings	Total shareholders' equity	Non- controlling Interest *)	Total
FOR THE YEAR ENDED December 31, 2017										
<i>(Audited)</i>										
Balance at the beginning of the period	77,900	519	83,749	1,014	125	4,827	77,834	245,968	41,404	287,372
Issuance of shares	879	--	--	(879)	--	--	--	--	--	--
Profit for the period	--	--	--	--	--	--	6,066	6,066	2,555	8,621
Other comprehensive income (loss) for the	--	--	5,720	--	--	(1,440)	--	4,280	(2,982)	1,298
Total comprehensive Income for the year	--	--	5,720	--	--	(1,440)	6,066	10,346	(427)	9,919
Dividend	--	--	--	--	--	--	(1,829)	(1,829)	--	(1,829)
Recognition of revaluation surplus of property plant and equipment, net of taxes to retained earnings	--	--	(1,687)	--	--	--	1,687	--	--	--
Recognition of Share-based payment	--	--	--	535	--	--	--	535	--	535
Balance at the end of the period	78,779	519	87,782	670	125	3,387	83,758	255,020	40,977	295,997

The accompanying notes are an integral part of these consolidated financial statements.

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian Dollars)

	FOR THE PERIOD ENDED March 31, 2018 (Unaudited)	FOR THE PERIOD ENDED March 31, 2017 (Unaudited)	FOR THE YEAR ENDED December 31, 2017 (Audited)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
Cash Flow from Operating Activities			
Profit (Loss) for the period	126	1,727 *)	8,621
Add (deduct) items not involving cash:			
Depreciation and amortization	4,302	2,767	13,190
Loss (gain) from fair value adjustments	70	75	(6,715)
Financing costs from bonds including foreign exchange	4,118	2,756	6,674
Financing income from financial derivative	(779)	(3,307)	(3,675)
Deferred tax, net	141	857 *)	(1,784)
Write-down (up) of real estate inventory to net realizable value	--	--	(355)
Share based compensation	63	242	535
Changes in non-cash working capital			
Trade receivables	437	11,997	11,540
Other receivables, prepayments and others	859	1,662	(3,048)
Restricted bank deposits	(1,035)	(1,452)	(2,512)
Inventories	369	401	(218)
Real Estate Inventory	(9,757)	(1,997)	(14,615)
Trade and other payables and credit balances	(4,323)	(2,479)	2,944
Income taxes payable	97	(1,313)	(972)
Purchasers' deposits	916	416	3,232
	<u>(4,396)</u>	<u>12,352</u>	<u>12,842</u>
Cash Flow from Investing Activities			
Proceeds from asset sold	--	--	3,447
Additions to investment properties	(133)	(94)	(2,371)
Investment in restricted long term deposit	906	(3,250)	(3,250)
Additions to property, plant and equipment	(3,564)	(5,358)	(22,043)
Proceeds from sale of property, plant and equipment	--	18	76
Net cash used in a business acquisition (Schedule A)	--	--	(176,443)
	<u>(2,791)</u>	<u>(8,684)</u>	<u>(200,584)</u>
Cash Flow from Financing Activities			
Bank credit and other short-term loans	7,829	(10,337)	3,816
Issuance of bonds payable	--	--	62,731
Repayment of bonds payable	(1,292)	--	(1,133)
Proceeds on loans payable	60	17,863	138,566
Repayments of loans payable	(1,123)	(16,445)	(18,158)
Dividend Distribution	--	--	(1,829)
Change in other liabilities	22	(25)	(460)
	<u>5,496</u>	<u>(8,944)</u>	<u>183,533</u>
Foreign Exchange translation of foreign operations	(1,079)	342	269
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	(2,770)	(4,934)	(3,940)
Cash and cash equivalents, beginning of the year	25,897	29,837	29,837
CASH AND CASH EQUIVALENTS, END OF PERIOD	23,127	24,903	25,897
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid	4,532	1,917	7,057
Interest received	29	33	307
Income taxes paid	16	--	1,706
<u>Significant non-cash transactions</u>			
Loans to Purchasers	--	--	33,915

*) See note 2

The accompanying notes are an integral part of these interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian Dollars)

**Schedule A - Net cash used in the acquisition of the assets and liabilities of the 13
Courtyard Hotels Portfolio in 2017**

	FOR THE PERIOD ENDED March 31, 2018	FOR THE PERIOD ENDED March 31, 2017	FOR THE YEAR ENDED December 31, 2017
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Working capital, net of cash and cash equivalents	--	--	(4,337)
Inventory	--	--	(29)
Property, plant and equipment	--	--	(172,077)
Net assets acquired	--	--	(176,443)
Net cash used in acquisition	--	--	(176,443)

The accompanying notes are an integral part of these interim consolidated financial statements.

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018 and 2017

(in thousands of Canadian Dollars)

1 NATURE OF OPERATIONS

Skyline Investments Inc. ("Skyline" or the "Company") was incorporated on December 4, 1998 under the *Business Corporations Act (Ontario)*. Traded on the Tel-Aviv Stock Exchange (TASE) in Israel and a public issuer in Ontario, Canada

The Company and its subsidiaries are involved in the acquisition, ownership and development of hospitality and destination communities in Ontario and the United States. The Company's normal operating cycle is twelve months except for the development activities, which are in excess of twelve months and typically range between three to four years.

The Company is 65.34% owned by Skyline Canada-Israel Ltd, a majority of shares of which are owned by Mishorim Real Estate Investments Ltd (former: Mishorim Development Corporation Ltd.), a public company whose shares are traded on the Tel-Aviv Stock Exchange.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the interim condensed consolidated financial statements:

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

(b) Standards that were initially applied in the period, interpretations and amendments published and not yet in effect and not been early adopted by the Company, which will or may have an effect on future periods

As explained in Note 2 to the annual financial statements as at December 31, 2017, commencing on January 1, 2018, the Company applies IFRS 9 (2014), Financial Instruments. The standard application had no material effect on the financial statements of the Company.

The significant accounting policies and methods of computation adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the annual financial statements.

In December 2017 the Company has changed retrospectively its income statement presentation to a more relevant and useful manner due to complexity of analysts and user of the financial statements to understand and analyze the results of operations, specifically after the company's change in accounting policy regarding revaluation model of fixed assets in December 2016.

The management's opinion that the new presentation manner is more relevant and useful and also aligning with other companies which are implementing the revaluation model of IAS 16. The updated manner of presentation is also consistent with the method of reviewing the operational results by the CODM.

(c) Exchange rate (CAD/USD)

Results of operations and balances are affected by changes in US dollar. Since January 1, 2018 until March 31, 2018 the foreign exchange rate of the U.S. dollar compared to the Canadian dollar increased by approximately 2.8%. From March 31, 2018 until the date those financial statements were published the U.S. dollar has not changed compared to the Canadian dollar.

	<u>31-Mar-18</u>	<u>31-Mar-17</u>	<u>31-Dec-17</u>
Exchange rate (CAD per 1 USD)	1.289	1.330	1.255
Average Exchange rate (CAD per 1 USD)	1.265	1.324	1.299

(d) Immaterial adjustment

The comparative figures as for the three months ended on March 31, 2017 as presented in the current financial statements, include an immaterial adjustment to reflect the loans to purchasers, split out from other receivables balance and the Company's portion as well as the non-controlling interest in tax liability of the Renaissance Hotel in United States:

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>As at March 31, 2017</u>		
	<u>As reported in the past</u>	<u>reclassification effect</u>	<u>As currently reported</u>
Income taxes payable	354	(16)	338
Deferred tax (liability)	70,744	(9,285)	61,459
Non-controlling interest	31,735	9,301	41,036

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	<u>For the three months ended March 31, 2017</u>		
	<u>As reported in the past</u>	<u>reclassification effect</u>	<u>As currently reported</u>
Exchange differences on translation of foreign operations	(623)	(82)	(705)
Non-controlling interest	(286)	(82)	(368)

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018 and 2017

(in thousands of Canadian Dollars)

3 SEASONALITY AND OTHER DISCLOSURES

The Company's hospitality segment operations are seasonal due to its nature. The results of operations and the revenue are typically substantially better during winter and summer seasons.

4 FAIR VALUE MEASUREMENT

Categories of assets and liabilities subject to fair value measurement

The estimated fair values of loans payable are as follows:

	Fair value		Carrying amount	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Loans payable	219,817	78,294	220,004	78,485
Bonds Series A (1)	56,063	50,464	50,762	45,512
Bonds Series B (1)	60,634	-	58,211	-
Financial derivative (2)	4,454	3,307	4,454	3,307

(1) The Fair value is based on Tel-Aviv Stock Exchange quote (in New Israeli Shekels) for March 31, 2018 and translated to CAD using a currency NIS/CAD quote provided on Bank of Israel web site.

The Carrying amount is net of costs of, which incurred to issue the bonds.

(2) The fair value is based on bank statement as of March 31, 2018

5 SIGNIFICANT EVENTS DURING THE PERIOD

a. Employee stock options plan

On November 14, 2016 the Board of Directors approved an employee options plan. On February 21, 2018, 135,000 options were granted to a senior employee. The fair value of the options at the grant date was determined using Binomial model. Where relevant, the expected life used in the models has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioral considerations. Expected volatility is based on the historical share price volatility of similar companies including the Parent Company, which management estimates to approximate the volatility in value of the Company's shares. See also note 8 below.

b. Contingent liabilities

In 2016 the Company was served claims totaling \$2,138 in relation to certain construction projects and issued a counterclaim of \$4,000. In addition, the Company was served with smaller several claims. As per the Company's legal advisors, at this stage it is not possible to estimate the Company's chances of success or the likely amount of recovery.

6 SEGMENTED INFORMATION

The Company operates within the commercial investment property business, land development business, and hospitality business. The following summary presents segmented financial information for the Company's principal areas of business by industry. All of the Company's operating segments operate in Ontario, Canada, California, USA and Ohio, USA.

(a) General business segments

1. Hospitality USA - Acquisition, ownership and management of hotels, portion of hotels and extended stay operations
2. Hospitality Canada - Acquisition, ownership and management of hotels, portion of hotels and extended stay operations.
3. Investment properties - Acquisition, ownership and management of commercial investment properties.
4. Development - Development, purchase and sale of real estate properties including lands accounted as per IAS 40.
5. Other - Other

(b) The following presents financial information for these segments:

	For the three months ended March 31, 2018 (unaudited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	32,273	13,782	--	--	--	46,055
Income from investment properties	--	--	1,018	--	--	1,018
Sale of residential real estate	--	--	--	194	--	194
Other operating income	--	--	--	--	6	6
	<u>32,273</u>	<u>13,782</u>	<u>1,018</u>	<u>194</u>	<u>6</u>	<u>47,273</u>
EXPENSES AND COSTS						
Hospitality operating expenses	24,983	10,627	--	--	--	35,610
Operating expenses of investment properties	--	--	364	--	--	364
Cost of sale of residential real estate	--	--	--	519	--	519
Other operating expense	--	--	--	--	33	33
	<u>24,983</u>	<u>10,627</u>	<u>364</u>	<u>519</u>	<u>33</u>	<u>36,526</u>
SEGMENTED RESULTS	<u>7,290</u>	<u>3,155</u>	<u>654</u>	<u>(325)</u>	<u>(27)</u>	<u>10,747</u>
Loss (gain) from fair value adjustments	--	--	--	70	--	70
Selling and marketing expenses	--	--	--	--	--	192
Administrative and general expenses	--	--	--	--	--	1,220
Depreciation	--	--	--	--	--	4,295
Other expense	--	--	--	--	--	101
Financial expense	--	--	--	--	--	4,882
Financial income	--	--	--	--	--	(613)
PROFIT BEFORE INCOME TAXES						<u>600</u>

As at March 31, 2018

(Unaudited)

	As at March 31, 2018 (Unaudited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
Assets	344,554	162,844	40,058	180,434	174	728,064
Liabilities	253,496	86,083	20,985	68,675	114	429,353
	<u>91,058</u>	<u>76,761</u>	<u>19,073</u>	<u>111,759</u>	<u>60</u>	<u>298,711</u>

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018 and 2017

(in thousands of Canadian Dollars)

6 SEGMENTED INFORMATION (continued)

	For the three months ended March 31, 2017 (unaudited)					
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	Total
REVENUE						
Hospitality income	19,431	13,454	--	--	--	32,885
Income from investment properties	--	--	870	--	--	870
Sale of residential real estate	--	--	--	892	--	892
Other operating income	--	--	--	--	66	66
	<u>19,431</u>	<u>13,454</u>	<u>870</u>	<u>892</u>	<u>66</u>	<u>34,713</u>
EXPENSES AND COSTS						
Hospitality operating expenses	15,551	10,358	--	--	--	25,909
Operating expenses of investment properties	--	--	330	--	--	330
Cost of sale of residential real estate	--	--	--	692	--	692
Other operating expense	--	--	--	--	16	16
	<u>15,551</u>	<u>10,358</u>	<u>330</u>	<u>692</u>	<u>16</u>	<u>26,947</u>
SEGMENTED RESULTS	3,880	3,096	540	200	50	7,766
Loss (gain) from fair value adjustments	--	--	75	--	--	75
Selling and marketing expenses						151
Administrative and general expenses						1,106
Depreciation						2,530
Other expense						501
Financial expense						1,917
Financial income						(1,451)
Gain on sale of investment						26
PROFIT BEFORE INCOME TAXES						<u>2,911</u>

	As at March 31, 2017 (Unaudited)					
	Hospitality USA *)	Hospitality Canada	Investment properties	Development	Other	Total
Assets	160,164	157,782	39,087	155,511	148	512,692
Liabilities	82,355	72,350	20,681	48,632	38	224,056
	<u>77,809</u>	<u>85,432</u>	<u>18,406</u>	<u>106,879</u>	<u>110</u>	<u>288,636</u>

*) See note 2

SKYLINE INVESTMENTS INC.
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2018 and 2017

(in thousands of Canadian Dollars)

6 SEGMENTED INFORMATION (continued)

	For the year ended December 31, 2017 (Audited)					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
REVENUE						
Hospitality income	70,124	47,999	--	--	--	118,123
Income from investment properties	--	--	3,671	--	--	3,671
Sale of residential real estate	--	--	--	30,694	--	30,694
Other operating income	--	--	--	--	75	75
	<u>70,124</u>	<u>47,999</u>	<u>3,671</u>	<u>30,694</u>	<u>75</u>	<u>152,563</u>
EXPENSES AND COSTS						
Hospitality operating expenses	58,574	40,135	--	--	--	98,709
Operating expenses of investment properties	--	--	1,079	--	--	1,079
Cost of sale of residential real estate	--	--	--	26,403	--	26,403
Other operating expense	--	--	--	--	113	113
	<u>58,574</u>	<u>40,135</u>	<u>1,079</u>	<u>26,403</u>	<u>113</u>	<u>126,304</u>
SEGMENTED RESULTS	11,550	7,864	2,592	4,291	(38)	26,259
Gain from fair value adjustments	--	--	(1,883)	(4,832)	--	(6,715)
Selling and marketing expenses						480
Administrative and general expenses						5,572
Depreciation						11,415
Loss on sale of investments						17
Other expense						1,111
Financial expense						11,089
Financial income						(3,119)
PROFIT BEFORE INCOME TAXES						6,409

As at December 31, 2017

	(Audited)					Total
	Hospitality USA	Hospitality Canada	Investment properties	Development	Other	
Assets	337,056	167,298	39,537	170,079	169	714,139
Liabilities	247,119	92,177	20,912	57,856	78	418,142
	<u>89,937</u>	<u>75,121</u>	<u>18,625</u>	<u>112,223</u>	<u>91</u>	<u>295,997</u>

7 SIGNIFICANT BUSINESS ACQUISITIONS

Additional disclosure

The 13 Courtyard hotels acquired on November 14, 2017 were part of the seller's overall activity, which included 60 additional hotels. The seller did not prepare audited financial statements at the level of the acquired activity or at the level of the individual asset. Furthermore, as part of the acquisition transaction, the Company received from the seller partial financial data of the hotels, which are not audited or reviewed, and which include income, operating expenses, marketing expenses and general and administrative expenses. Please see the results of 13 Courtyard hotels as part of the consolidated total operating results.

	Company's		Consolidated
	13 Courtyard Hotels Q1-2018	main operations	
Revenue	15,559	31,714	47,273
Expenses and Costs	10,570	25,956	36,526
Segmented Results	4,989	5,758	10,747
Loss (gain) from fair value adjustments	--	70	70
Selling and marketing expenses	--	192	192
Administrative and general expenses	--	1,220	1,220
Depreciation	1,308	2,987	4,295
Other expense	--	101	101
Financial Expense	2,779	2,103	4,882
Financial Income	--	(613)	(613)
Profit before income taxes	902	(302)	600

8 SUBSEQUENT EVENTS

Employee stock options plan

On March 20, 2018 the Board of Directors approved grant of 100,000 new options to a senior employee. The Tel Aviv Stock exchange approved in April 2018 to register the shares that will be issued as a result of exercising the options.