Skyline Announces Record Results for the Second Quarter and First Half of 2018

Toronto, Ontario – August 30, 2018. Skyline Investments ("Skyline" or the "Company") (TASE: SKLN), is pleased to announce its 2nd Quarter results and that it has filed the financial statements and related Management Discussion and Analysis ("MD&A") for the three and six months periods ended June 30, 2018. The financial statements and the MD&A or the Board of Directors Report, as applicable, can be found under the corporate profile on www.magna.isa.gov.il and www.sedar.com.Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada.

"The first six months of 2018 was a very busy period for the Company as we improved operations at our assets, integrated the Courtyard Marriott portfolio and delivered on our development pipeline. The first six-month results, with Adjusted EBITDA up 196% and FFO up 271%, demonstrate the results of the positive changes the Company has made over the previous two years." said Blake Lyon, CEO of Skyline.

Highlights for the first 6 months of 2018:

- **Total Revenue increased by 80.5% to CAD $110M**
- **Adjusted EBITDA increased by 195.7% to CAD $23.2M**
- **NOI from income-producing assets was CAD $21.8M, an increase of 109%**
- **NOI margin expanded by 600 bps**

Highlights for the 2nd Quarter of 2018:

- **Same property NOI increased by 52.3% to approx. CAD $4.4M mainly as a result of improved operating performance at the Cleveland hotels**
- **NOI increased 269% year over year to CAD $10.7M as a result of the acquisition of the Courtyard by Marriott portfolio and improved operating performance at the Cleveland hotels**
- **Recognized $16.7M in development revenue from the sale of real estate, including providing occupancy to the first group of owners at Slopeside in Horseshoe Valley Resort**
- **Immediately prior to publication of the report, Midroog confirmed the current Baa1.il rating to the Company's bonds and raised the bond rating outlook from stable to positive.**

"In the first six months of 2018, we doubled our NOI from income-producing assets, showing growth of 109% compared to the same period last year. This growth is mostly attributed to Skyline's acquisition of 13 ***Courtyard by Marriott*** *hotels in the previous year. In addition, the renovation and upgrade of the* ***Hyatt Arcade*** *in Cleveland last year allowed us to record an*

increase in revenues of approx. $1.4M in the first six months of 2018. We believe that as we continue to invest in our properties, and manage our assets efficiently, the Company will realize positive results over the mid-term from these investments." Commented Blake Lyon, Skyline CEO.

Blake Lyon commented further. *"In this first half of 2018, Skyline presents an improvement in most financial and operating parameters. Investors can now see the positive effects of Skyline's strategic shift over the last two years in the financial statements. Our asset portfolio has increased from 6 to 19 properties while maintaining conservative leverage, reducing weather dependence, and significantly improving cash flow. We believe these positive changes are reflected in the confirmation of Skyline's Baa1.il bond rating and an increase in the bond rating outlook from stable to positive by Midroog."*

First Half 2018

- **Total revenue for H1 2018** was CAD $110M, an increase of 80.5% compared to the corresponding period's CAD $60.8M. This increase can be mainly attributed to the integration of 13 Courtyard by Marriott hotels acquired at the end of last year. This acquisition contributed more than CAD $34M in revenue. The increase is also attributable to the sale of two land parcels at Blue Mountain and the delivery of 18 condominium units at the Slopeside project at Horseshoe Valley, resulting in $16.7M in revenue recognized from development projects. This improvement was offset by the strengthening of the CAD vs the USD, the impact of poor weather conditions at Bear Valley Ski Resort in the first quarter and a decrease in the number of events at the Renaissance Hotel compared to the same period last year.
- **NOI from income-producing assets in H1 2018** amounted to CAD $21.8M, an increase of 109% compared to CAD $10.4M in the same period last year. This improvement is the result of the addition of 13 Courtyard by Marriott hotels. Additionally, the Company improved its profitability margin to 23.5% as compared to 17.5% in the corresponding period last year.
- **Same property income-producing assets NOI in H1 2018** amounted to approx. CAD $10.5M, a slight increase from approx. $10.4M in the previous period. The increase was mainly due to an improvement in the performance of Hyatt and Renaissance hotels, which were offset by the strengthening of the Canadian dollar against the US dollar and lower than expected profits at Bear Valley ski resort due to adverse weather conditions.
- **Adjusted EBITDA in H1 2018** increased by 195.7% to CAD $23.2M compared to $7.8M CAD in the same period last year. Most of this increase can be attributed to the acquisition of the 13 Courtyard by Marriott hotels at the end of last year, and the completion of room renovations at the Hyatt Arcade and improved cost controls at the Renaissance Cleveland. In addition, development contributed more to the Adjusted EBITDA in the first half of this year compared to the prior year.

- **Financing expense in H1 2018** totaled CAD $9.2M compared to CAD $2.2M in the corresponding period last year. Most of this increase is derived from the Series B bonds issued in the third quarter of 2017, the expansion of Series A bonds, and the expenses associated with the 13 Courtyard by Marriott hotels mortgage.
- **Net loss for H1 2018** amounted to CAD $1.8M compared with net profit of CAD $3M in the same period last year. In the first half of 2018, the Company recorded a loss upon revaluation of the Blue Mountain lands totaling CAD $4.8M as a result of a change in the valuation method from an income approach to a sales comparison approach. In addition, the recently low volume of sales will effectively reduce the valuation as developers take longer to realize sales. In the same period last year, the Company recorded a revaluation gain on Blue Mountain lands of $4.9M.

In CAD 000's	**H1/2018**	**H1/2017**	**Q2/2018**	**Q2/2017**	**2017**
NOI	**21,807**	**10,418**	**10,708**	**2,902**	**22,006**
NOI Margin	23.5%	17.5%	23.4%	11.3%	18.1%
Same Property NOI	10,529	10,418	4,419	2,902	
Same Property NOI Margin	18%	17.5%	16.4%	11.3%	
Adjusted EBITDA	**23,219**	**7,851**	**13,419**	**1,100**	**22,968**
Adjusted EBITDA Margin	21.2%	12.9%	21.5%	4.2%	
FFO	**13,840**	**3,728**	**8,627**	**(585)**	**14,237**

<u>**Second Quarter Results**</u>

- **Total revenue for Q2 2018** was CAD $62.5M, an increase of approx. 139.3% from CAD $26.1M in Q2 2017, primarily due to the addition of 13 Courtyard by Marriott hotels acquired at the end of last year, which contributed CAD$18.7M during the quarter, the sale of two land parcels at Blue Mountain, and the delivery of 18 condominium units at the Slopeside project at Horseshoe Valley, resulting in CAD $16.7M in revenue recognized from development projects. Furthermore, the Cleveland Hotels showed an improvement in revenue of approx. $900K.
- **NOI from income-producing assets in Q2 2018** amounted to CAD $10.7M, an increase of 269% compared to CAD $2.9M in the same period last year primarily due to the addition of the Courtyard Hotels.
- **Same property income-producing asset NOI in Q2 2018** amounted to approx. CAD $4.4M compared to approx. CAD $2.9M in the corresponding period last year, an increase of 52.3%. This is mainly attributed to improvement in the performance of the Cleveland Hotels.
- **Adjusted EBITDA in Q2 2018** increased by 1,120% to CAD $13.4M compared to CAD $1.1M in the same period last year.

Real Estate Development

- The Company's development activity has gained momentum during the second quarter. Skyline completed construction on the Slopeside Lodge at Horseshoe Resort, delivering 18 residential units and is expected to deliver the balance of the 44 units over the course of the next few quarters. Similarly, the Lakeside Lodge at Deerhurst Resort is nearing competition and Skyline will begin delivering units to buyers over the second half of the year and into the first quarter of 2019. These projects are expected to add an inventory of higher quality rooms that will upgrade the Canadian resorts and at the same time increase cash flow. In addition, during the quarter, the Company recognized revenue from the sale of two land parcels at Blue Mountain and continues to receive regular monthly payment from the Vendor Take-back mortgage as a result of the sale of the Port McNicoll project, sold in 2017.

Balance Sheet

- **Total assets as of June 30, 2018** increased to CAD $748M from CAD $714M at the end of 2017.
- **The Company's shareholders' equity at the end of June 30, 2018** was CAD $299M (approx. $258M attributable to the shareholders) representing 40 % of the balance sheet. At June 30, 2018 the equity per share attributed to shareholders was NIS $42.33 (CAD $15.41) and the closing price on June 30, 2018 was NIS $28.19 (CAD $10.26).
- **Cash and cash equivalents as of June 30, 2018** amounted to CAD $28.4M compared with CAD $25.9M at the end of last year. In addition, Skyline has an undrawn credit facility of CAD $15.5M and unencumbered assets of approximately CAD $91M.
- **Net debt as of June 30, 2018** totaled CAD $315M, representing 43.7% of total net assets.

About Skyline

Skyline Investments is a Canadian company that specializes in hospitality real estate investments in Canada and the US. The Company owns 19 assets in Canada and the US with 3,199 hotel rooms under management spread over 18 cities, and development rights for almost 3,000 residential units in three main areas north of Toronto, Canada.

The company is traded on the Tel Aviv Stock Exchange (ticker: SKLN) under the SME60 index.

For more information:

Ben Novo-Shalem, Head of M&A and Investor Relations

416-368-2565 / 2222 |benn@skylineinvestments.com

Non-IFRS measures

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The following measures: net operating income (or "NOI"), funds from operations (or "FFO"), FFO per share, are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS, and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance determined in accordance with IFRS. However, these non-IFRS measures are recognized supplemental measures of performance for real estate issuers widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties, and the Company believes they provide useful supplemental information to both management and readers in measuring the financial performance of the Company. Further details on non-IFRS measures are set out in the Company's Management's Discussion and Analysis for the period ended June 30, 2018 and available on the Company's profile on SEDAR at www.sedar.com or MAGNA at www.magna.isa.gov.il

Cautions Regarding Future Plans and Forward Looking Statements

This release may contain forward-looking statements within the meaning of applicable securities laws. Such statements involve a number of known and unknown risks and uncertainties, many of which are outside our control that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Important factors that could cause or contribute to such differences include risks detailed in our public filings with the Canadian Securities Administrators. Except as required by applicable law, we undertake no obligation to update any forward-looking or other statements herein whether as a result of new information, future events or otherwise.