SKYLINE ANNOUNCES CONTINUED IMPROVEMENT IN OPERATIONAL RESULTS FOR Q2 2021

- **Q2 2021 Adjusted EBITDA strongly improved to positive $4.5 million versus negative $6.8 million in Q2 2020 and Adjusted EBITDA for the first half of 2021 was 3.9 times higher than the same period in 2020, demonstrating a significant recovery in operations;**
- **Q2 2021 funds from operations ("FFO") improved to $1.4 million, or $0.08 per share compared to Q2 2020 FFO of negative $7.7 million, or negative $0.47 per share;**
- **Q2 2021 revenue from Skyline's hotels and resorts increased by 257% to $24.9 million compared to $7.0 million in Q2 2020, due to improved demand resulting from the trajectory of improvement in the COVID-19 pandemic across North America;**
- **The Canadian and US governments continue to provide support to the travel industry, and Skyline received additional benefits during 2021;**
- **Unrestricted cash and available lines of credit as at June 30, 2021 totalled approximately $34.8 million, an increase of $7.4 million compared to December 31, 2020;**
- **Total equity attributable to shareholders, as at June 30, 2021 was $230.8 million, representing 36% of total assets. Equity per share attributable to shareholders was 36.24 NIS ($13.78), compared to the closing share price of 16.46 NIS ($6.41) as at August 12, 2021;**
- **Skyline's US hotels show steadily improving occupancy and are approaching pre-pandemic levels, with the Courtyard portfolio experiencing 66% occupancy for the month of June and 66% occupancy for the month of July;**
- **Skyline has pre-sold 80% of its new 66-unit Edge Condo development at Horseshoe; and**
- **On July 25th, Skyline announced it reached an agreement, acting as a lender, with an unrelated third party for the sale of certain lands located in Port McNicoll for $32.5 million which approximates its book value, and which is expected to close on September 30th.**

Toronto, Ontario – August 13, 2021. Skyline Investments Inc. (the "Company" or "Skyline") (TASE: SKLN), a Canadian company that specializes in hospitality real estate investments in the United States and Canada, published its results for the three and six months ended June 30, 2021.

"The improving trajectory witnessed at the end of Q1 continued throughout Q2, as North American vaccination rates continued to increase and the population began travelling more frequently. We are continuing to see the most significant increase in travel demand since the beginning of the pandemic, even during the traditionally slower second quarter. Our Courtyard Portfolio continues to steadily improve, with occupancy of 66% in June 2021 and 66% in July 2021, approaching pre-pandemic levels. Canada now has among the highest vaccination rates in the world, with 81% of the eligible population receiving at least one dose and 68% being fully vaccinated. The majority of our properties are located in leisure and drive-to destinations and are therefore well-positioned to benefit from the recovery in travel demand during our seasonally strong third quarter. We have seen this during July of 2021, when occupancy and average daily rates at Deerhurst and Horseshoe have exceeded our pre-pandemic occupancies in July 2019," commented Blake Lyon, Skyline's Chief Executive Officer. *"During Q2 2021, Skyline was able to substantially grow NOI and FFO relative to Q2 2020 as demand begins to recover and our continued focus on significant cost reductions and accessing Canadian and US government relief programs bolster these positive results. Our balance sheet continues to be strong, and Skyline grew its cash reserves during the first half of 2021 by 27% over December 31, 2020 levels to $34.8 million."*

SUMMARY OF FINANCIAL RESULTS

C$000's	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
Revenue from Hotels & Resorts	**24,919**	**6,972**	**53,110**	**48,539**
NOI from Hotels & Resorts	**6,498**	**(4,775)**	**14,752**	**2,732**
NOI from Hotels & Resorts Margin	26%	(68%)	28%	6%
Same Asset NOI	6,498	(4,775)	14,752	2,732
Same Asset NOI Margin	26%	(68%)	28%	6%
Adjusted EBITDA	**4,546**	**(6,808)**	**11,260**	**2,283**
Adjusted EBITDA Margin	17%	(93%)	20%	3%
FFO	**1,350**	**(7,727)**	**4,682**	**(4,975)**

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

Second Quarter 2020 Results

- **Total revenue for Q2 2021** was $26.3, compared to $7.3 in Q2 2020. Revenue from hotels and resorts increased by 257% to $24.9 due to increased demand resulting from the improvement in trajectory of the COVID-19 crisis. Between April 3rd and June 11th, 2021 local government restrictions impacted Canadian resort operations, however both Horseshoe and Deerhurst experienced strong demand upon reopening. Revenue from the sale of residential real estate was $1.4 during Q2 2021, compared to $0.3 during Q2 2020.
- **Same asset NOI for Q2 2021** was $6.5 compared to NOI of negative $4.8 in Q2 2020. The increase was driven mainly by improved demand at hotels and resorts, coupled with expense management measures taken and assistance from the Canadian and US governments.
- **Adjusted EBITDA for Q2 2021** was $4.5, compared to negative $6.8 in Q2 2020. The increase is attributable to improved demand at hotels and resorts, coupled with expense management measures taken and assistance from the Canadian and US governments.
- **Net financial expense for Q2 2021** totalled $2.3, compared to $1.7 in Q2 2020. The difference was primarily driven by changes in foreign exchange, which spiked during at the outset of the COVID-19 pandemic and impacted the valuation of the Company's bonds. Q2 2021 interest expense of $3.3 was $0.4 lower than Q2 2020 interest expense of $3.8 due to lower interest rates. Interest rates decreased over the past 12 months due to stimulative measures taken by central banks in response to the COVID-19 pandemic.
- **FFO for Q2 2021** was $1.4 compared to negative $7.7 in Q2 2020. The increase was primarily driven by the improvement in NOI as described above.
- **Net income (loss) for Q2 2021** amounted to $2.2, compared to net loss of $7.3 in Q2 2020. Excluding minority interests the Company had net income of $0.8 in Q2 2021, compared to net loss of $7.5 in Q2 2020.
- **Total comprehensive income (loss) for Q2 2021** was $7.9 compared to total comprehensive loss of $33.7 in Q2 2020.

First Half ("1H") 2021 Results

- **Total revenue for 1H 2021** was $57.4, compared to $78.9 in 1H 2020. Revenue from hotels and resorts increased by 9% to $53.1 due to the trajectory of improvement of the COVID-19 pandemic. Revenue from the sale of residential real estate was $4.3, compared to $30.4 during 1H 2020. During Q1 2020, the Company completed the sale of phases 2 and 3 of the Second Nature development project located near Blue Mountain. Upon final closing of the transaction, the Company recorded revenue of $28.9, received net cash proceeds of $5.4, and repaid construction debt in the amount of $2.4. As part of the transaction, the Company gave the purchaser a 3-year vendor take back loan in the amount of $23.7.

- **Same asset NOI for 1H 2021** was $14.8, a 440% increase compared to $2.7 in 1H 2020. The increase was driven mainly by the strong recovery in hotel demand and assistance from the Canadian and US governments, as discussed above.
- **Adjusted EBITDA for 1H 2021** was $11.3, and increase of 393% compared to $2.3 in 1H 2020. The increase is attributable to the strong recovery in hotel demand and assistance from the Canadian and US governments, as discussed above.
- **Net financial expense for 1H 2021** totalled $5.6, compared to $12.1 in 1H 2020. Interest expense was $0.9 lower relative to 1H 2020 due to lower debt balances coupled with lower interest rates on the Company's variable rate debt. The decline in interest expense was coupled with a net foreign exchange gain of $1.7 during 1H 2021 compared to net foreign exchange loss of $4.1 during 1H 2020.
- **FFO for 1H 2021** was $4.7 compared to negative $4.9 in 1H 2020. The increase was due to the strong recovery in hotel demand and assistance from the Canadian and US governments, as discussed above, which positively impacted earnings at hotels and resorts.
- **Net income for 1H 2021** amounted to $2.1, compared to net loss of $13.2 in 1H 2020. Excluding minority interests, the Company had net income of $0.9 compared to net loss of $12.8 in 1H 2020.
- **Total comprehensive income for 1H 2021** was $6.1 compared to total comprehensive loss of $26.2 in 1H 2020, driven by changes in valuation, net of tax of the Company's property, plant and equipment, offset by foreign exchange.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at June 30, 2021 were $641.3 compared to $637.9 as at December 31, 2020. The increase was driven by fair value gains on the Company's investment properties, offset by movement in foreign exchange.
- **Cash and cash equivalents** were $29.8 as at June 30, 2021 compared to $22.4 as at December 31, 2020. The increase was driven by positive cash flow from operations as well as Paycheque Protection Program ("PPP") funds received from the US government during 1H 2021. The Company had $5.0 in undrawn lines of credit as at June 30, 2021 for a total liquidity amount of $34.8.
- **Net debt** as at June 30, 2021 totalled $263.3, a decrease of $20.4 compared to net debt of $283.7 as at December 31, 2020. The decrease was primarily driven by positive cash flow from operations, principal repayments and foreign exchange. In addition, the Company has received property-level covenant relief from its lenders, where required.
- **Total Equity** as at June 30, 2021 was $261.8 ($230.8 attributable to shareholders), representing 41% of total assets. Equity per share attributable to shareholders was 36.24 NIS ($13.78), compared to the closing share price of 21.34 NIS ($8.12), a discount of 41%. As of August 12, 2021, the Company's shares were trading at 16.46 NIS ($6.41), implying a discount of 55%.
- **On July 25, 2021,** the Company announced that, acting in its capacity as lender under the power of sale process, it reached an agreement with a third party unrelated to the Company (the "Buyer") for the sale of the Port McNicoll site for a total amount of $32.5 (the

"Transaction"), which approximates the book value of the VTB balance as at June 30, 2021. The Transaction is firm and not subject to any further due diligence period, with closing scheduled for September 30, 2021 ("Closing"). The Buyer has an option to extend Closing by an additional 30 days. Upon completion of the Transaction, a total of $3.0 (including an irrevocable deposit of $1.0 that the Company's lawyers have received in trust) will be paid to the Company. The balance of the consideration, totalling $29.5 will be provided to the Buyer as a first ranking vendor take back loan bearing an annual interest rate of 2.5% for a 5-year period (the "VTB"). The Buyer will make monthly payments of $0.2 every month after Closing for the next five years, which will be applied against interest first and principal second. As the Buyer develops the land over the next five years, the Buyer will require partial discharges of security from Skyline, and, as a result, additional principal payments are expected over the life of the VTB. At the end of the VTB, any remaining VTB balance will be due in full.

COVID-19 RECAP AND UPDATE

At the end of 2019, the COVID-19 virus began spreading rapidly, and in March 2020, the virus was declared a global pandemic by the World Health Organization ("WHO"). This had wide-ranging implications, including international and domestic travel restrictions, temporary closure of businesses, and an immediate contraction in overall global economic activity. The North American hospitality industry has not been immune and has witnessed a slowdown in activity. At the outset of the crisis, the Company implemented immediate countermeasures, including the temporary closure of Horseshoe Valley Resort ("Horseshoe") and Bear Valley Resort ("Bear Valley"), a temporary closure of Deerhurst Resort ("Deerhurst") (collectively, the "Resorts"), staff reductions, and other cost containment measures.

In December 2020, the local jurisdictions where Horseshoe and Bear Valley are located re-implemented restrictions, causing the partial closure of certain operations at the ski resorts. These restrictions were subsequently removed in February 2021 for the remainder of the ski season. On April 3rd, the province of Ontario issued a stay-at-home order, resulting in the temporary closure of certain operations at Horseshoe and Deerhurst. The restrictions began easing on June 11th for the summer season. As of the date of this report, the Resorts are open and are operating in accordance with public health guidelines.

The Company's hotels located in the United States (the "US Properties") are all open and are seeing steadily improving occupancies, which have significantly improved from the lows in April 2020. Looking forward, there is significant uncertainty around the timing of a full resolution of the COVID-19 crisis. Given that the majority of the US Properties are primarily located in "drive-to" secondary markets that are not dependant on international air travel, the Company expects that as the recovery unfolds, its US Properties will see continued increases in occupancy.

In response to the COVID-19 crisis, the Canadian and US governments have unveiled multiple stimulus measures for which the Company qualifies or believes it qualifies. In the US, Skyline has qualified for and received funding under the PPP. US$6.7 ($9.3) was received during Q2 2020, US$5.5 ($7.0) was received during Q1 2021, and US$2.0 ($2.5) was received during Q2 2021. As part of this program, the portion of any of these loans spent on payroll, utilities, interest and other specified costs may be forgiven by the US government under certain circumstances. Any unforgiven portion will be repayable over 5 years, with interest payable based on an annual rate of 1% based on current legislation. During the three and six months ended June 30, 2021, the Company recorded an offset to hotel operating expenses in the amount of $4.5 and $5.2 related to the PPP, respectively, and to finance expenses in the amount of $0.2 and $0.2, respectively. In addition, the Company believes that it qualifies for the Employee Retention Credit ("ERC"), which was enacted as part of the US Government's stimulus measures. During the three and six months ended June 30, 2021, the Company did not recognize any benefits related to the ERC.

In Canada, the Company has applied for and received the Canada Emergency Wage Subsidy ("CEWS"), which covers up to 75% of the first CAD $58.7 thousand normally paid to eligible employees, representing a benefit of up to CAD $847 per week, per eligible employee, between March 15, 2020 and at least September 25, 2021, as well as the Canada Emergency Rent Subsidy ("CERS"), which covers certain rental and building operating expenses. For the three and six months ended June 30, 2021, the Company recorded an offset to operating expenses from hotels and resorts in the amount of $2.1 and $4.4, respectively, (three and six months ended June 30, 2020: $1.2 and $1.4, respectively) and to administrative and general expenses of $0.3 and $0.6, respectively (three and six months ended June 30, 2020: $0.2 and $0.2, respectively) related to CEWS and CERS.

On May 16, 2021 the Company announced an increase of 0.25% in the interest rate on the principal balance of the Series B Debentures ("Bond B") due to non-compliance with the trailing 4-quarter non-defaulting Bond B Operating EBITDA provision ("the Provision," as defined in Section 1.5.31 of the Deed of Trust for the Debentures (Series B) dated September 24, 2017 (the "Deed of Trust") provided for in Section 5.4 of the Deed of Trust). Based on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2021, (the "Financial Statements"), the Company's Operating EBITDA for the previous four quarters stands at $18.7. Pursuant to the Deed of Trust, as the Company meets the Provision, then from the date of publication of the Financial Statements, the interest rate on the outstanding principal balance of Bond B will decrease by 0.25% so that the annual interest rate on the outstanding principal balance of Bond B is 5.65%. The exact annual interest rate on the principal of Bond B for the current interest period, from May 14, 2021 until the publication of the Financial Statements, was 5.9% (the "Original Interest"). The annual interest rate to be paid on the balance of the principal of Bond B for the period commencing on the date of publication of the Financial Statements and ending on the next interest payment date (January 15, 2022) (the "Upcoming Interest Payment Date") is 5.65%. The weighted interest rate to be paid on the next interest payment date is 2.84413%. The annual interest rate reflected by the weighted interest rate is 5.68825%. The annual and semi-annual interest rates to be paid for the Debentures for the next periods (from and after January 16, 2022) will be 5.65% and 2.825%, respectively.

The effect of the COVID-19 virus had a materially negative impact on the economy and businesses, in general, and on the Company's operating and financial results over the past four quarters. Should there be no further relief in the restrictions and/or should government restrictions be renewed, the financial and operating results of the Company could be materially affected. The foregoing update of the Company is based on Management's current assessment of the business and the North American hospitality industry as a whole, and may be considered forward-looking information for purposes of applicable Canadian and Israeli securities legislation. Readers are cautioned that actual results may vary. Refer to the section "Forward-Looking Statements" below.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 18 income-producing assets with 3,266 hotel rooms and 85,238 square feet of commercial space, and development lands with rights for approximately 2,315 residential units located in three main areas north of Toronto, Canada.

The Company is traded on the Tel Aviv Stock Exchange (ticker: SKLN) and is a reporting issuer in Canada.

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Non-IFRS Measures

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, the following measures: NOI, NOI Margin, FFO, FFO per share and Adjusted EBITDA 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. NOI, NOI Margin, FFO, FFO per share and Adjusted EBITDA as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries. 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, 2021 and available on the Company's profile on SEDAR at www.sedar.com or MAGNA at www.magna.isa.gov.il

Forward-Looking Statements

This release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the business of the Company. In some cases, forward-looking statements can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. 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 the extent of the impact of the COVID-19 virus on our business, operations and financial performance, the imposition (or relaxation) of government restrictions (including the duration and terms of such restrictions), expected consumer and commercial behaviour, as well as other risks detailed in our public filings with the Canadian and Israeli Securities Administrators. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this news release and, except as expressly 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.