SKYLINE ANNOUNCES SIGNIFICANTLY IMPROVED OPERATIONAL RESULTS AND RECORD NET INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

Toronto, Ontario – March 11, 2022. Skyline Investments Inc. (the "Company" or "Skyline") (TASE: SKLN), a Canadian company that specializes in hotel real estate investments in the United States and Canada, published its results for the year ended December 31, 2021.

SUMMARY OF FINANCIAL RESULTS

C$000's	**2021**	**2020**	**2019**
NOI[1] from Hotels & Resorts	**33,081**	**11,359**	**42,214**
NOI from Hotels & Resorts Margin	26%	12%	22%
Same Asset NOI[2]	22,260	3,402	33,240
Same Asset NOI Margin	25%	6%	24%
Adjusted EBITDA[1]	**24,501**	**7,884**	**40,849**
Adjusted EBITDA Margin	18%	6%	17%
Net Income	**29,578**	**(18,637)**	**(1,359)**
FFO[1]	**12,312**	**(3,761)**	**18,331**
Shareholders' Equity	**266,249**	**226,044**	**252,374**

Q4 & 2021 Highlights

- *2021 revenue from hotels and resorts increased by 41% to $129.3 million compared to $91.5 million in 2020, due to continued improvement in demand and a relaxation in operating restrictions related to COVID-19;*
- *2021 Adjusted EBITDA[1] improved by 211% to $24.5 million compared to $7.9 million in 2020, demonstrating a continuing significant recovery;*
- *2021 net income was $29.6 million compared to a net loss of $18.6 million in 2020 due to the sale of the Company's Canadian resort assets along with improved operating results;*
- *2021 Funds from Operations ("FFO")[1] grew by $16.1 million to $12.3 million, or $0.74 per share, compared to 2020 FFO of negative $3.8 million or negative $0.23 per share;*
- *Skyline's shareholders' equity grew by 5.5% relative to December 31, 2019, despite two years of the COVID-19 crisis;*
- *Same Property NOI[1] for 2021 was $22.3 million compared to $3.4 million in 2020. The increase was primarily driven by improved occupancy at our US hotels;*

- *On December 6, 2021, Skyline completed the sale of the resort assets and surrounding development lands at Deerhurst Resort ("Deerhurst") and Horseshoe Resort ("Horseshoe") as well as the remaining development lands at Blue Mountain Resort ("Blue Mountain") (collectively, the "Assets") for $210 million with Freed Corp. ("Freed") (the "Freed Transaction"), which is approximately $30 million in excess of Skyline's IFRS book value as at June 30, 2021, prior to the Freed Transaction;*
- *On December 5, 2021, the Company announced that it entered into two agreements for the conditional sale of 90% its interest in the Renaissance hotel and 100% of its interest in the Hyatt hotel (collectively, the "Cleveland Properties") to an unrelated third-party in the amount of USD $95.2 million. The transaction, if completed, is expected to close during the second quarter of 2022;*
- *On December 12, 2021, the Company announced that it had signed a 5-year term sheet with a large US insurance company to refinance the mortgage on its Courtyard by Marriott hotel portfolio; and*
- *Midroog rating agency reconfirmed the Company's debt rating at Baa1, and upgraded their outlook for the Company from negative to stable;*
- *The Company's focus going forward will be on acquiring select-service hotels, which will provide more stable and predictable earnings and cash flow growth.*

[1] A non-IFRS measure. For definitions, reconciliations and the basis of presentation of Skyline's non-IFRS measures, refer to the *Non-IFRS Measures* section in this news release.
[2] A supplementary financial measure. Refer to the *Non-IFRS Measures* section of this news release.

Blake Lyon, Skyline's Chief Executive Officer commented "*Skyline's strong results during 2021 show the continued rebound from the lows of the COVID-19 pandemic during 2020. Our revenues continue to significantly improve, driven by improving occupancy at our US hotels. At the same time, we are continuing to maintain strict safety and cost control at all of our properties. During Q4, we completed the largest corporate transaction in our 20-year history, with the sale of Deerhurst, Horseshoe, and the remaining lands at Blue Mountain for $210 million. The transaction value was approximately $30 million in excess of our IFRS book value prior to the sale, which demonstrates our continued commitment to creating value for our shareholders. The proceeds from the transaction have provided Skyline with significant liquidity and allowed us to repay a significant amount of corporate debt. We ended the year with over $60 million in cash and a net asset value that was 47% in excess of our traded market value. Skyline has less debt and substantially more cash now than before the pandemic started and is looking acquire more select-service hotels, where its focus will be going forward.*"

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for 2021** was $136.8, compared to $129.4 in 2020 (Q4 2021 revenue was $33.6 compared to $22.5 in Q4 2020). Revenue from hotels and resorts increased by 41% to $129.3 due to increased demand and the relaxation of operating restrictions related to

COVID-19. Revenue from the sale of residential real estate was $7.5, compared to $37.9 during 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. On August 12, 2021, Skyline received early repayment of the VTB related to phase 3 of Second Nature in the amount of $16.3.

- **Same asset NOI for 2021** was $22.3, an increase of 554% compared to $3.4 in 2020, driven by a strong rebound in the US markets due to relaxation in COVID-19 restrictions.
- **Adjusted EBITDA for 2021** was $24.5, an increase of 211% compared to $7.9 in 2020 (Q4 2021 Adjusted EBITDA was $1.6 compared to $1.1 in Q4 2020). The increase is attributable to the strong recovery in hotel demand.
- **Net financial expense for 2021** totalled $17.5, compared to $17.4 in 2020. Interest expense was $1.4 lower relative to 2020 due to a lower average debt balance and lower interest rates on the Company's variable interest rate debt. The decline in interest expense was offset by a $1.7 fee related to the early repayment of Bond A, which was repaid in full on December 23, 2021.
- **FFO for 2021** was $12.3 compared to negative $3.8 in 2020 (Q4 2021 FFO was $4.1 compared to negative $0.3 in Q4 2020). The improvement was due to the strong recovery in hotel demand, as discussed above, which positively impacted earnings.
- **Net income for 2021** was $29.6, compared to a net loss of $18.6 in 2020 (Q4 2021 net income was $1.1 compared to net loss of $2.9 in Q4 2020). Excluding minority interests, the Company had net income of $22.9 in 2021, compared to net loss of $18.0 in 2020. This is the highest net income in a fiscal year that the company has ever achieved in its 20+ year history.
- **Total comprehensive income for 2021** was $48.0 compared to total comprehensive loss of $20.5 in 2020.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at December 31, 2021 were $579.7 compared to $637.9 as at December 31, 2020. The decrease was primarily driven by the sale of investment properties, PP&E and real estate inventory related to the Freed Transaction, offset by increases in cash and VTBs, also as a result of the Freed Transaction.
- **Cash and cash equivalents** were $61.5 as at December 31, 2021 compared to $22.4 as at December 31, 2020. The increase was driven by net proceeds received from the Freed Transaction, coupled with positive operating cash flows at the Company's hotels and resorts.
- **Net debt** as at December 31, 2021 totalled $162.1, a decrease of $121.6, or 43% compared to net debt of $283.7 as at December 31, 2020. The decrease was primarily driven by the repayment of Bond A and other debt, coupled with the net proceeds received from the Freed Transaction. On December 12, 2021, the Company announced that it had signed a 5-year

term sheet with a large US insurance company to refinance the mortgage on its Courtyard by Marriott hotel portfolio. The Company expects to finalize this agreement in the first quarter of 2022.

- **Total equity attributable to shareholders** was $266.2 ($297.1 including non-controlling interest), representing 46% of total assets. Equity per share attributable to shareholders was 38.83 NIS ($15.90), compared to the closing share price of 26.34 NIS ($10.78), a discount of $32%.

A breakdown of the change in IFRS fair value described above is summarized in the table below:

C$000's	**YTD Fair Value Change**	**Tax Impact**	**Net Change – OCI**	**Net Change – Net Income**
Property, Plant & Equipment				
Courtyard by Marriott hotels	14,244	(3,552)	10,692	-
Renaissance	2,617	(437)	2,180	-
Hyatt Arcade	2,409	(855)	1,554	-
Bear Valley	110	(31)	79	-
Deerhurst	336	6,968	7,304	-
Horseshoe	(4,305)	1,141	(3,164)	-
Total – PP&E	**15,411**	**3,234**	**18,645**	**-**
Investment Properties	30,976	(37)	-	30,939
Total Change	**46,387**	**3,197**	**18,645**	**30,939**

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 16 income-producing assets with 2,749 hotel rooms and 85,238 square feet of commercial space.

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

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THE FREED TRANSACTION

On December 6, 2021, Skyline completed the Freed Transaction for an aggregate purchase price of $210 million, subject to standard working capital adjustments on closing, with Freed. Freed, through a newly formed subsidiary, Resort Communities LP ("Resort LP") then combined the Assets with Muskoka Bay Resort ("Muskoka Bay"), an asset previously owned by Freed and its partners, at an agreed value of $90 million. On closing, Skyline recorded approximately $104 million in net cash inflows from investing activities in its consolidated statement of cash flows, as well as the VTB, the Bridge Loan, and the Equity Investment (all as described below). During the year ended December 31, 2021, Skyline recognized a $30.7 million pre-tax gain in the statement of income ($23.5 million gain from fair value adjustments of investment properties and $7.2 million gain on sale of including transaction costs), and a $4.0 million dollar loss through other comprehensive income related to the Freed Transaction.

Vendor Take Back Mortgage

As part of the Freed Transaction, Skyline provided a secured vendor-take back mortgage loan (“VTB”) in the amount of $59.984 million, bearing interest at 5% annually. Interest will accrue and be paid quarterly, with the exception of interest related to Deerhurst, which will accrue quarterly and be paid in 2024 on the 28th month after closing in conjunction with the first scheduled principal repayment, and will paid monthly thereafter. The principal portion of the VTB will be repaid over four years based on the following schedule:

- $10.0 million due in April 2024;
- $25.0 million in June 2025; and
- $24.984 million in December 2025.

The VTB is prepayable by Freed at any time prior to maturity without penalty.

Bridge Loan

Skyline provided a two-year bridge loan (the “Bridge Loan”) to Freed in the amount of $8 million, which has a guarantee from both Freed and Freed’s Resort LP holding entity (the 71% owner of Resort LP) through a pledge of their interest in Resort LP, which is accruing interest at 12% until it is repaid. The Bridge Loan is prepayable by Freed at any time prior to maturity without penalty.

Equity Investment and Purchase Option

Skyline received a 29% interest in Resort LP (“the Equity Investment”) at a transaction value of $32.717 million. The fair value of the transaction is recorded in Skyline’s consolidated financial statements as at December 31, 2021 is $28.808 million, due to transaction costs embedded in Resort LP. The valuation is based on the net asset value (“NAV”) of Resort LP as at December 31, 2021. Skyline will have 29% ownership in Resort LP, which includes the right to approve certain decisions such as acquisitions and the issuance of equity or debt.

Freed will have an option until December 31, 2022, that can be exercised immediately and without restrictions, to purchase Skyline's 29% interest in Resort LP along with a 12% annualized return on this amount in cash (the "Purchase Option").

If Freed does not exercise the Purchase Option, Skyline will have a put option and Freed will have a call option at the end of years four and five (from the Closing Date) to sell/buy up to 50% of Skyline's equity holding in Resort LP based on the fair market value at that time.

Bond and Loan Repayment

On December 23, 2021, using a portion of the cash received on closing, Skyline repaid its Series A bond, which was secured by Deerhurst, in full. The repayment was in the amount of NIS 122 million ($49.98 million), including principal, interest and an early repayment fee in the amount of approximately NIS 4.1 million ($1.7 million). Upon repayment of the Series A bond, Skyline unwound the associated CAD/NIS financial derivative (the "Swap"), and received approximately $6.2 million.

In addition, Skyline repaid loans totaling $19.1 million including early repayment and associated fees. These loans were secured against Horseshoe and lands at Deerhurst.

COVID-19 RECAP AND UPDATE

In December 2020, the local jurisdictions where Deerhurst, Horseshoe, and Bear Valley Resort ("Bear Valley") are located implemented capacity and other business restrictions, causing the partial closure of certain operations. These restrictions were subsequently removed in February 2021 for the remainder of the ski season. On April 3rd, 2021 the Province of Ontario issued a subsequent stay-at-home order, resulting in the temporary closure of certain operations at Horseshoe and Deerhurst (Bear Valley was not subject to these restrictions). These restrictions began easing on June 11, 2021 for the summer season, when demand for domestic travel was strong. On September 22, 2021, the Province of Ontario implemented a plan whereby businesses that require proof of vaccination against COVID-19 can have certain capacity and operating restrictions lifted. Due to a rise in cases related to the Omicron variant of COVID-19 ("Omicron"), on January 3, 2022, the Province of Ontario re-implemented capacity restrictions on certain businesses, the majority of which were subsequently removed on March 1, 2022. These restrictions did not have a major impact on Skyline due to the Freed Transaction, and the same restrictions were not put in place in the U.S. jurisdictions in which it operates. Should the crisis worsen and/or extend for a prolonged period where operating restrictions cannot be removed, there could be an adverse impact on the operations and financial results of the Company.

The Company's hotels located in the United States (the "US Properties") are all open and are seeing relatively steady seasonally-adjusted 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 unveiled multiple support measures for which the Company is eligible. In the US, Skyline has qualified for loans under the PPP. As part of this program, the portion of any loan spent on payroll and other specified costs may be forgiven by the US Government under certain circumstances. Any portion not forgiven over five years will bear annual interest of 1%. During the year ended December 31, 2021, Skyline received US$ 7.5 million ($9.5 million) in PPP funding (year ended December 31, 2020: US$ 6.7 million). For the year ended December 31, 2021, the Company recorded an offset to certain expenses in the amount US$ 7.2 million related to the government assistance at its US properties (year ended December 31, 2020: US$ 6.7 million).

In Canada, the Company has received funding under the Canada Employment Wage Subsidy ("CEWS"), which covers up to 75% of employee wages not in excess of $58.7 thousand per eligible employee, subject to certain conditions, between March 15, 2020 and at October 23, 2021, as well as the Canada Emergency Rent Subsidy ("CERS"), which covers certain rental and building operating expenses from hotels and resorts in the amount of $5.6 million (year ended December 31, 2020: 3.7 million) and an offset to administrative and general expenses in the amount of $0.8 million (year ended December 31, 2020: $0.3 million) relating to CEWS and CERS.

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 during 2021 and 2020. 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.

Non-IFRS Measures

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, the following measures: NOI, 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, 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. Skyline also uses certain supplementary financial measures as key performance indicators. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not *non-IFRS measures. Same Asset NOI is a financial measure that is calculated using the same methodology as NOI, but only including NOI from properties owned for 2 full years prior to December 31, 2021.*

Further details on non-IFRS measures and Supplementary Financial Measures are set out in the Company's Management's Discussion and Analysis for the period ended December 31, 2021 and available on the Company's profile on SEDAR at www.sedar.com or MAGNA at www.magna.isa.gov.il and are incorporated by reference in this news release.

The reconciliations for each non-IFRS measure included in this news release are outlined as follows:

NOI

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key indicator of performance on an unlevered basis as it represents a measure over which Management of property operations has control. NOI is also a key input used by management in determining the value of the Properties. NOI is used by industry analysts, investors and Management to measure operating performance of Canadian companies. NOI represents revenue from cash generating properties less property operating expenses excluding depreciation as presented in the consolidated statements of income and comprehensive income prepared in accordance with IFRS.

Given the seasonality of its hospitality operations, NOI for a fiscal year (or trailing four quarters) is considered by Management as a more accurate measure of the Company's performance.

Skyline calculates NOI as operating income before depreciation, valuation adjustments and other income, adjusted for:

i) Segmented results from Development Segment

ii) Selling and Marketing expenses

iii) Administrative and General expenses

Alternatively, the same result is arrived at by adding segmented results (per note 14 in the consolidated financial statements) of the US and Canadian hotels and resorts segments.

NOI		
	For the year ended December 31	
	2021	**2020**
Operating income before depreciation, valuation adjustments and other income	24,501	7,884
Segmented results from Development Segment	224	(3,058)
Selling and Marketing expenses	266	933
Administrative and General Expenses	8,090	5,600
NOI from hotels and resorts	**33,081**	**11,359**
Income from hotels and resorts	129,293	91,484
Operating expenses of hotels and resorts	(96,212)	(80,125)
NOI from hotels and resorts	**33,081**	**11,359**

FFO

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO should not be considered as an alternative to net income determined in accordance with IFRS. Skyline calculates its FFO in accordance with the Real Property Association of Canada White Paper on FFO for IFRS issued in January 2022, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of Skyline.

Management believes that FFO provides an operating performance measure that, when compared period-over- period, reflects the impact on operations of trends in occupancy, room rates, operating costs and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO adds back to net income items that do not arise from operating activities, such as fair value adjustments, business combination transaction costs, and deferred income taxes, if any. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for recurring capital expenditures necessary to sustain the Company's existing earnings stream.

Funds from Operations (FFO)		
	For the year ended December 31,	
	2021	**2020**
Net income (loss) attributable to shareholders of the Company	**22,926**	**(18,000)**
Gain from fair value adjustments	(24,463)	(2,609)
Depreciation	16,308	18,509
Deferred tax	(10,713)	(9,015)
Revaluation component included in cost of sale, that was previously recognized in gain on fair value adjustments of investment property prior to its transfer to inventory	3,512	5,714
Tax on gain of disposal of a property	6,857	460
Write down of real estate to net realizable value	2,491	1,180
Gain on sale of property	(4,606)	-
FFO	**12,312**	**(3,761)**

Adjusted EBITDA

The Company's operations include income producing assets and revenue from the sale of developed real estate. As such, Management believes Adjusted EBITDA (as defined below) is a useful supplemental measure of its operating performance for investors and debt holders.

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, and Amortization. The Company calculates Adjusted EBITDA as follows:

- Income from hotels and resorts;
- Sale of residential real estate;

Less:

- Operating expenses from hotels and resorts;
- Cost of sales of residential real estate;
- Selling and marketing expenses;
- Administration and general expenses

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of income for the year ended December 31, 2021 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA from Operations Adjusted EBITDA from Operations combines performance of income producing and development activities: (In thousands CAD)		
	For the year ended December 31	
	2021	**2020**
ADJUSTED EBITDA from operations	24,501	7,884

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.