

SKYLINE ANNOUNCES CONTINUED IMPROVEMENT IN OPERATIONAL RESULTS DURING Q2 2022

Toronto, Ontario – August 12, 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 three and six months ended June 30, 2022.

SUMMARY OF FINANCIAL RESULTS

<i>C\$000's</i>	Q2 2022	Q2 2021	H1 2022	H1 2021
NOI¹ from Hotels & Resorts	5,285	6,498	13,496	14,752
NOI from Hotels & Resorts Margin	17%	26%	21%	28%
Same Asset Revenue	30,794	20,542	62,817	40,540
Same Asset NOI ¹	5,254	7,175	13,465	11,666
Same Asset NOI Margin	17%	35%	21%	29%
Adjusted EBITDA²	3,405	4,546	9,593	11,260
Adjusted EBITDA Margin	10.7%	17.3%	14.9%	19.6%
Net Income (loss)	(5,767)	2,206	(5,087)	2,051
FFO¹	(117)	1,350	5,137	4,682
Shareholders' Equity	278,933	230,791	278,933	230,791

Q2 2022 Highlights

- *Q2 2022 same asset revenue¹ increased by 50% to \$30.8 million compared to \$20.5 million in Q2 2021, due to continued improvement in demand and a relaxation in operating restrictions related to COVID-19. Total revenue from hotels and resorts was \$30.8 million compared to \$24.9 million in Q2 2021;*
- *Q2 2022 same asset NOI¹ decreased to \$5.3 million compared to \$7.2 million in Q2 2021, due to increased costs at Bear Valley as it is opens for full capacity in Q2 2022 vs the prior year and also given that in 2022 there have been no government cost support programs. Excluding Bear Valley, same asset NOI was relatively flat year over year;*
- *Q2 2022 Adjusted EBITDA² was \$3.4 million compared to \$4.5 million in Q2 2021. 2021 figures include earnings from the Canadian resorts, which were sold in December 2021 and are therefore not included in 2022 figures;*
- *Q2 2022 Funds from Operations (“FFO”)¹ declined to negative \$0.1 million, or \$(0.01) per share, compared to Q2 2021 FFO of \$1.4 million or \$0.08 per share;*
- *On March 20, 2022, the Company announced that it had entered into an agreement to purchase the Courtyard by Marriott hotel in Ithaca, New York (the “Courtyard Ithaca”) for USD \$11,250 plus customary closing costs. The transaction closed during Q3 2022;*

¹ A supplementary financial measure. Refer to the *Non-IFRS Measures* section of this news release.

² 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.

- *On April 21, 2022, the Company completed a refinancing with a large U.S. commercial real estate lending institution for a loan related to 12 of its Courtyard by Marriott hotels for a period of 5 years, which will be used to repay the existing loan and as a credit facility to finance future hotel renovations; and*
- *On April 24, 2022, the Company commenced a share repurchase plan, which will be in effect until March 31, 2023, and has a maximum purchase amount of \$5 million. The Company purchased 44,747 shares at an average price of 25.41 NIS.*

Blake Lyon, Skyline's Chief Executive Officer commented *"Skyline's operational progress continued during the second quarter of 2022. Skyline's same asset NOI excluding Bear Valley remained constant compared to Q2 2021, as travel activity continues to rebound and Skyline continues to focus on efficiency initiatives. We have begun reinvesting the proceeds received during Q4 2021 from the sale of our Canadian resorts, with the acquisition of the Courtyard Ithaca, which is closed in Q3 2022. Our strong balance sheet will allow us to build on this success throughout the year as we continue to explore expansion opportunities in the hotel sector."*

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for Q2 2022** was \$31.9, compared to \$26.3 in Q2 2021. Revenue from hotels and resorts increased by 24% to \$30.8 due to increased demand and the relaxation of operating restrictions related to COVID-19. Q2 2021 also includes the effect of Skyline's Canadian resorts, which were sold in December 2021 and are therefore not reflected in Q2 2022 figures. Same asset revenue increased by 50% relative to Q2 2021.
- **Same asset NOI for Q2 2022** was \$5.3, compared to \$7.2 in Q2 2021, driven by an increase in costs at Bear Valley to full operating capacity in 2022. Same asset NOI (excluding Bear Valley) was flat as a result of higher operating expenses in 2022 and the inclusion of government support in 2021.
- **Adjusted EBITDA for Q2 2022** was \$3.4, compared to \$4.5 in Q2 2021. Adjusted EBITDA in Q2 2021 includes the effect of Skyline's Canadian resorts, which were sold in 2021 and are therefore not reflected in Q2 2022 figures. In addition, the prior year included the benefit of government assistance.
- **Net financial expense for Q2 2022** totalled \$3.5, compared to \$2.3 in Q2 2021. Interest expense was flat year over year. Non-cash foreign exchange impact of the Company's bonds gain (loss) was (\$1.4), compared to \$1.0 in Q2 2021. Interest income increased by \$0.8 and primarily related to the vendor take back loan ("VTB") associated with the sale of Skyline's Canadian resorts in December 2021.
- **FFO for Q2 2022** was (\$0.1) compared to \$1.4 in Q2 2021. Excluding the impact of government grants received in Q2 2021, there is an improvement in FFO due to the strong recovery in hotel demand, as discussed above, which positively impacted earnings. Q2 2021 FFO also includes the effect of Skyline's Canadian resorts, which were sold in December 2021 and are therefore not reflected in Q2 2022 figures.

- **Net income(loss) for Q2 2022** was (\$5.8), compared to \$2.2 in Q2 2021. Excluding minority interests, the Company had net loss of \$5.5 in Q2 2022, compared to net income of \$0.8 in Q2 2021.
- **Total comprehensive income for Q2 2022** was \$14.0 compared to total comprehensive income of \$7.9 in Q2 2021.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at June 30, 2022 were \$581.6 compared to \$579.7 as at December 31, 2021. The increase was primarily driven by increased fair value of Property Plant and Equipment balances offset by lower cash balances.
- **Cash and cash equivalents** were \$40.6 as at June 30, 2022 compared to \$61.5 as at December 31, 2021. The decrease was driven by tax payments and capital expenditures during 2022.
- **Net debt** as at June 30, 2022 totalled \$181.1, an increase of \$19.0, or 11.7% compared to net debt of \$162.1 as at December 31, 2021. The increase was primarily driven by lower cash balances as described above.
- **Total equity attributable to shareholders** was \$278.9 (\$309.6 including non-controlling interest), representing 48% of total assets. Equity per share attributable to shareholders was 45.22 NIS (\$16.70), compared to the closing share price of 24.58 NIS (\$9.08), a discount of 45.5%.

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.

For more information:

Rob Waxman, CPA CA, CFA
 Chief Financial Officer
 robw@skylineinvestments.com
 1 (647) 207-5312

Oded Ben Chorin
 KM Investor Relations
 +972-3-5167620
 oded@km-ir.co.il

Additional Information:

Non-IFRS Measures

The Company's interim condensed 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 June 30, 2022.

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 June 30, 2022 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 13 in the condensed interim consolidated financial statements) of the US and Canadian hotels and resorts segments.

NOI		
	For the three months ended June 30	
	2022	2021
Operating income before depreciation, valuation adjustments and other income	3,405	4,546
Segmented results from Development Segment	43	440
Selling and Marketing expenses	53	143
Administrative and General Expenses	1,784	1,369
NOI from hotels and resorts	5,285	6,498
Income from hotels and resorts	30,826	24,919
Operating expenses of hotels and resorts	(25,541)	(18,421)
NOI from hotels and resorts	5,285	6,498

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 three months ended June 30,	
	2022	2021
Net income attributable to shareholders of the Company	(5,532)	769
(Gain) loss from fair value adjustments	1,283	(3,129)
Depreciation	3,047	4,362
Deferred tax	(1,387)	(653)
Derecognition of investment costs and other capital (gains) losses	394	-
Tax on gain from disposal of a property	1,822	-
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	256	-
FFO	(117)	1,350

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 three months ended June 30, 2022 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 three months ended June 30	
	2022	2021
ADJUSTED EBITDA from operations	3,405	4,546

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 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.