

SKYLINE ANNOUNCES CONTINUED IMPROVEMENT IN OPERATIONAL RESULTS DURING THE YEAR ENDED DECEMBER 31, 2022

Toronto, Ontario – March 27, 2023. 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, 2022.

SUMMARY OF FINANCIAL RESULTS

<i>C\$000's</i>	2022	2021	2020
NOI¹ from Hotels & Resorts	27,535	33,081	11,359
NOI from Hotels & Resorts Margin	21%	26%	12%
Same Asset Revenue	129,287	90,150	55,207
Same Asset NOI ¹	25,904	22,184	3,392
Same Asset NOI Margin	20%	25%	6%
Adjusted EBITDA²	19,727	24,501	7,884
Adjusted EBITDA Margin	15%	18%	6%
Net Income (loss)	(2,025)	29,578	(18,637)
FFO¹	9,285	12,312	(3,761)
Shareholders' Equity	280,458	266,249	226,044

Q4 and 2022 Highlights

- 2022 same asset revenue¹ increased by 43% to \$129.3 million compared to \$90.2 million in 2021, due to continued improvement in demand and a relaxation in operating restrictions related to COVID-19. Total revenue from hotels and resorts was \$132.1 million compared to \$129.3 million in 2021;
- 2022 same asset NOI¹ increased to \$25.9 million compared to \$22.2 million in 2021. Excluding the impact of government grants received in the prior year, same asset NOI for the year ended December 31, 2021 would have been \$14.7 million. The increase over prior year results from continued improvement of our US operations exiting the COVID-19 pandemic;
- 2022 Adjusted EBITDA² was \$19.7 million compared to \$24.5 million in 2021. 2021 figures include earnings from the Canadian resorts, which were sold in December 2021 and are therefore not included in 2022 figures, as well as government grants of \$13.9 million. Excluding these grants, 2021 adjusted EBITDA would have been \$10.6 million;
- 2022 Funds from Operations (“FFO”)¹ was positive \$9.3 million (or \$0.56) per share, compared to 2021 FFO of \$12.3 million or \$0.74 per share. 2021 FFO had government

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.

subsidies of \$14.2 million, excluding the impact of the government subsidies received in 2021, FFO would have been (\$1.9 million);

- *On July 11, 2022, the Company completed the transaction for the purchase of the Courtyard by Marriott hotel in Ithaca, New York (the “Courtyard Ithaca”) for US \$11.25 million plus customary closing costs;*
- *On October 7, 2022, the Company closed an agreement extending the US \$20 million loan on the Renaissance Hotel until June 2029, at 2.75% over the 30-day SOFR. It was also agreed that an additional loan of US \$16.6 million would be provided for upgrading and improving the Hotel, at 3.50% over SOFR, to be used as necessary. The Company entered into a transaction with a global industrial products company to sell the tax credits that will be generated as a result of the upgrading and improving, for approximate consideration of US \$11 million. The hotel upgrading and improving is well underway and will continue through 2023.*
- *The Company has agreed with the current lender of the Hyatt hotel on an extension to June 13, 2023. The interest rate on the loan for the extension period will be BSBY plus 4.5%. All other terms of the loan remain the same.*
- *Then company’s shareholder equity continued to improve. Since 2020, the shareholders equity has increase \$54.41 million or 24.07%. The book value per share of the shareholder equity is 43.61 NIS (\$16.79), per share, which is 64.8% above the closing price of its shares at December 31, 2022.*

Blake Lyon, Skyline’s Chief Executive Officer commented “Skyline’s operational progress continued during the fourth quarter and 2022. Same asset NOI improved compared to 2021, as travel activity continues to rebound and Skyline continues to focus on efficiency initiatives. We reinvested some of the proceeds received during Q4 2021 from the sale of our Canadian resorts, with the acquisition of the Courtyard Ithaca, on July 11, 2022. Our strong balance sheet will allow us to build on this success, while we continue to carefully manage our business in this environment of global volatility. In light of the recent rapid rise in interest rates, the company remains cautious.”

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for 2022** was \$133.7, compared to \$136.7 in 2021. Revenue from hotels and resorts increased by 2.19% to \$132.1 due to continued improvement in demand, and 2021 includes the effect of Skyline’s Canadian resorts, which were sold in December 2021 and are therefore not reflected in 2022 figures. Same asset revenue increased by 43% relative to 2021.
- **Same asset NOI for 2022** was \$25.9, compared to \$22.2 in 2021. Excluding the impact of government grants received in prior year. same asset NOI for the year ended December 31, 2021 would have been \$14.7. The increase over prior year results from continued improvement of our US operations exiting the COVID-19 pandemic.

- **Adjusted EBITDA for 2022** was \$19.7, compared to \$24.5 in 2021. Adjusted EBITDA in 2021 includes the effect of Skyline’s Canadian resorts, which were sold in 2021 and are therefore not reflected in 2022 figures. In addition, the prior year included the benefit of government assistance. Without the government subsidies, 2021 EBITDA would have been \$10.6.
- **Net financial expense for 2022** totalled \$13.6, compared to \$17.5 in 2021. Interest expense was \$14.04 compared to \$16.6 in 2021, mainly due to lower debt balances, partially offset by higher interest rates. Non-cash foreign exchange impact of the Company’s bonds was a loss of \$2.9, compared to a loss of \$0.95 in 2021. Interest income increased by \$3.6 and primarily related to the vendor take back loan (“VTB”) associated with the sale of Skyline’s Canadian resorts in December 2021.
- **FFO for 2022** was \$ 9.3 compared to \$12.3 in 2021. Excluding the impact of government grants received in 2021, there is an improvement in FFO due to the strong recovery in hotel demand, as discussed above, which positively impacted earnings. 2021 FFO also includes the effect of Skyline’s Canadian resorts, which were sold in December 2021 and are therefore not reflected in 2022 figures. Without the government grant, 2021 FFO would have been (1.9).
- **Net income (loss) for 2022** was (\$2.03), compared to \$29.6 in 2021. Excluding minority interests, the Company had net income (loss) of (\$1.55) in 2022, compared to net income of \$22.9 in 2021. The 2021 result includes the pre-tax gain on the sale of the Canadian resorts in the amount of \$30.7.
- **Total comprehensive income for 2022** was \$15.12 compared to total comprehensive income of \$48.02 in 2021.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at December 31, 2022 were \$609.35 compared to \$579.7 as at December 31, 2021. The increase was primarily driven by the impact of foreign exchange and increased fair value of Property Plant and Equipment balances, including the purchase of the Ithaca Courtyard and land at Bear Valley.
- **Cash and cash equivalents** were \$19.5 as at December 31, 2022 compared to \$61.5 as at December 31, 2021. The decrease was driven by capital expenditures, and payments on debt and taxes.
- **Net debt** as at December 31, 2022 totalled \$221, an increase of \$59, or 36.32% compared to net debt of \$162.1 as at December 31, 2021. The increase was primarily driven by a reduction in cash and cash equivalents, as well as higher debt balances.
- **Total equity attributable to shareholders** was \$280.46 (\$315.97 including non-controlling interest), representing 46.03% of total assets. Equity per share attributable to shareholders was 43.61 NIS (\$16.79), compared to the closing share price on December 31, 2022 of 15.34 NIS (\$5.91), a discount of 64.8%.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 17 income-producing assets with 2,856 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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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 December 31, 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 December 31, 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 12 in the condensed interim consolidated financial statements) of the US and Canadian hotels and resorts segments.

NOI from hotels and resorts		
<i>C\$000's</i>	For the year ended December 31,	
	2022	2021*
Operating income before depreciation, valuation adjustments and other income	19,727	24,501
Segmented results from Development Segment	(537)	224
Selling and Marketing expenses	80	266
Administrative and General Expenses	8,265	8,090
NOI from hotels and resorts	27,535	33,081
Income from hotels and resorts	132,130	129,293
Operating expenses of hotels and resorts	(104,595)	(96,212)
NOI from hotels and resorts	27,535	33,081

** 2021 NOI from hotels and resorts had government subsidies of 13,047 excluding the impact of the government subsidies received in 2021, NOI from hotels and resorts would have been 20,034.*

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)		
<i>C\$000's</i>	For the Year Ended December 31,	
	2022	2021*
Net income (loss) attributable to shareholders of the Company	(\$1,549)	\$22,926
(Gain) loss from fair value adjustments	(\$4,688)	(\$24,463)
Depreciation and impairment	\$12,775	\$16,308
Deferred tax	(\$409)	(\$10,713)
Derecognition of investment costs and other capital losses (gains)	\$310	(\$4,606)
Write down of real estate to net realizable value	-	\$2,491
Tax on gain from disposal of a property	\$1,822	\$6,857
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	\$1,024	\$3,512
FFO	\$9,285	\$12,312
*2021 FFO had government subsidies of 14,195, excluding the impact of the government subsidies received in 2021, FFO would have been (1,883) in 2021.		

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 December 31, 2022 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA from Operations		
<i>Adjusted EBITDA from Operations combines performance of income producing and development activities:</i>		
C\$000's	For the Year Ended December 31,	
	2022	2021*
ADJUSTED EBITDA from operations	\$19,727	\$24,501
*2021 EBITDA had government subsidies of 13,881; excluding the impact of these government subsidies, EBITDA in 2021 would have been 10,621.		

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.