SKYLINE

INVESTMENTS

Management's Discussion and Analysis

For the year ended December 31, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

March 27, 2024

Introduction

This Management’s Discussion and Analysis (this “MD&A”) of the operating results and financial condition of Skyline Investments Inc. (“Skyline”, “the Company”, “we”, “us” or “our”) constitutes management’s (“Management”) review of the factors that affected the Company’s operating performance for the year ended December 31, 2023 and its financial position as at December 31, 2023. This MD&A is dated and has been prepared with information available as of December 31, 2023.

This MD&A should be read in conjunction with the Company’s condensed consolidated financial statements for the year ended December 31, 2023 and 2022 and accompanying notes (the “Financial Statements”).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards, using accounting policies adopted by the Company. These accounting policies are based on the International Accounting Standards, International Financial Reporting Standards and IFRS Interpretations Committee interpretations (collectively, “IFRS”) that are applicable to the Company. Amounts discussed below are based on our consolidated financial statements for the year ended December 31, 2023 and are presented in thousands of Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available under our SEDAR+ profile at www.sedarplus.com.

Except as expressly provided herein, none of the information on the SEDAR+ website is incorporated by reference into this document by this or any other reference.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Company’s future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. In particular, statements regarding the Company’s future operating results and economic performance are forward-looking statements. In some cases, forward-looking information 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. Examples of such statements include the statements with respect to the Company’s strategy, objectives and intentions disclosed in the section entitled “*Overview*”, “*Strategy & Outlook*”, “*Liquidity and Financial Position*” and “*The Company’s Properties*”, including: the Company’s intention to complete future acquisitions and/or dispositions, and the expected benefits from any such acquisitions or dispositions; and the introduction of value-added leasing and operational revenue streams and increased management efficiencies.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include the ability of the Company to complete future acquisitions, obtain necessary equity and debt financing and grow its business; overall indebtedness levels, which could be impacted by the level of acquisition activity Skyline is able to achieve and future financing opportunities; general economic and market conditions and factors; local real estate conditions; competition; interest rates; changes in government regulation; and reliance on key personnel. For more information on these risks and uncertainties readers should refer to the risks disclosed in the section entitled “*Risk Factors*”, as well as the risks disclosed in Skyline’s materials filed with Canadian securities regulatory authorities from time to time, including the Annual Information Form of the Company dated March 27, 2024, which are available under the Company’s profile on SEDAR+ at www.sedarplus.com.

Forward-looking information contained in this MD&A is based on the Company’s current estimates, expectations and projections, which the Company believes are reasonable as of the date hereof. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time except as may be required by applicable securities laws.

Under Israeli law the Company is obligated to disclose an unconsolidated stand-alone financial statement of the parent public entity. These statements are unconsolidated and as a result have none of the operating activity or cash flow that takes place in the Company’s subsidiaries. The parent public entity has minimal revenue but does have head office expenses and interest from the unsecured debt (which is funded from operating activity in the Company’s subsidiaries).

This document contains references to certain Israeli securities laws and publications; all the Company's public filings are available both on the Israeli stock exchange site, and on SEDAR+. In section Cash Flows from Operating Activities a translation of this disclosure under Israeli law is presented, and if not for the dual reporting requirements would not be included in this MD&A.

Non-IFRS Performance Measures

All financial information has been prepared in accordance with IFRS. However, Skyline uses certain non-IFRS measures as key performance indicators, including net operating income ("NOI"), funds from operations ("FFO"), FFO per share, and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

These are key measures commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO and Adjusted EBITDA may differ from similar measures as reported by other companies in similar or different industries. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Please see "*Performance Measures that are not based on IFRS*" for the reconciliations of these non-IFRS performance measures.

Skyline also uses certain supplementary financial measures as key performance indicators, including same asset NOI. 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.

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Overview

Skyline is a Canadian investment company listed on the Tel-Aviv Stock Exchange under the symbol SKLN and is a reporting issuer in Canada.

The Company is a reporting issuer in the Province of Ontario, Canada (following the filing and receipt of a non-offering long form prospectus in 2014) but, as of December 31, 2023, does not have any of its securities listed or quoted on any marketplace in Canada.

Unless otherwise expressly stated, all data set forth herein is presented in thousands of Canadian dollars and refers to the Company's consolidated information.

A. General

The Company operates in three operating segments: (1) hotels and resorts in the United States; (2) hotels and resorts in Canada; (3) development. For further information on the Company's operating segments, see Sections 7 to 9 of Part A of the Report, "The Company's Operations and the Description of the Development of the Company's Business".

As of the date of the Report the Company does not own hotels or resorts in Canada[1], but only development property of insignificant value. See Section 9 of Part A of the Report, "The Company's Operations and the Description of the Development of the Company's Business".

The geographical areas in which the Company operates are Canada and the United States.

The Company's Properties:

As of December 31, 2023 the Company owned 16 income producing properties with 2,804 rooms, and 7,919 square meters of commercial areas.

Property	Location	Number of Rooms	Commercial Space in Square Meters
Courtyard Marriott	Birmingham Hoover, AL	153	
Courtyard Marriott	Huntsville, AL	149	
Courtyard Marriott	Little Rock, AR	149	
Courtyard Marriott	Tucson, AZ	149	
Courtyard Marriott	Fort Myers, FL	149	
Courtyard Marriott	Arlington Heights, IL	147	
Courtyard Marriott	Deerfield, IL	131	
Courtyard Marriott	Rockford, IL	147	
Courtyard Marriott	Lexington. KY	146	
Courtyard Marriott	Miamisburg, OH	146	
Courtyard Marriott	Holland, OH	149	
Courtyard Marriott	Oklahoma City, OK	149	
Courtyard Marriott	Battlefield (Manassas), VA	149	
Courtyard Marriott	Ithaca, NY	107	
Total Select Service Hotels		*2,020*	
Hyatt Hotel	Cleveland, Ohio	293	5,054
Renaissance Hotel	Cleveland, Ohio	491	2,865
Total Full-Service Hotels		*784*	*7,919*
Total		*2,804*	*7,919*

In addition to the above, the Company owns an insignificant number of properties within the real estate development segment.

[1] As noted in Section 1.5 of Chapter A of the Report "The Company's Operations and the Description of the Development of the Company's Business", on November 24, 2023, the Company completed a transaction for the sale of its interest in the partnership (which owns resorts and development land in Canada (including properties that were sold to the Partnership by the Company in December 2021)) to affiliates of Freed Corp. ("**Freed**"), and for changing the terms of the VTB loans. For details, see Note 4 to the consolidated financial statements of the Company

Listed below are completed development projects in which last condos or lots, as applicable, were sold in 2023:

Condominium Projects	Location	Condo Units	Units Sold	Units Occupied	Revenue Recognized in 2023[2]
3rd Line, Lot 1, Concession 3 Line North	Oro-Medonte, Ontario	-	1	-	1,400

The following table summarizes the Company's expected net cash flows from its VTBs:

VTB Loan, Bridge Loan and Notes Receivable[3]	2024	2025	2026 and thereafter	Total
Port McNicoll	2,647	2,400	23,012	28,059
Vetta Spa	33	33	737	803
Total – Development VTBs	**2,680**	**2,433**	**23,749**	**28,862**
Freed VTBs	-	21,388	-	21,388
Equity Notes Receivable (against the sale of the rights in the Partnership)	-	33,800	-	33,800
Total – Freed	**-**	**55,188***	**-**	**55,188**
Bear Valley Notes Receivable	**-**	**-**	**9,145**	**9,145**
Total inflows	**2,680**	**57,621**	**32,894**	**93,195**

* Out of the $55.19 million expected cash flows from Freed, $39.64 million pertains to SII's share while the remaining amount of $11.78 million pertains to SBMD's (a subsidiary of the Company) share. SBMD's partner will receive a share of $3.77 million out of the $11.78 million in accordance with the agreements.

The Company employs, directly and indirectly, 673 staff members who operate its real estate assets as well as its head office functions.

The table below provides comparable data on the Company's operating segments for the year ended December 31, 2021, 2022 and 2023.

	December 31, 2023	December 31, 2022	December 31, 2021
	In CAD thousand		
TOTAL PORTFOLIO INFORMATION			
Number of rooms	2,804	2,856	2,749
Number of hotel properties	16	17	16
Occupancy rate	51.8%	58.07%	48.0%
Average daily room rate	$169.32	$166.36	$154.75
Revenue per available room	$87.63	$96.61	$74.46
HOSPITALITY			
Revenues	121,335	132,130	129,293
Net Operating Income[4]	14,057	27,535	33,081
DEVELOPMENT			
Revenues	4	1,570	7,453
Net Operating Income	($24)	537	(224)
CONSOLIDATED			
Same Asset NOI[5]	14,498	25,026	18,723
Adjusted EBITDA[6]	4,998	19,727	24,501
FUNDS FROM OPERATIONS (FFO)			
Funds from operations[7]	($7,299)	9,285	12,312
FFO per share	(0.44)	0.56	0.74
CAPITALIZATION AND LEVERAGE			
Equity to Total Assets	42%	52%	40%
Unrestricted Cash	57,139	19,503	22,436
Net Debt to Net Cap	49%	41%	53%
Loan to Value (only Hospitality)	56%	51%	53%

[2] Revenue is recognized on unit occupancy and cash is collected on unit closing

[3] A portion of proceeds may be received earlier based on completion of construction. Net cash flows represent gross cash flows less costs to complete construction and debt repayments.

[4] 2021 NOI had government grants of 13,047; excluding these grants, 2021 NOI would have been 19,810.

[5] 2021 same asset NOI had government grants of 7,485; excluding these grants, 2021 same asset NOI would have been 14,699.

[6] 2021 adjusted EBITDA had government grants of 13,881; excluding these grants, 2021 adjusted EBITDA would have been 10,621.

[7] 2021 FFO had government grants of 14,195; excluding these grants, 2021 FFO would have been (1,883). FFO in this table is shown per Real Property Association of Canada guidance. FFO per Israel Securities Authority's position would have been ($10,272) for 2023 ($8,261 in 2022; $8,800 in 2021).

	December 31, 2023	December 31, 2022	December 31, 2021
	In CAD thousand		
Weighted average debt face interest rate	8.68%	4.41%	4.22%
Weighted average debt term to maturity	4.19	1.15	1.98

The Company is a reporting issuer in accordance with the securities laws of Ontario, Canada, and therefore its Management Discussion and Analysis (MD&A) Report, prepared in accordance with the applicable laws of Ontario, Canada, is attached hereto for purposes of convenience. The Company also publishes its financial statements on Canada's SEDAR+ system. The Company's set of reports is available on www.sedarplus.com.

The Company examines, on a regular basis, business opportunities in its operating segments and conducts various negotiations relating thereto, according to its needs, *inter alia* in connection with the expansion or sale of its property portfolio. Within the framework of the negotiations for the sale and/or purchase of property, it is generally customary to sign letters of intent (LOI) that include, *inter alia*, customary provisions relating to confidentiality, due diligence, no-shop period, deposit of small amounts in trust (which, under certain circumstances, are non-recoverable), determination of the period for conducting negotiations and signing a binding agreement, the cases where the Company may withdraw from the transaction, conditions precedent, *etc*.

As of the date of this Report, the Company conducts a review of its options, as described in Section 11 below.

Material Events that Occurred During the Year Ended December 31, 2023 and after the Balance Sheet Date:

For information on material events that occurred during previous quarters of the reporting year, see the first quarter report as of March 31, 2023, the second quarter report as of June 30, 2023 and the third quarter report as of September 30, 2023 (Reference Nos. 2023-01-050988, 2023-01-084757 and 2023-01-135814, respectively), which are incorporated herein by reference.

Below are material events that occurred after publication of the 2023 third quarter report as of and after the balance sheet date:

On February 20, 2024, the Company announced that its negotiations with the potential buyer for the sale of all of the Company's hotel properties in the US had not resulted in a binding agreement as provided for in the original non-binding Letter of Intent (LOI). As of the date of the Report, the Company is considering the possibility of selling all or some of the Courtyard hotels it owns to other third-party buyers unrelated to the Company but known to the potential buyer. Moreover, the Company conducts discussions and negotiations with the same potential buyer for the sale of the Company's properties in Cleveland (the Renaissance and Hyatt hotels). There is no assurance that these negotiations will result in binding agreements. See the immediate report of the same date (Reference No.: 2023-01-017886).

On March 15, 2024, Mr. Shmuel Rosenblum, who served as the Internal Auditor of the Company, announced his resignation as the Company's Internal Auditor after 6.5 years in office, and in his place the Board of Directors, on recommendation of the Audit Committee, appointed Mr. Oren Grupi as the Company's Internal Auditor, effective March 25, 2024.

On March 24, 2024 the Company announced that it received un undertaking with binding legal effect from its controlling shareholder, Mishorim Real Estate Investments Ltd. ("**Mishorim**"), under which Mishorim undertook to provide an on-call loan to the Company of up to NIS 55 million, with a 6% annual interest rate and CPI-linked (the "**Loan**"), if the Company does not have the cash flow required to repay the Series B Bonds from independent sources (the Company is seeking and will continue to seek financing from third parties and/or to liquidate assets). It should be further noted that Israel Land Development Corporation Ltd. ("**ILDC**"), a major shareholder of the Company, has undertaken to provide a loan of up to NIS 27 million on the same terms (so that the amounts from ILDC is provided pro rata to the loan from Mishorim) (collectively: the "**Loans**"). The loans provided to the Company are intended to bridge the cash flow gap created for the Company, *inter alia* due to the full and final repayment of the Series B Bonds expected in mid-July 2024. The loans include customary events of default. For further information, see Note 1(b) to the consolidated financial statements.

On March 25, 2024, Ms. Neha Kapelus (who served as VP Finance) was appointed to Chief Financial Officer.

It should be emphasized that the information provided above is forward-looking information, as defined in the Securities Law, 5728-1968, which is based on information available to the Company at that time and includes data provided to the Company, as well as on the Company's forecasts and estimates. Such assessments may not be

realized or materially different from what is expected, as a result of factors that are independent of the not under the Company's control and due to the risk factors, that the Company faces and which derive from its activities, as mentioned in Section 20 of part A to the annual report.

Attention in the audit report of the external auditor

It should be noted that in the Audit Report of the Company's External Auditor, without qualifying their conclusion, as of the date of the report, attention was drawn to Note 1(b) to the Company's Consolidated Financial Statements which details, among other, Company's obligation and cash flow needs, including obligation to repay bonds (series B) in July 2024 in the amount of $ 51.61 million Canadian dollars, and management's and the Board of Directors' plans to repay its liabilities when they come due. Based on the analysis of cash needs and debt repayment dates made by the Company, and available sources including shareholders loans, the Company's Board of Directors and management are of the opinion that the Company will repay its liabilities when they come due.

Operating Results

Key Performance Indicators

The Company uses several key performance indicators ("**KPIs**") to measure its business activity. One of the key performance indicators in the hotel industry is Revenue Per Available Room ("**RevPAR**"). RevPAR is a function of both occupancy rate and average daily room rate ("**ADR**"). The Company monitors all three above indicators for all of its hotel properties.

Q4 2023 saw a year over year decrease in all three key indicators, across all of the Company's properties. The overall decrease was primarily driven by the decline in US full-service hotels from the effect of extensive renovations at the Renaissance hotel where Skyline has reduced available rooms. This was partially offset by the increase in ADR, RevPAR, and occupancy at the Hyatt hotel. Select service hotels declined over prior year, driven by lower occupancy due to the ongoing renovations at four of its Courtyard hotels.

The Company has not experienced material from inflation, but has experienced significant increases in interest expense resulting from rising interest rates. The Company has financial strategies to protect against future rising interest rates and inflationary pressures, if any, including entering into interest rate swaps, interest rate caps and other hedging measures – the Company entered into one such interest rate cap on its largest USD denominated loan in November 2022. The Company's hospitality portfolio and business base provide the ability to be flexible to navigate these volatile economic conditions. There is no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

		Q1-2023	Q1-2022	Q2 2023	Q2 2022	Q3 2023	Q3 2022	Q4-2023	Q4-2022
US select service Hotels and a California Ski Resort (Bear Valley resort was sold in November 2023) (in USD)	RevPAR	$69.54	$62.03	$77.95	$70.15	$72.51	$71.33	$55.54	$64.97
	ADR	$129.94	$109.05	$117.33	$106.83	$114.58	$110.09	$109.71	$115.54
	Occ.	54%	57%	66%	66%	63%	65%	51%	56%
US full-service Hotels (in USD)	RevPAR	$48.60	$61.79	$69.90	$82.13	$63.96	$107	$54.44	$76.81
	ADR	$157.64	$145.99	$172	$153.10	$184.36	$173.24	$182.92	$169.24
	Occ.	31%	42%	41%	54%	35%	62%	30%	45%

Non-IFRS Performance Indicators

The Company uses certain non-IFRS performance indicators as KPIs. These indicators include NOI, adjusted EBITDA and FFO. For the definitions of these indicators and the tabular discloser, see hereinafter in this report.

Same Asset Analysis

Same Asset Analysis	For the Year Ended December 31,	
	2023	2022

Same Asset Revenue	USA	$103,205	$122,418
	Canada	$80	$1,810
	Total	**$103,285**	**$114,228**
Same Asset NOI	USA	$14,432	$23,238
	Canada	$66	$1,788
	Total	**$14,498**	**$25,026**

The same asset analysis incorporates results of operations of assets that the Company has held for at least two full years ending December 31, 2023. Results related to the Company's Canadian hotels and resorts sold as part of the Freed Transaction, results related to the Courtyard Ithaca hotel, which was acquired in July 2022, and results related to the Bear Valley ski resort, which was sold in November 2023, have not been included in said analysis.

The revenue from same assets in the hotels and resorts (USA and Canada) segments recorded during the year ended December 31, 2023 was $ 103,285, compared to $114,228 during the year ended December 31, 2022. The decrease is a result of the effect of extensive renovations at the Renaissance hotel.

During the year ended December 31, 2023, same asset NOI was $14,498 compared to $25,026 for the year ended December 31, 2022. The decrease is mainly due to hotel renovations.

Fair Value

The Company recognizes the fair value of certain assets on its Balance Sheet. These assets represent 70% of the total assets of Skyline as at December 31, 2023. The Company receives independent, third-party appraisals on all of its hotels and resorts on an annual basis. The appraisals include a comprehensive analysis of market conditions, including any impacts of changes in market interest rates, risk premiums, economic uncertainties and comparable transactions, among other factors. As for its total assets (including fixed assets), the Company takes certain actions on a quarterly basis, to determine if there was any change in value, including discussion with independent, third-party experts, referencing market transactions and non-binding purchase offers, and review of internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date. The following table summarizes the Company's investment properties and property, plant and equipment (PP&E) as of December 31, 2023 and 2022 (in CAD thousand): [8]

	12 months ended December 31, 2023	12 months ended December 31, 2022
Balance, beginning of year	414,552	340,361
Capital expenditure and acquisitions	98,488	56,070
Depreciation and Value decrease	(14,813)	(14,409)
Dispositions	(30,016)	1,431
Changes in fair value	(7,982)	5,984
Foreign exchange and other	(9,582)	25,115
Balance, end of year	**450,647**	**414,552**

During year ended December 31, 2023, the Company recorded a decrease in the fair value of its investment properties and PP&E in the amount of $(7,982), of which $(8,927) resulted from a decrease in the fair value of the PP&E, and $945 resulted from an increase in the fair value of the Investment properties. Below is a breakdown of this change (in CAD thousand):

	YTD Fair Value Change	Tax Impact	Net Change – OCI	Net Change – Net Income
Property, Plant & Equipment				
Courtyard by Marriott hotels	3,628	(627)	3,001	-
Renaissance	(10,915)	1,272	(9,643)	-
Hyatt Arcade	559	(66)	493	-
Bear Valley [9]	(2,199)	845	(1,354)	-

[8] As noted, the property in Bear Valley was sold in November 2023.

[9] As noted, the property in Bear Valley was sold in November 2023.

	YTD Fair Value Change	Tax Impact	Net Change – OCI	Net Change – Net Income
Total – PP&E	**(8,927)**	**1,424**	**(7,503)**	**-**
Investment Properties	945	(250)	-	695
Total Change	**(7,982)**	**1,174**	**(7,503)**	**695**

Net Asset Value

The Company, as most real estate companies do, measures value creation for its shareholders through growth in Net Asset Value ("NAV"), which is equivalent to Equity as presented in the Company's condensed consolidated statement of financial position). An increase in net asset value is primarily achieved by:

- Using strict acquisition criteria, with the intent of acquiring assets at a cost equal to or below replacement cost;
- Generating operational efficiencies; and
- Taking advantage of value-add opportunities

Each of these items may lead to valuation increases in its assets and, as a result, the Company's NAV. The Company calculates its NAV using fair values as disclosed on its balance sheet. Increases in the fair value of the Company's real estate assets is the primary driver of NAV growth.

The Company's NAV is summarized as follows (in thousands CAD):

As at December 31, 2023	Balance Sheet Value	Outstanding Secured Liabilities[10]	*LTV*	Net Asset Value
US select service hotels	227,335	144,383	64%	82,952
US full-service hotels	217,819	103,108	47%	114,711
Resorts	-	-	-	-
Development lands	14,461	10,198	71%	4,263
Projects under construction & other	-	-	-	-
Total real estate	**459,615**	**257,689**	**56%**	**201,926**
Cash	57,139			
Other assets	124,143			
Total assets	**640,897**			**640,897**
Total debt	310,828			
Other liabilities	63,374			
Total liabilities	**374,202**	**257,689**	**69%**	**374,202**
Non-controlling interest	31,736			
Total NAV	**266,695**			**266,695**
NAV per share[11] (CAD)	**14.07**			
NAV per share (NIS)	**38.54**			

Real Estate Inventory

As part of its normal reporting process, at December 31, 2023 the Company reviewed its real estate inventory balances for indicators of impairment, and determined that there was no impairment to real estate inventory as of December 31, 2023.

As at December 31, 2023, the Company had one project, the Golf Cottages in Deerhurst, that was in the construction phase.

The Company's Financial Position

For details regarding the financial position of the Company, see Note 1(b) to the consolidated financial statements.

Liquidity

The following table summarizes the Company's cash flow report (in thousands CAD):

	Year ended December 31, 2023	Year ended December 31, 2022
Net income for the period	(48,294)	(2,025)

[10] Includes secured capital leases.
[11] Excluding non-controlling interest.

	Year ended December 31, 2023	Year ended December 31, 2022
Net cash provided by operating activities	(7,450)	12,144
Net cash provided (used) by investing activities	(44,046)	(57,521)
Net cash provided (used) by financing activities	89,093	2,492
Foreign Exchange translation of cash balances	39	899
Increase (Decrease) in cash and cash equivalents	37,636	(41,986)
Cash and cash equivalents, beginning of the period	19,503	61,489
Cash and cash equivalents, end of the period	**57,139**	**19,503**

The following table summarizes the Company's financial expenses and cash interest paid (in thousands CAD):

	Year ended December 31, 2023	Year ended December 31, 2022
Financial expenses	38,695	18,583
Cash Interest paid	19,523	12,990

Debts – The Company's long-term debts (loans, mortgages and debentures) principal repayments as of December 31, 2023 are as follows (in thousands CAD):

As at December 31, 2023	Principal Amount (loans and bonds)	% of Total Principal (excluding unamortized financing costs)
By December 31, 2024	64,564	20.2%
By December 31, 2025	36,243	11.3%
By December 31, 2026	1,083	0.3%
By December 31, 2027 and thereafter	217,972	68.2%
Unamortized financing transaction costs[12]	(9,034)	
Total	310,828	100%

Series B Bond

The Series B Bonds are redeemable (principal) in payments that shall be made semi-annually on January 15 and July 15 from 2019 to 2024 (inclusive). Each payment shall redeem 3.25% of the par value of the principal of the Series B Bonds except the final payment, which is set for July 15, 2024, and includes the total balance of the principal to be redeemed, at the rate of 64.25% of the par value of the principal of the Series B Bonds.

The interest on the Series B Bonds is paid in semi-annual payments on January 15 and on July 15 of each of the years 2018 to 2024, with the first payment of interest to be made on January 15, 2018, and the last payment of interest to be made on July 15, 2024. For discussion on the Company's Financial Position and ability to repay all its obligations as they come due, please refer to above section.

The information contained herein is forward-looking information, as defined in the Securities Law, 5728-1968, which is beyond the full control of the Company and whose actual realization is uncertain. The information is based on information available to the Company as of the date of publication of the Report and includes the Company's estimates and plans that may not materialize or may differ materially from the Company's plans, as a result of various factors beyond the Company's control, including adverse changes in the economy and/or the real estate market in general, and particularly in the jurisdictions where the Company operates, as well as realization of all or part of the risk factors set out in Section 20 of the Periodic Report.

[12] As at December 31, 2023, deferred financing costs related to bonds payable were $602.

1. Board of Directors' explanations for the state of the Company's affairs, operating results, equity and cash flows

1.1. Financial Position – in CAD thousands

Consolidated statement of financial position	31.12.2023	31.12.2022	Increase (Decrease)	%	Explanation
:Assets					
Cash and cash equivalents	57,139	19,503	37,636	192.98	The increase is primarily attributable to $41.2 million cash received from Freed for the full payment of the bridge loan and partial payment of the VTB loans in Q4 2023. The TIF funding received for the Renaissance hotel, funds received from the $6m mortgage loan and the bond expansion have contributed to the increase. The increase was partially offset by the tax payments, capital expenditures, and net debt payments.
Trade receivables and other receivables	8,633	20,695	(12,062)	(58.28)	The decrease was mainly due to the full settlement of the Freed bridge loans in Q4 2023 and receipt of business tax refunds from the government.
Real Estate Inventory and Inventories	10,391	7,796	2,595	33.29	The increase is mainly due to the increase in development inventory.
Loans to purchasers (short and long-term)	82,983	90,932	(7,949)	(8.74)	The decrease is mainly due from partial repayment of Freed VTBs and principal forgiveness on Freed VTBs, and provision for credit losses against the Port McNicoll VTB, partially offset by the increase in note receivable from the sale of Bear Valley ski resort and the Company's holdings in RCLP.
Bank deposits with limited use (short and long-term)	25,868	11,591	14,277	123.17	The change is primarily due to cash collateral deposits held in trust related to the Company's US properties and debt service reserve in connection with the TIF obligation.
Financial derivative	2,435	4,160	(1,725)	(41.47)	The change is due to a decrease in the fair value of the 2-year interest rate cap on the Courtyards loan, purchased in November 2022, partially offset by foreign exchange.
Investment properties	13,769	13,046	723	5.54	The change is primarily due to fair value adjustments.
Fixed Assets	436,878	401,506	35,372	8.81	The increase is due to additions to PP&E as a result of renovations at the Renaissance and Courtyard, partially offset by sale of the Bear Valley Resort, increase in the accumulated amortization, and derecognition of the Keewatin related to its donation.
Other investments at fair value	-	36,880	(36,880)	(100)	The change is the result of selling the Company's holdings in RCLP as part of the Freed transaction in Q4 2023.
Other non-current assets	2,801	3,238	(437)	(13.50)	The decrease is primary due to the decrease in long-term deposits.
Total Assets	**640,897**	**609,347**	31,550	5.18	**The increase in total assets is a result of the above changes.**
:Liabilities and Equity					
Bonds	52,037	46,302	5,735	12.39	The increase is mainly the result of the issuance of bond units by way of series expansion of the Series B Bonds.
Loans	258,791	194,188	64,603	33.27	The increase is primarily due to the Tax Increment Funding loan in the amount of 13M USD (17.6M CAD) which was recognized from the funding received for the renovation of the Renaissance Hotel, Renaissance Bridge loan of 7.5M USD, Bank construction loan draw of 16.4M USD for the Renaissance hotel, the one-year mortgage loan agreement entered during Q3 2023 and refinancing and increasing the loan in connection with Hyatt Hotel renovation.
Suppliers, deferred income and other payables	51,822	35,533	16,289	45.84	The increase in payable balances is mainly due to the unpaid renovation costs at the Renaissance and Courtyard.
Income taxes payable	1,793	-	1,793	100	The increase is due to unpaid income taxes as of year end.
Deferred tax	9,759	17,358	(7,599)	(43.78)	The decrease is primarily due to taxes recognized on fair value changes of Property Plant and Equipment.
Equity	266,695	315,966	(49,271)	(15.59)	The decrease in equity is attributable mainly to the net loss attributable during the period.
Total Liabilities and Equity	**640,897**	**609,347**	31,550	5.18	**The increase in total liabilities and equity is a result of the above changes.**

1.2. Income statement – in CAD thousands

Consolidated statements on the income statement	31.12.2023	31.12.2022	Increase (Decrease)	%	Explanation
Revenue	121,339	133,700	(12,361)	(9.25)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations, coupled with the decrease from F&B revenue.
Expense and Costs	(107,306)	(105,628)	(1,678)	1.59	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs
Sales and marketing expenses	-	(80)	80	(100)	No sales and marketing expenses incurred during the year.
Administrative and General expenses	(9,035)	(8,265)	(770)	9.32	Increase is due to increase in termination of employment and compensation provision, office rent, and professional services costs.
Impairment of real estate properties	(234)	-	(234)	100	The increase is primarily due to the impairment loss at Bear Valley.
Depreciation	(14,579)	(14,409)	(170)	1.18	The increase is primarily due to the increase in PPE balances.
Gain (loss) from change in fair value	(5,935)	8,758	(14,693)	(167.77)	The loss is due to the change in value of Skyline's investment in RCLP.
Gain (loss) on sale and other capital gains (losses), net	(282)	(4)	(278)	6,950	The change is due to loss from the sale of Bear Valley resort.
Net Financial Expense	(33,623)	(13,620)	(20,003)	146.86	The increase of expense was driven primarily by higher interest rates and more loans compared to prior year, and a provision for credit losses for the forgiven portion of Freed VTBs of $11 million and a provision for credit losses against the Port McNicoll VTB of $1.5 million. This was partially offset by the foreign exchange revaluation of bonds – the non-cash foreign exchange impact of the Company's bonds was a gain of $0.9, compared to a loss of ($2.9) in 2022.
Other Expense	(3,141)	(522)	(2,619)	501.72	The net loss is due to the derecognition of the Keewatin due to its donation and accrual for $1 million donation expense related to the Keewatin. The increase was partially offset by the recapturing of remaining cost reserves from several completed development projects into income.
Income Tax	4,502	(1,955)	6,457	(330.28)	The current period income is due to a decrease in deferred taxes and a decrease in previous year taxes and current period taxes.
Profit (loss) for the year	**(48,294)**	(2,025)	(46,269)	2,284.89	**The change in the net results is due to the reasons mentioned above.**

1.3. Operating Segments – in CAD thousands

A. Hotels and Resorts in the United States

	31.12.2023	31.12.2022	Increase (Decrease)	%	Explanation
Revenue	121,256	130,204	(8,948)	(6.87)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations, coupled with the decrease from F&B revenue.
Cost of revenue (excluding depreciation)	(107,264)	(105,083)	(2,181)	2.08	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs.
Segment Results	**13,992**	**25,121**	**(11,129)**	**(44.30)**	**Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

B. Development Property

	31.12.2023	31.12.2022	Increase (Decrease)	%	Explanation
Revenue	4	1,570	(1,566)	(99.75)	The Company currently has only one active Development project with insignificant activity in current earnings, whereas the prior year included the sale of some development property.
Cost of revenue (excluding depreciation)	(28)	(1,033)	1,005	(97.29)	Same as above.
Segment Results	**(24)**	537	(561)	(104.47)	**Net segment results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

C. Same Asset Analysis

	31.12.2023	31.12.2022	Increase (Decrease)	%	Explanation
Revenue	103,285	114,228	(10,943)	(9.58)	The decrease is a result of lower revenue from hotels and resorts due to lower RevPAR driven by a decrease in occupancy rate mainly due to the hotel renovations.
Cost of revenue (excluding depreciation)	(88,787)	(89,202)	415	(0.47)	The increase in costs is attributable to increasing staff levels, higher repairs and maintenance costs and other variable operating costs
NOI	**14,498**	25,026	(10,528)	(42.07)	Net results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.
NOI Profitability rate	**0.14**	0.22	(0.08)	(35.93)	**NOI Profitability has decreased as a result of the above.**

The above analysis includes operating results of rental properties owned by the Company for 2 full years ending December 31, 2023. These properties include the Company's hotels in Cleveland, U.S.A. (Renaissance and Hyatt), the 13 Courtyard hotels.

Quarterly Profit and Loss Data

Statement ofIncome	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	24,769	29,719	32,370	34,481	34,760	34,770	31,880	32,290
Expenses and costs	(25,078)	(25,728)	(27,840)	(28,660)	(27,435)	(27,426)	(26,638)	(24,129)
Net Operating Income	**(309)**	**3,991**	**4,530**	**5,821**	**7,325**	**7,344**	**5,242**	**8,161**
Real estate selling and marketing expenses	-	-	-	-	-	(2)	(53)	(25)
Administrative and general expenses	(2,359)	(2,260)	(2,414)	(2,002)	(2,469)	(2,064)	(1,784)	(1,948)
Adjusted EBITDA	**(2,668)**	**1,731**	**2,116**	**3,819**	**4,856**	**5,278**	**3,405**	**6,188**
Impairment of real estate properties	-	666	(900)	-				
Depreciation	(3,299)	(3,682)	(3,767)	(3,831)	(3,873)	(3,653)	(3,441)	(3,442)
Gain (loss) from fair value adjustments of investment properties	-	(68)	983	30	47	(83)	533	-
Gain (loss) from fair value of financial instruments	-	(2,700)	(4,180)	-	11,078	(259)	(1,986)	(572)

Derecognition of investment costs and other capital gains (losses)	(282)	-	-	-	(4)	-	-	-
Other income (expenses)	(1,058)	1,057	390	(3,530)	(61)	(67)	(269)	(125)
Net income (loss) from operations	**(7,307)**	**(2,996)**	**(5,358)**	**(3,512)**	**12,043**	**1,216**	**(1,758)**	**2,049**
Financial expense	(10,354)	(13,435)	(8,783)	(6,123)	(4,973)	(6,823)	(4,715)	(2,072)
Financial income	1,501	1,192	1,180	1,199	1,222	1,243	1,234	1,264
Net income (loss) before income taxes	**(16,160)**	**(15,239)**	**(12,961)**	**(8,436)**	**8,292**	**(4,364)**	**(5,239)**	**1,241**
Income tax recovery (expense)	(1,033)	3,494	639	1,402	(865)	(1)	(528)	(561)
Net income (loss)	**(17,193)**	**(11,745)**	**(12,322)**	**(7,034)**	**7,427**	**(4,365)**	**(5,767)**	**680**
Attributable to:								
Shareholders of the Company	(14,685)	(9,588)	(10,574)	(5,456)	7,278	(4,297)	(5,532)	1,002
Non-controlling interest	(2,508)	(2,157)	(1,748)	(1,578)	149	(68)	(235)	(322)
Total net income (loss)	**(17,193)**	**(11,745)**	**(12,322)**	**(7,034)**	**7,427**	**(4,365)**	**(5,767)**	**680**
Net income (loss) per share:								
Basic and diluted	(0.89)	(0.58)	(0.64)	(0.33)	0.44	(0.26)	(0.33)	0.06

Performance Indicators not based on IFRS

The financial information is prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, the Company uses certain measures not in accordance with IFRS as key indicators of performance, including net operating income ("**NOI**"), cash flow from operating activities ("**FFO**") and adjusted profit before interest, depreciation and amortization ("**Adjusted EBITDA**"). Skyline believes these non-IFRS measures provide useful supplementary information to both Company's management investors for the purpose of measuring the financial performance of the Company.

These are key measures commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded real estate entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

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 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 potential for seasonality in 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:

1. Segmented results from the Development Segment;
2. Selling and Marketing expenses;
3. Administrative and General expenses.

Alternatively, the same result is arrived at by adding segmented results (per note 28 in the consolidated financial statements) of the Company's hotels and resorts.

NOI (In thousands CAD)			
For the year ended December 31			
	2023	2022	2021 [1]
Operating income before depreciation, valuation adjustments and other income	4,998	19,727	24,501
Segmented results from Development Segment	24	(537)	224
Selling and Marketing expenses	-	80	266
Administrative and General Expenses	9,035	8,265	8,090

[1] 2021 NOI had government grants of 13,047, excluding the impact of these grants, 2021 NOI would have been 20,034.

NOI from income producing assets	**14,057**	**27,535**	**33,081**
Revenue from hotels and resorts	121,335	132,130	129,293
Operating expenses of income producing assets	(107,278)	(104,595)	(96,212)
NOI from income producing assets	**14,057**	**27,535**	**33,081**

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 is not an alternative for net income determined in accordance with IFRS. Skyline calculates the measure in accordance with the guidelines of the Real Property Association of Canada, which were published 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 data required by IFRS, 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, 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 excludes from net income items that do no arise from operating activities, such as fair value adjustments, purchase 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 of recurring capital expenditures necessary to maintain the existing revenue stream.

It should be emphasized that the method of calculating this indicator by the Company may differ from the method of calculation applied by other companies.

Funds from Operations (FFO) (In thousands CAD)			
	For the year ended December 31		
	2023	**2022**	**2021**[1]
Net income net of minority interests	(40,303)	(1,549)	22,926
Loss (gain) from fair value adjustments	6,679	(4,688)	(24,463)
Depreciation	12,955	12,775	16,308
Deferred tax	(5,287)	(409)	(10,713)
Derecognition of investment costs and other capital losses (gains)	4,246	310	(4,606)
Revaluation component included in cost of sale, that was previously recognized in gain (loss) on fair value adjustments of investment property prior to its transfer to inventory	1,024	1,024	3,512
Write down of real estate to net realizable value	234	-	2,491
Provision for credit loss	11,561	-	-
Tax on gain of disposal of a property	1,592	1,822	6,857
FFO per Real Property Association of Canada Guidance	**(7,299)**	**9,285**	**12,312**
Adjustment: 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)	(1,024)	(3,512)
FFO per ISA Guidance	**(8,323)**	**8,261**	**8,800**

[1] 2021 FFO had government grants of 14,195, excluding the impact of these grants, 2021 FFO would have been (1,883).

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, 2023 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		
	2023	2022	2021[1]
ADJUSTED EBITDA from operations	**4,998**	**19,727**	**24,501**

NOI, FFO, and Adjusted EBITDA are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, and Adjusted EBITDA, as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries.

2. Cash Flows

2.1. Cash Flows from Operating Activities

For the year ended December 31, 2023, the Company had a negative (consolidated) cash flow from operating activities of (7,450), compared to a positive cash flow of 12,144 for the corresponding period of the previous year. The decrease in cash flow from operating activities is related to the decrease in NOI

[1] 2021 adjusted EBITDA had government grants of 13,880, excluding the impact of these grants, 2021 adjusted EBITDA would have been 10,621.

relative to the prior year, combined with the payments of liabilities. For further details, see the statement of cash flow for the period ended December 31, 2023.

In its separate (solo) financial statements as of December 31, 2023, the Company presents negative cash flow from operating activities of approx. (5,694) compared to a negative cash flow from operating activities totaling (15,463) for the corresponding period of the previous year). The Company anticipates that in the future it may present a negative cash flow from operating activities in its solo reports, as the majority of the Company's activity is carried out through subsidiaries.

In light of the Company's upcoming debt maturities in the coming year, the Company performed an examination of its financial condition, operating results, liquidity, financial strength and flexibility, and its ability to meet its liabilities, including loans provided to it, and it believes that, as of the date of the Report, it has sufficient liquidity to meet its liabilities as they become due.

The foregoing constitutes forward-looking information. The Company's estimates and assumptions relating to the projected cash flow and sources for repayment of the Company's current and expected liabilities are based on data and work plans available to the Company as of the date of publication of this Report, and assuming its continued operations in the ordinary course of business. There is no certainty that these assumptions and estimates will fully or partially materialize, as they depend on external and macro-economic factors over which the Company has little or no influence.

2.2. Working Capital

In its consolidated financial statements, the Company recorded negative working capital of $ (19,101) as of December 31, 2023, compared to negative working capital of approx. ($12,039) as of December 31, 2022. The decrease in working capital was primarily due to the reclassification of the Series B bonds from long-term to short term payable and increase in unpaid construction costs related to the Courtyards and Renaissance. In addition, the Company has $325 in available undrawn lines of credit. Management believes that it has a sufficient working capital to meet its obligations as they come due.

In its solo financial statements, the Company recorded positive working capital of 14,309 as of December 31, 2023, compared to positive working capital of 23,780 as of December 31, 2022. The decrease was mainly caused by the reclassification of the Series B bonds from long-term to short term payable.

2.3. Cash Flows from Investing Activities

During the reporting period, the Company had a negative cash flow from investing activities totaling approx. 44,046, mainly due to capital additions in line with the hotel renovations, partially offset by proceeds from Bear Valley ski resort sale, partially repayment of Freed VTBs and bridge loan, and funds released from restricted deposits. In the corresponding period of the previous year, the Company recorded negative cash flow from investing activities totaling CAD 57,521 thousand, mainly due to an acquisition coupled with capital additions, purchase of financial derivative and tax payments made, offset by funds released from restricted deposits.

2.4. Cash Flows Used for Financing Activities

During the Reporting period, the Company had a positive cash flow from financing activities totaling approx. 89,093, primarily driven by refinancing and increasing the Hyatt's loan, bank credit, receipt of

TIF funding for Renaissance renovation, Renaissance renovation Bridge loans draws in Q4 2023, bond extension, and from investment by the Company's Partner at the Renaissance for the hotel's renovation.

During the previous year, the Company had a positive cash flow from financing activities totaling CAD 2,492 thousand, primarily due to proceeds from long term loans and contributions from non-controlling interests, partially offset by repayments on long term loans and bonds.

3. Financing Resources

3.1. For details of financing agreements within the operations segments of the Company, see Sections 9.3 and 7.3.1 to 7.3.5 of Part A of the Report - "The Company Operations and Description of the General Development of the Company's Business". See also Note 15 to the consolidated financial statements.

3.2. On September 25, 2017, the Company issued to the public Series B Debentures of NIS 164,464,000 par value pursuant to a shelf offering prospectus dated September 24, 2017 (Reference No. 2017-01-036994).

3.3. On July 16, 2023, the Company closed a private bonds placement to classified investors of Series B Debentures of NIS 29,600,000 par value.

3.4. On September 19, 2023, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a one-year mortgage loan agreement for CAD $6 million.

3.5. Trade receivables, other receivables and prepaid expenses as of December 31, 2023, stood at approximately 8,633, compared to approximately 20,695 as of December 31, 2022.

3.6. Trade payables balance as of December 31, 2023 amounted to 6,620, compared to 5,832 as of December 31, 2022.

3.7. As of December 31, 2023, the Company has unused credit facilities of approximately 325 and has assets without financial liabilities of approximately 14,500.

3.8. For information on agreements for loans totaling NIS 82 million from Mishorim and ILDC, see "Material Events".

4. Critical Accounting Policies and Estimates

The presentation of financial statements involves estimates and assumptions that may affect the data presented therein. Any changes in such estimates may affect the reported data. Refer to Note 3 to the annual consolidated financial statements as of December 31, 2023, for details regarding critical accounting estimates.

The preparation of the consolidated financial statements requires Management to make judgments and estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. For details regarding significant accounting policies, see Note 2 to the annual consolidated financial statements as of December 31, 2023.

5. Market Risk Exposure and Management

5.1. The individuals responsible for market risk management are the Company's CEO and CFO. For information about them, see Regulation 26A of Part D of the Report.

5.2. Description of Market Risks

The Group companies are subject to certain risks and uncertainties, mainly associated with the development of future assets, competition, real estate markets, general and regional economic conditions, the availability and cost of financing, changes in interest rates due to uncertainty in the world markets including Israel, the United States and Canada, and exchange rates fluctuations.

The Company does not hold nor issue financial derivatives instruments for transaction purposes.

The Group companies are exposed to the following risks that are related to financial assets and liabilities, as follows:

5.2.1. Interest Rate Risk

The Group companies have minimized their risks of negative changes in interest rates by guaranteeing that loans will be spread over several years. The Company has loans that may expose it to interest rates fluctuations in the short term. Interest rate risks are mitigated by obtaining financing to cover debts at fixed exchange rates, which are spread over a number of years. For more details on interest rate risk and sensitivity analysis, see Note 27(a) to the Consolidated Financial Statements.

5.2.2. Credit Risks

The Group companies are exposed to credit risks that may arise from financial difficulties of customers and be unable to meet their liabilities under real estate acquisition agreements, purchaser loans and hosting agreements. This risk is mitigated by registering liens and caveats on real estate properties and collecting deposits form buyers. The Company mitigates credit risks for its customers in the hotel sector by receiving advance deposits from groups and accepting cash and credit card payments from retail customers. For more details on credit risks, see Note 27(b) to the Consolidated Financial Statements.

5.2.3. Liquidity Risk

For more details on liquidity risk, see Note 27(c) to the Consolidated Financial Statements.

5.2.4. Exchange Rate Risk

The Group companies are exposed to exchange rate fluctuations on loans denominated in US dollars, in relation to the Canadian operating currency. Management holds regular discussions on the exposure to various market risks, including changes in exchange rates. The Company's policy is to maintain a correlation between the currency in which the assets are acquired and the currency of the loans the Company takes to finance those assets, in order to maintain equity in that currency. The Company does not purchase financial instruments that hedge the USD/CAD currency rate risk. Exchange rate risk is minimized by borrowing in US dollars for properties in the United States. For more details on exchange rate risk and sensitivity analysis, see Note 27(d) to the Consolidated Financial Statements.

5.3. Qualitative and Quantitative Reporting on Currency Risk Exposure

5.3.1. Currency Risks

Currency exposure – the Company's assets and liabilities are denominated in different foreign currencies. In view of the fact that the total foreign currency denominated liabilities are not always equal in value to the total foreign currency denominated assets, the Company is exposed to potential changes in foreign currencies' exchange rates.

5.3.2. The following table presents the impact of changes in the US dollar on the operating segment results:

Description of Operating Segment	December 31, 2023				
	Profit (loss) from changes in the US dollar		Segment results in CAD thousands	Profit (loss) from changes in the US Dollar	
	6%	3%		-3%	-6%
Hotels and hospitality in the US	840	420	13,992	(420)	(840)
Total	**840**	**420**	**13,992**	**(420)**	**(840)**

5.3.3. The following table presents the impact of changes in the US dollar rates on the financial assets and liabilities of the companies in the US:

	December 31, 2023				
	Increase (decrease) in equity from changes in US dollar rates		CAD thousands	Increase (decrease) in equity from changes in the US Dollar rates	
	6%	3%		-3%	-6%
Current assets	1,650	825	27,493	(825)	(1,650)
Non-current assets	28,044	14,022	467,408	(14,022)	(28,044)
Current liabilities	(1,951)	(976)	(32,518)	976	1,951
Long-term liabilities	(15,793)	(7,896)	(263,216)	7,896	15,793
Total	**11,950**	**5,975**	**199,167**	**(5,975)**	**(11,950)**

5.3.4. Currency Risk Management Methods:

Generally, the Company finances its international investments by obtaining loans from overseas banks in the same currency as the investment currency, as well as by means of equity from its own resources.

5.4. Qualitative and Qualitative Reporting on Exposure to Interest Rate Risks

5.4.1. Interest Rate Risks

Some of the Company's loans bear a fixed interest rate, and therefore changes in market interest rates have no impact on financing costs arising from such loans. However, the Company has loans bearing a variable interest rate linked to the Prime rate (in Canada) and to the SOFR/WJS (in the US).

The following table presents the impact of changes in the Prime, SOFR and WJS interest rates on the interest costs of the loans:

Period	Interest rates	Interest costs	Changes in interest rates			
Variable interest			0.5%	1%	-0.5%	-1%
2023	9.65%	15,138	198	396	(871)	(1,743)
2022	5.91%	10,199	487	975	(863)	(1,727)

5.4.2. Interest Rate Risk Management Methods:

The Company has exposure to changes in interest rates on financing resources for investments in real estate, which include acquisition of land and construction of buildings for sale. The Company's policy regarding its development projects is to finance such activities through construction loan or line of credit.

The Company is exposed to changes in interest rates on long-term financing sources for the purpose of financing its investments in some of its hotels. The Company's policy in such situations is to mitigate the exposure through contracts of up to 5-7 years and by minimizing penalties should refinancing be needed.

5.5. The Company’s Market Risk Management Policy.

The Company holds regular discussions on the exposure to market risks, including changes in foreign currencies' exchange rates, and the Board of Directors reviews from time to time the risks and the Company’s policy addressing such risks. The Company's policy is to maintain, to the extent possible, a high correlation between the currency in which the assets were acquired and the currency in which the liabilities for the acquisition of such assets are denominated, with the intention of holding its equity in the currencies of the various markets in which it operates, with exchange rates similar to those of assets denominated in the various currencies out of total assets. As of December 31, 2023, the Company's share of the principal balance from translation differences was $9,239, compared to $12,453 for the corresponding period of the previous year, a decrease of $3,214.

The Company does not hedge its balance sheet and income statement translated to CAD dollars (from US dollars), because the impact of changes in exchange rates does not affect the cash flow.

5.6. Means of Policy Supervision and Implementation

The risks set out below are managed through long-term and ongoing risk management by the Company's management, which monitors such risks from time to time.

Variable interest – the Company has short and long-term credit bearing variable interest dependent on the amount of the Canadian Prime and US WSJ/SOFR (for 30 days). An increase in Prime rates will adversely affect the Company's financing expenses.

Linkage base – the Company has long-term credit bearing a fixed interest rate denominated in the same currency as the functional currency of the financed property. In 2017 the Company issued NIS-denominated, dollar-linked Series B Debentures. The proceeds from this issuance were used by the Company to purchase 13 hotels of the Courtyard by Marriot chain in the US. For details regarding the NIS exchange rate in relation to the CAD exchange rate, see Note 2(d) to the consolidated financial statements as of December 31, 2023.

5.7. <u>Linkage Basis Report</u>

For details regarding the distribution of the Company's assets and liabilities by linkage bases in 2023 and 2022, see Note 27(d) to the Company's financial statements attached hereto. For details regarding the classification of financial instruments, see Note 2(k) of the Company’s financial statements.

6. <u>Donation Policy of the Company</u>

The Company has not established a policy on donations.

7. <u>Events After the Reporting period</u>

For further events, see Note 29 to the consolidated financial statements attached hereto.

8. <u>Compliance with Financial Covenants</u>

As of the date of publication of the Report, the Company and its subsidiaries comply with the financial covenants undertaken towards the banks and the debenture holders, with the exception of the EBITDA covenant in respect of which the interest rate of the Series B Bonds was adjusted as set forth below.

Set out below is information regarding the Company's compliance with financial covenants undertaken by the Company and its subsidiaries under material loan agreements to which it is a party (which are valid as of the date of the report):

8.1. The terms of the loan provided to finance the 12 Courtyard hotels do not include financial covenants. See Section 7.3.3 of Part A of the Annual Report.

8.2. With respect to the loan related to the Renaissance hotel (See Section 7.3.2 of Part A of the Annual Report), the covenant compliance test will start on September 30, 2024 for the two quarters ending September 30, 2024.

a. The guarantor (Skyline Investments Inc.) shall own, in its own name, Liquid Assets having a value of not less than $12,500, as of December 31, 2023 the amount is $57,464.

b. The guarantor (Skyline Investments Inc.) shall have a net equity of not less than $100,000, as of December 31, 2023 the Company’s net equity is $234,959.

c. With respect to the loan taken by a subsidiary of the Company on November in connection with financing and renovation of Renaissance hotel in Cleveland, Skyline shall maintain a net worth in the aggregate of at least USD 4,000 thousand and liquid assets in the aggregate of at least USD 2,000 thousand. As of December 31, 2023 Skyline net worth is CAD 234,959 thousand, and the liquid assets in the aggregate are CAD 57,464 thousand.

8.3. With respect to the loan for the Courtyard Ithaca property in Ithaca, NY (see Section 7.3.5 of Part A of the Annual Report), Skyline shall maintain a tangible net worth of no lower than $100 million CAD as of December 31, 2023 the amount is $237,356. Beginning the first day of Borrower's fiscal year 2023, Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. The DSCR based on the 12 months ending December 31, 2023 was 1.53.

8.4. With respect to a loan taken by a subsidiary of the Company on April 20, 2023 in connection with the financing and renovation of the Hyatt hotel in Cleveland, as described in Section 7.3.1 of the Annual Report, do not include defaulting financial covenants. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to be not be less than 1.4:1. The DSCR based on the 12 months ending February 2023 was 1.75; violations of this financial obligation would result in the lender controlling the cash from the Hotel's operation to ensure all operating costs are paid including debt service until the ratio was back above 1.45:1. The DSCR ratio based on the 12 months ending December 31, 2023, was 1.79.

9. <u>Disclosure to Debenture Holders</u>

9.1. For information about the Company's outstanding Debentures (Series B), see Note 14 to the Consolidated Financial Statements as of December 31, 2023, which were attached to the Annual Report. Except as provided below, as of the date of publication of this Report, there have been no material changes in the data relating to the Company's outstanding Debentures.

9.2. <u>Below are additional data on the Company's Debentures:</u>

<u>Series B Debentures</u>

On June 1, 2023, the Company announced that due to its non-compliance with the financial covenant relating to Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust for the Series B Bonds), the interest rate of the Series B Bonds increased by 0.25% in accordance with Section 5.4 of Deed of Trust for the Series B Bonds, and therefore, the interest rate borne by the Series B Bonds is 5.9%. For details, see an amended immediate report of the same date (Reference No. 2023-01-051646). The Company's Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust for the Series B Bonds), remains below the required threshold of $18 million, at $1.6 million for the period ended December 31, 2023.

On July 11, 2023, Midroog Ltd. changed the rating outlook on the Series B Bonds from "Stable" to "Negative". For details, see the rating report of the same date (Reference No. 2023-01-065647).

As described above, on July 16, 2023, the Company closed a private placement of Series B Bonds by way of a series expansion to five institutional investors classified as such under the First Schedule of Law, in which the investors acquired NIS 29,600,000 par value of the Company's Series B Bonds for a (gross) consideration of NIS 29,008,000.

Set out below is information relating to the financial covenants stipulated under Section 5.4 of the Deed of Trust (*Interest Rate Adjustments due to Non-Compliance with Financial Covenants*) dated September 24, 2017 for the Company's Series B Debentures (hereinafter: "**Series B Debentures Deed of Trust**":

Financial Covenant	Calculation Results as of December 31, 2023
The Company's consolidated equity (excluding minority interests) shall not be less than $180 million (which will not be linked to any linkage Base)	$235 million
The Company's Consolidated Equity (including minority interests) to Total Assets Ratio shall not be less than 28.5%	42%
The Company's Operating EBITDA (as defined in Section 1.5.31 of the Deed of Trust) for the four quarters preceding the review date has fallen below $18 million.	$1.6 million

Set out below are data on the financial covenants undertaken by the Company under Section 6.2 (*Financial Liabilities*) of the Series B Debentures Deed of Trust:

Financial Covenant	Calculation Results as of December 31, 2023
The Company's consolidated equity (excluding minority interests) shall not be less than $130 million (which will not be linked to any linkage Base)	$235 million
The Company's Consolidated Equity (including minority interests) to Total Assets Ratio shall not be less than 26%	42%

Set out below is information relating to financial covenants undertaken by the Company under Section 8.1.27 (*Grounds for Calling for Immediate Repayment*) of the Series B Debentures Deed of Trust:

Pursuant to Section 8.1.27 of the Deed of Trust, the Company certifies that no changes have been made in the main activity of the Company. Moreover, the total amount of the Company's residential and land development project, on a consolidated basis, does not exceed 30% of the Company's consolidated total assets.

Restrictions on Dividend Distribution:

The Company may make a Distribution, as defined in the Companies Law (including by way of purchase of shares of the Company) (in this section: "**Distribution**"), subject to compliance with the provisions of the Companies Law for Distribution purposes, provided that the following cumulative conditions are met:

(a) the Company’s total consolidated equity capital (not including minority rights), pursuant to the Company’s consolidated financial reports, after Distribution as aforementioned, shall be no less than a total of 200 million Canadian dollars and, the ratio of the Company’s consolidated capital (including minority rights) to the total balance sheet pursuant to the annual or quarterly financial reports that were published prior to the date of passing the resolution as to the Distribution, after execution of the Distribution, shall be no less than 28.5%;

(b) the scope of the Distribution that the Company shall be permitted to make to its shareholders shall not exceed 50% of “the current net profit” for every calendar year, starting from January 1, 2016;

(c) the Company is complying and shall comply after the Distribution with the financial criteria pursuant to Section 6.2a of the Series B Deed of Trust; and

(d) The Company has transferred to the trustee approval by the senior officer in the field of finance in the Company pursuant to with Section 6.2(i)(d) of the Series B Debentures Deed of Trust.

For this purpose, "**Current Net Profit**" means, profit for the period under accepted accounting rules in accordance with the Company's latest quarterly or annual consolidated financial statements, as applicable, less revenues and plus non-cash costs and expenses recognized in the profit for the period. Without derogating from the generality of the aforementioned: revenues that are not cash flow based could include, for example, an increase in the fair value of real estate for investment and profit from purchase at an incidental price. Expenses and costs which are not cash flow based could include, for example: decreases in the fair value of real estate for investment, depreciation and deductions and expenses due to share-based payment. Notwithstanding the aforementioned, the Company shall be permitted to distribute a dividend during the realization of assets (including by way of adding a partner), at a scope of up to 50% of the cash flow profit derived from realization of the asset, and this due to the share of the cash flow profit, which is not included in current Net Profit, as defined above.

For this purpose, "**Cash Profit**" means, net consideration derived to the Company from sale of the asset, whether this sale was recognized in current net profit or whether its results were recognized in other comprehensible income, less the following components: cost of the original purchase, capital investments (CAPEX) executed in the period in which the Company held the asset, transaction costs and taxes. Furthermore, the cash flow profit shall include any other sum which as a result of realization, pursuant to the accepted rules of accounting, shall be transferred from the capital fund to the surplus balance. It shall be emphasized that if the sale of the asset was carried out in instalments, it shall be possible to distribute the dividend in instalments, subject to the aforementioned, relatively, pursuant to the payment table of the sale. It should be stated that in the event that the Company did not distribute a dividend for a certain calendar year, the right to distribute shall accrue for it, and it shall be entitled to distribute it in the coming years, subject to the provisions of the law. See above the calculation of Current Net Profit as of December 31, 2023.

On July 16, 2023, an amendment to the Deed of Trust of the Series B Bonds was entered into under which the Company undertook not to make a Distribution (within the meaning of the Companies Law, 5759-1999) until the Series B Bonds are redeemed in full. Notwithstanding the foregoing, the Company may make a distribution if, prior to the distribution, the Company deposits funds in a trust account up to the full amount required to repay the bonds on the original due date, and provides the trustee with a certificate of such deposit from the senior finance officer of the Company together with the calculation, subject to compliance with the terms set forth in Subsection 6.2(i) of the Deed of Trust. See immediate report from the same date (Reference No. 2023-01-067084).

As of the Report Date and during the reporting period, the Company is compliant with all terms and undertakings pursuant to the Series B Deed of Trust, including compliance with the financial covenants set forth in this section above, and including compliance with the negative pledge undertaking under Series B Deed of Trust, and no conditions establishing grounds for acceleration of Series B Debentures have been fulfilled.

10. Equity

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. A detailed description of the rights, privileges, restrictions and conditions attached to the common shares is included in our Annual Information Form. As of December 31, 2023 (and the date of this MD&A), the Company had 16,700,480 common shares issued and outstanding.

The Company's capital resources include amounts raised from the sale of its common shares. The Company's common shares are listed for trading on the Tel Aviv Stock Exchange.

	As at December 31, 2023
Total outstanding at the beginning of the period[1]	16,700,490
Shares issued (repurchased) during the period	(10)
Total outstanding at the end of the period	**16,700,480**

Other Issued Securities

The Company has also issued Stock Options as outlined in the table below.

Changes in number of stock options for the year ended December 31,	2023	2022
Outstanding at beginning of year	200,000	200,000
Cancelled (see Note 18 (c) (3) in the consolidated financial statements	(100,000)	-
	100,000	**200,000**

Weighted average exercise price (CAD) as at December 31,

2023	2022	2021
8.76	10.53	11.20

11. Strategy & Outlook

As of the date of this Report, the Company is in the process of reviewing its strategy (as published in an immediate report dated June 14, 2023 and focusing on activities that will ensure that its debt service is sufficient for the final repayment of the Series B Bonds expected in July 2024.

The Company considers the possibility of selling all or some of its assets to unrelated third parties and, for this purpose, conducts negotiations (see also an immediate report published by the Company on February 20, 2024).

12. Factors Affecting Performance

The Company's performance is affected by a number of industry and economic factors as well as exposure to certain environmental factors, including those further discussed below. These factors represent opportunities but also challenges and risks that the Company must successfully address in order to continue to grow the business and improve its results of operations.

[1] Including 200,000 shares held in trust for the Company's CEO.

Canadian Hotels and Resorts segment

The Company continues to explore acquisition opportunities in the Canadian hotel space that align with its acquisition criteria.

Competitive Conditions

The Ontario marketplace relies significantly on inter-provincial travel, for both leisure and group business. Competitors for leisure guest visits include locally owned independent resorts in rural locations known for their natural beauty as well as larger hotel and resort experiences in Ontario's key tourism destinations. Competitors for group travel include all branded hotel chains with conference facilities or branded hotels in major cities within proximity to convention centers.

The Company will seek to gain a competitive advantage on future Canadian acquisitions by investing in quality properties located in geographic areas with multiple demand generators.

Accessibility from major metropolitan areas

The Greater Toronto Area (GTA) is the most populous metropolitan area in Canada. The Greater Golden Horseshoe, with a population of approximately 9 million, encompasses the GTA and is expected to grow to 13.5 million by 2041. Proximity to the GTA, including Pearson International Airport, is considered a key competitive advantage in the Canadian hotel marketplace.

Seasonality

The Hospitality segment in Canada is impacted by seasonality. Resort operations are highly seasonal in nature, with a typical winter/ski season beginning in early December and running through the end of March, and typical summer seasons beginning late in June and ending in early September. Traditional hotel operations with proximity to metropolitan centres are less impacted by seasonality. The Company will seek to position future investments in the Canadian hotel sector to be less susceptible to seasonality trends.

USA Hotels and Resorts segment

Competitive Conditions

Competition in the US hotel industry is generally based on quality and consistency of rooms, restaurant and meeting facilities and services, attractiveness of locations, availability of a global distribution system, and price among other factors. The Company's properties compete within their geographic markets with hotels and resorts that include locally owned independent hotels as well as facilities owned or managed by national and international chains, including such brands as Marriott, Hilton, IHG, and Hyatt. The Company's properties also compete for convention and conference business across the national market. The Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at the hotels through capital improvements.

In the US, the Company's hotels and resorts are well-positioned within the competitive marketplace. The Cleveland hotels maintain a competitive share of the leisure market due to their central downtown location and affiliation with leading international brands Marriott and Hyatt. The Bear Valley Resort in California is a well-known ski resort with proximity to significant population centers such as San Francisco and Sacramento. Skyline's Select-Service Courtyard by Marriott hotels offer geographical diversity with strong locations in key Midwest, Southeast and Southwest markets, and benefit from the industry-leading Marriott loyalty program and worldwide distribution system. The

Company seeks to gain a competitive advantage in the market by upgrading the quality of accommodations and amenities available at its hotels through capital improvements. Recently completed projects include guestroom renovations at the Hyatt Regency Arcade in Cleveland, Ohio, (114 of which were renovated during 2014 and the balance 180 rooms were renovated during the first nine months of 2017) and an investment in Bear Valley resort by installing a new high-speed lift and modernization of its equipment. In October 2015, the Company (together with a 50% partner) acquired Renaissance Hotel in Cleveland, Ohio (a 65,000 square foot event and meeting space, which includes 491 rooms, 34 meeting rooms, a number of restaurants and a 304-vehicle parking garage).

The Company intends to complete the renovation and improvement of all the conference space, common areas and rooms at the Renaissance by second quarter of 2024.

On November 14, 2017, the Company acquired 13 Marriott Courtyard hotels in the US for US $135 million. The 13 hotels acquired include, in aggregate, 1,913 rooms. The hotels are spread over 9 US states and are geographically diverse with strong locations in key Midwest, Southeast and Southwest markets. On July 11, 2022, the Company acquired the "Courtyard by Marriott" hotel in Ithaca, New York, for US $11.25 million. The hotel added New York state to the Company's portfolio.

Accessibility from major metropolitan areas – Cleveland, Ohio Properties

Northeast Ohio lies along the southern shores of Lake Erie. The major cities of this area are Cleveland and Akron. These two cities are roughly 39 miles apart and are highly interconnected. The region is also part of the Great Lakes Megalopolis, which contains an estimated 59.1 million people.

The Cleveland core-based statistical area (CSA) is one of the largest in Ohio with nearly 2.1 million residents. The region is served by two international airports. It is home to numerous fortune 500 firms and several of the area's largest employers are in the healthcare industry. The Cleveland Clinic is the area's largest employer and is a high-ranking hospital according to US News & World Report. University Hospitals, another well-recognized facility, is the second largest employer in the CSA. In 2019, approximately 19.6 million people visited Cleveland.

The Company's hotels in the CSA maintain excellent vehicular and pedestrian access that is considered superior to some of its nearby competitors within walking distance to the primary attractions like the Jack Cleveland Casino, professional sports arenas, the Rock and Roll Hall of Fame, playhouse district, and a new convention center and medical mart.

Seasonality

The Company's hotels are all-season operations, though stronger during June through October and slower during December through February, and therefore maintain a balanced level of income throughout the year. The second quarter is historically the strongest and the first quarter is historically the weakest for the 13 Marriott by Courtyard hotels, with similar trend expectations for the Ithaca Courtyard.

Real Estate, Development segment ("Development")

As part of the Freed Transaction, the Company sold the majority of its development properties.

The development segment's remaining activities are insubstantial, comprising the completion of servicing land for sale at the Golf Cottages project at Deerhurst.

Seasonality

Seasonality has no impact on the activities of the Company's existing projects in this segment.

13. Financial Instruments and Off-Balance Sheet Arrangements

There are no financial instruments or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Company Distributions

The Company does not currently have a dividend distribution policy.

14. Contingencies and lawsuits

When estimating the lawsuits filed against the Company and its subsidiaries, the Company relies on the opinion of its legal advisors. The opinions of legal counsel are based on best professional judgment, taking into account the stage of the proceedings and legal experience gained in various matters. The outcome of the claims adjudged by the courts, could differ from these estimates.

In December 2019, the Company was served a claim from the Company's former President and Chairman for employment related issues. In addition, the Company has been served with several smaller claims. In agreement with the Company's legal advisors, Management concludes that it is not possible, at this stage to estimate the Company's chances of success or the likely amount of recovery, if any.

The Company has been served with legal claims totaling $1.7 million in relation to certain construction projects. In agreement with the Company's legal advisors, Management concludes that it is not possible, at this stage to estimate the Company's chances of success or the likely amount of settlement, if any.

15. Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our Chief Executive Officer and CFO are responsible for establishing and maintaining the Company's internal control over financial reporting and other financial disclosure and our disclosure controls and procedures. The Company could be adversely impacted if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, the Company cannot assure the reader that the disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our share price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements. Internal control over other financial disclosure is a process designed to ensure that other financial information included in this MD&A, fairly represents in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented in this MD&A.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management by others, particularly during the period in which the filings are being prepared and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company's disclosure controls and procedures includes controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's Management, as appropriate to allow timely decisions regarding required disclosure.

Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

For the year ended December 31, 2023, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management has concluded that there are no material weaknesses in the Company's internal controls over financial reporting as at December 31, 2023.

16. Risk Factors

Our hospitality operations, real estate development projects, vacation club, and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. In addition to the other information presented in this MD&A, the following risks should be given special consideration as part of any investment decision in the Company's securities.

Investors should carefully consider all of the information disclosed in this MD&A prior to investing in the securities of the Company. There are certain risks inherent in an investment in the securities of Skyline and in the activities of Skyline, including our hospitality operations, real estate development projects, vacation club, and those set out below and in Skyline's materials filed with Israeli and Canadian securities regulatory authorities from time to time, including Skyline's most recently filed Annual Information Form, which are available under the Company's profile on MAGNA at www.magna.isa.gov.il and/or SEDAR+ at www.sedarplus.com. Current and prospective holders of securities of Skyline should carefully consider such risk factors.

If any of the following or other risks occurs, Skyline's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of Skyline could decline and investors could lose all or part of their investment in such securities, and the future ability of Skyline to make distributions to shareholders could be adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

<u>Global Risks</u>

We are subject to risks related to currency fluctuations.

We present our financial statements in Canadian dollars. To create a natural hedge, we have obtained financing in US dollars for the Hyatt Regency Cleveland hotel, the Renaissance Hotel in Cleveland Ohio, and the Marriot Hotels. However, a significant fluctuation in the Canada/US exchange rate could impact our net income after tax that is reported in Canadian dollars. Currency variations can also contribute to variations in sales at our hotels from Canadian residents travelling to the United States.

We borrowed through the capital market in Israel, denominated in Israeli Shekels, with a linkage on Series B Bonds to US dollars. For further information, see Bonds under Section 14 of the Board of Directors' Report.

Certain circumstances may exist whereby our insurance coverage may not cover all possible losses and we may not be able to renew our insurance policies on favorable terms, or at all.

Although we maintain various property and casualty insurance policies and undertake safety and loss prevention programs to address certain risks, our insurance policies do not cover all types of losses and liabilities and in some cases may not be sufficient to cover the cost of claims which exceed policy limits. If we are held liable for amounts exceeding the limits of our insurance coverage or for claims outside the scope of our coverage, our business, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

In addition, we may not be able to renew our current insurance policies on favorable terms, or at all. Our ability to obtain future insurance coverage at commercially reasonable rates could be materially adversely affected if we or other companies within or outside our industry sustain significant losses or make significant insurance claims.

Fluctuations in interest rates could negatively affect our business.

Fluctuations to available interest rates as a result of changes to the inflation rate or other factors may negatively impact the business, results of operations and financial position of the Company, as interest expense represents a significant cost in the ownership of real estate properties. Additionally, in a rising interest rate environment, the cost of acquiring, financing, developing and renovating the Company's properties also increases. Upward pressure on capitalization rates impacts adversely impact the value of the Company's assets. In an attempt to combat recent inflation through cooling demand, the Federal Reserve began increasing the Federal Funds Effective Rate in the first quarter of 2022, with its most recent increase announced on July 26, 2023, after which rates have been steady. A continued increase in interest rates may also result in a significant increase in the amount paid by the Company to service debt, which could in turn adversely affect the Company's financial condition and results of operations. The Company has available a variety of financial strategies to protect against rising interest rates and inflationary pressures. Specifically, the Company may enter into interest rate swaps, interest rate caps and other hedging measures – the Company entered into one such interest rate cap on its largest USD denominated loan in November 2022. There is no assurance regarding the impact of a significant economic contraction or recession on the business, results of operations and financial position of the Company.

Consumer privacy and data use and security.

Although we take steps to protect the security of our information systems and the data maintained in those systems, it is possible that their respective safety and security measures will not be able to prevent the systems' improper functioning or damage, or the improper access or disclosure of personally identifiable information such as in the event of cyber-attacks. The sophistication and effectiveness of cyber threats are increasing with time. Such threats can result from deliberate attacks or unintentional events. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches can create system disruptions, shutdowns, deployment of ransomware, theft of data, corruption of data, misappropriation and unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt operations, damage reputations, expose us to liability claims or regulatory penalties which may not be covered by insurance, result in increased cybersecurity protection costs and increased regulatory scrutiny and could have a material adverse effect on our financial condition and results of operations. In addition, sophisticated hardware and operating system software and applications that we may procure from outside companies may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with our internal operations or the operations at our hotels. The costs to prevent or reduce cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant, and efforts to address these problems may not be successful and could result in interruptions, delays, cessation of service and loss of existing or potential business at our hotels. In addition, the COVID-19 pandemic has increased cybersecurity risk as a result of global remote working dynamics for our customers, employees and third-party providers that present additional opportunities for threat actors to engage in social engineering and to exploit vulnerabilities in information systems. Any of these events could have a material adverse effect on our business, financial condition and results of operations and subject the Company to potential litigation and regulatory proceedings.

Industry Risks

Our industry is sensitive to weakness in general economic conditions and risks associated with the overall travel, leisure, and recreational community industries.

Weak economic conditions in n Canada and the United States, including high unemployment, erosion of consumer confidence, and the availability and cost of debt, may potentially have negative effects on the travel and leisure industry and on our results of operations. An economic downturn could negatively impact consumer spending on vacation real estate and at our hospitality outlets. We cannot predict how economic trends will worsen or improve our future operating results. The actual or perceived fear of weakness in the economy could also lead to decreased spending by our guests. We may not be able to increase the price of our offerings commensurate with our costs.

Variations in the timing of peak periods, holidays and weekends may affect the comparability of our results of operations.

Depending on how school breaks, holidays and weekends fall on the calendar year, in any given year we may have more or less peak periods, holidays and weekends in each fiscal quarter compared to prior years, with a corresponding difference in adjacent fiscal quarters. These differences can result in material differences in our quarterly results of operations and affect the comparability of our results of operations.

We are vulnerable to the risk of unfavorable weather conditions and the impact of natural disasters.

Unfavorable weather conditions may adversely affect the number of visitors and our revenue and profits. Unseasonably cold or warm weather may influence the momentum and success of the high seasons at our hotels.

Unfavorable weather conditions can adversely affect our hotels as guests tend to delay or postpone vacations. There is no way for us to predict future weather patterns or the impact that weather patterns may have on our results of operations or the number of guests.

Climate change may adversely impact our results of operations.

There is a growing political and scientific consensus that emissions of greenhouse gases continue to alter the composition of the global atmosphere in a way that is affecting and is expected to continue affecting the global climate. The effects of climate change, including any impact of global warming, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Warmer overall temperatures and other effects of climate change may adversely affect visits and our revenue and profits.

We face significant competition.

The hotel, lodging, and real estate development industries are highly competitive. Our competitors may have access to greater financial, marketing and other resources and may have access to financing on more attractive terms than us. As a result, they may be able to devote more resources to improving and marketing their offerings or more readily take advantage of acquisitions or other opportunities.

Our real estate development projects require municipal approvals and adequate infrastructure.

Our real estate development projects require adequate municipal services for sewage treatment, potable water supply, fire flow, and road access. There are risks associated with insufficient capacities, particularly in rural areas, resulting in costly delays and expensive upgrades to sewage treatment plants, pumping stations, water wells, water storage towers, and road intersection improvements.

Timely municipal approvals for Official Plan Amendments, Zoning By-law Amendments, Plans of Subdivisions, Consents for Severance, Site Plan Approvals, Minor Variances to the Zoning By-law, and Building Permits not only depend on adequate municipal services but also on political support. There are considerable risks in being subjected to lengthy appeals procedures initiated either by us, in the absence of required approvals, or by existing residents opposed to our developments.

Our operations are subject to extensive laws, rules, regulations and policies administered by various federal, provincial, state, regional, municipal and other governmental authorities.

Our operations are subject to a variety of federal, state, provincial, regional and local laws and regulations, including those relating to lift operations, emissions to the air, discharges to water, storage, treatment and disposal of fuel and wastes, land use, remediation of contaminated sites and protection of the environment, natural resources and wildlife. We are also subject to worker health and safety laws and regulations. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. While regulatory approvals provide a significant barrier to new entrants in our industry, such approvals may be time consuming and consume considerable capital and manpower resources. Our efforts to comply with applicable laws and regulations do not eliminate the risk that we may be held liable for breaches of these laws and regulations, which may result in fines and penalties or subject us to claims for damages. Liability for any fines, penalties, damages or remediation costs, or changes in applicable laws or regulations, could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

We are subject to environmental laws and regulations in the ordinary course of business.

Our operations are subject to a variety of federal, provincial, state and local environmental laws and regulations including those relating to emissions to the air, discharges to water, storage, treatment and disposal of wastes, land use, remediation of contaminated sites and protection of natural resources such as wetlands. Our facilities are subject to risks associated with mold and other indoor building contaminants. From time to time our operations are subject to inspections by environmental regulators and other regulatory agencies. We are also subject to worker health and safety requirements. We believe our operations are in substantial compliance with applicable material environmental, health and safety requirements. However, our efforts to comply do not eliminate the risk that we may be held liable, incur fines or be subject to claims for damages, and that the amount of any liability, fines, damages or remediation costs may be material for, among other things, the presence or release of regulated materials at, on or emanating from properties we now or formerly owned or operated, newly discovered environmental impacts or contamination at or from any of our properties, or changes in environmental laws and regulations or their enforcement.

We are subject to litigation in the ordinary course of business.

We are, from time to time, subject to various asserted or un-asserted legal proceedings and claims. Any such claims, regardless of merit, could be time consuming and expensive to defend and could divert Management's attention and resources. While we believe we have adequate insurance coverage and/or accrue for loss contingencies for all known matters that are probable and can be reasonably estimated, we cannot assure that the outcome of all current or future litigation will not have a material adverse effect on us and our results of operations.

Our acquisitions or future acquisitions might not be successful.

Acquisitions are complex to evaluate, execute and integrate. We cannot assure you that we will be able to accurately evaluate or successfully integrate and manage acquired properties and businesses and increase our profits from these operations. We continually evaluate potential acquisitions and intend to actively pursue acquisition opportunities, some of which could be significant. As a result, we face various risks from acquisitions, including: our evaluation of the synergies and/or long-term benefits of an acquired business; our inability to integrate acquired businesses into our operations as planned; diversion of our management's attention; potential increased debt leverage; litigation arising from acquisition activity; and unanticipated problems or liabilities.

In addition, we run the risk that any new acquisitions may fail to perform in accordance with expectations, and that estimates of the costs of improvements for such properties may prove inaccurate.

Our business is sensitive to rising travel costs.

Many of our guests travel by vehicle and higher gasoline prices may make travel more expensive and impact the number of guests that visit our properties. As a result, occupancy rates of our hotels may be negatively impacted, which would impact the Company's revenues.

Our business is sensitive to changes in the real estate industry.

Decreased demand for retail space, decreased rental fees, decreased ability for tenants to meet payment obligations, increased financing costs and improvements at competitive resorts may negatively impact the Company's operations.

The cost of contractors may impact our future projects.

The cost of employing contractors for the Company's projects impacts the Company's profitability. The Company could also be impacted by changes in the cost of raw materials and labour, shortages of raw materials and labour and strikes for unionized labour.

Risks unique to the company

The high fixed cost structure of our business can result in significantly lower profits if visitation to our hospitality properties declines.

Our profitability is highly dependent on visitation. However, the cost structure of our business has significant components that cannot be eliminated when demand declines, including costs related to utilities, information technology, insurance, year-round employees and equipment. The occurrence of other risk factors discussed herein could adversely affect the demand for our properties and we may not be able to reduce fixed costs at the same rate as declining revenues.

Our business is capital intensive and is dependent on the availability of cash flows and credit facilities.

We must regularly expend capital to construct, maintain and renovate our properties in order to remain competitive, maintain the value and brand standards of our properties and comply with applicable laws and regulations. We cannot always predict where an expenditure will need to be made in any fiscal year and expenditures can increase due to forces beyond our control. Further, we cannot be certain that we will have enough capital or that we will be able to raise capital by issuing equity or debt securities or through other financing methods on reasonable terms, if at all, to execute our business plan. A lack of available funds could have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows.

Our ability to fund expenditures will depend on our ability to generate sufficient cash flow from operations and/or to borrow from third parties. We cannot provide assurances that our operations will be able to generate sufficient cash flow to fund such costs, or that we will be able to obtain sufficient financing on adequate terms, or at all. In addition, there can be no assurances that future real estate development projects can be self-funded with cash available on hand, through advance pre-sale deposits or through third party real estate financing. Any inability to generate sufficient cash flows from operations or to obtain adequate third-party financing could cause us to delay or abandon certain projects and/or plans.

Further, the ability to enter into a revolving corporate credit facility on reasonable economic terms, may adversely affect our ability to obtain the additional financing necessary to acquire additional vacation ownership inventory. The ability to provide consumer financing for vacation ownership customers may impact the results from operations and cash flow.

We rely on information technology to operate our businesses and maintain our competitiveness, and any failure to adapt to technological developments or industry trends could harm our business.

We depend on the use of sophisticated information technology and systems, including technology and systems used for central reservations, point of sale, procurement, administration and technologies we make available to our guests. We must continuously improve and upgrade our systems and infrastructure to offer enhanced products, services, features and functionality, while maintaining the reliability and integrity of our systems and infrastructure. Our future success also depends on our ability to adapt our infrastructure to meet rapidly evolving consumer trends and demands and to respond to competitive service and product offerings.

In addition, we will not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. Delays or difficulties in implementing new or enhanced systems may keep us from achieving the desired results in a timely manner, to the extent anticipated, or at all. Any interruptions, outages or delays in our systems, or deterioration in their performance, could impair our ability to process transactions and could decrease our quality of service that we offer to our guests. Also, we may be unable to devote financial resources to new technologies and systems in the future. If any of these events occur, our business and financial performance could suffer.

Our business depends on the quality and reputation of our brands, and any deterioration in the quality or reputation of these brands could have an adverse impact on our business.

A negative public image or other adverse events could affect the reputation of one or more of our hotel properties and other businesses or more generally impact the reputation of our brands. If the reputation or perceived quality of our brands declines, our market share, reputation, business, financial condition or results of operations could be adversely impacted. The unauthorized use of our trademarks could also diminish the value of our brands and their market acceptance, competitive advantages or goodwill, which could adversely affect our business.

If we do not retain our key personnel, our business may suffer.

The success of our business is heavily dependent on the leadership of key management personnel, including our senior executive officers. If any of these persons were to leave, it could be difficult to replace them, and our business could be harmed.

We are subject to risks associated with our workforce.

We are subject to various federal, state and provincial laws governing matters such as minimum wage requirements, overtime compensation and other working conditions, citizenship requirements, discrimination and family and medical leave. Our operations in Canada are also subject to laws that may require us to make severance or other payments to employees upon their termination.

From time to time, we have also experienced non-union employees attempting to unionize. While only a small portion of our employees are unionized at present, we may experience additional union activity in the future. In addition, future legislation could make it easier for unions to organize and obtain collectively bargained benefits, which could increase our operating expenses and negatively affect our business, prospects, financial condition, results of operations and cash flows.

We are subject to accounting regulations and use certain accounting estimates and judgments that may differ significantly from actual results.

Implementation of existing and future legislation, rulings, standards and interpretations from the International Accounting Standards Board or other regulatory bodies could affect the presentation of our financial statements and related disclosures. Future regulatory requirements could significantly change our current accounting practices and disclosures. Such changes in the presentation of our financial statements and related disclosures could change an investor’s interpretation or perception of our financial position and results of operations.

We may not be able to fully utilize our tax loss carry-forwards.

As at December 31, 2023, we believe we will have non-capital loss carry-forwards of approximately $76 million for Canadian and US federal, provincial and state income tax purposes. To the extent available, we intend to use these net operating loss carry-forwards to offset future taxable income associated with our operations. There can be no assurance that we will generate sufficient taxable income in the carry-forward period to utilize any remaining loss carry-forwards before they expire.

Our stock price can be volatile.

The market price of our stock is highly volatile in response to factors such as quarterly variations in our operating results, which is beyond our control. We are listed on the Stock Exchange and are subject to the capital markets in the State of Israel. Events beyond our control that take place in the State of Israel may negatively affect our stock price.

An active trading market for our Common Shares may not be sustained.

Although our common shares are listed on the Stock Exchange, an active trading market for our common shares may not be sustained. Accordingly, if an active trading market for our common shares is not maintained, the liquidity of our common shares, the ability to sell common shares when desired and the prices they may be obtained for such shares will be adversely affected.

We cannot provide assurance that we will pay dividends.

Any declaration and payment of future dividends to holders of our shares will be at the discretion of our Board in accordance with applicable law after taking into account various factors, including our financial condition, our operating results, our current and anticipated cash needs, the impact on our effective tax rate, our indebtedness, legal requirements and other factors that our Board deems relevant. Our financing agreements and the Deed of Trust for the Series B Bonds limit our ability to pay dividends.

Because we are a holding company, our ability to pay cash dividends on our common shares will depend on the receipt of dividends or other distributions from our subsidiaries. Until such time that we pay a dividend, our investors must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Our indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

Our level of indebtedness could have important consequences. For example, it could: make it more difficult for us to satisfy such obligations; increase our vulnerability to general adverse economic and industry conditions; require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, real estate developments, marketing efforts and other general corporate purposes; limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; place us at a competitive disadvantage compared to our competitors that have less debt; and limit our ability to borrow additional funds.

We are subject to certain legal and regulatory matters in Israel that may affect the Company.

The Company is subject to the regulations and requirements of Israeli Securities Law and Israeli Companies Law. It is possible that the Company will be subject to any changes in Israeli law and regulatory requirements and the possible imposition of requirements from time to time by regulators and Stock Exchange authorities in Israel.

The Company is subject to maintaining certain financial conditions.

The Deed of Trust that governs the outstanding bonds (Series B) requires the Company to maintain certain financial conditions which may limit the Company's ability to incur additional liabilities or raise additional equity. These restrictions may limit the Company's ability to take advantage of business opportunities as they arise. More importantly, the Company's ability to comply with the covenants may be affected by changes in economic or business conditions or other events beyond its control. A breach of these covenants by the Company may result in the aggregate amount of the principal and interest on the Series B Bonds becoming due and payable by the Company. The Company's ability to make accelerated payments will be dependent upon its cash resources at the time, its ability to generate sufficient revenue and its access to alternative sources of funds. Accordingly, the Company's inability to comply with the financial conditions could have a materially adverse effect on the Company's financial condition.

The Company has an upcoming maturity of its Debentures (Series B) in July 2024 and has several options for how it will pay the Debentures (Series B) debt when it is due (as detailed in Note 1(b) to the financial statements), and the Company is expected to meet all of its financial obligations in the foreseeable future when they come due.

Additional issuance of securities by the Company may dilute existing security holders, reduce some or all of the Company's financial measures on a per share basis, reduce the trading price of the Common Shares or other the Company securities or impede the Company's ability to raise future capital.

The Company may issue additional securities in the future in connection with acquisitions, strategic transactions, financings or for other purposes. To the extent additional securities are issued, the Company's existing security holders could be diluted and some or all of the Company's financial measures could be reduced on a per share basis. Additionally, the Company's securities issued in connection with a transaction may not be subject to resale restrictions and, as such, the market price of the Company's securities may decline if certain large holders of the Company's securities or recipients of the Company's securities in connection with an acquisition, sell all or a significant portion of such securities or are perceived by the market as intending to sell such securities. In addition, such issuances of securities may impede the Company's ability to raise capital through the sale of additional equity securities in the future.

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of noncompliance, which could have an adverse effect on the price of the Company's securities.

The Company is subject to changing rules and regulations promulgated by a number of Israeli and Canadian governmental and self-regulated organizations, including the Stock Exchange and the Canadian Securities Administrators. These rules and regulations continue to evolve in scope and complexity, making compliance more difficult and uncertain. Further, the Company's efforts to comply with such rules and regulations, and other new rules and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of Management time and attention from revenue-generating activities to compliance activities.

The Company is subject to the risk of having unoccupied guestrooms during extended periods of renovations. During renovations, certain guestrooms and other facilities are unavailable for occupancy and do not generate income

Certain significant expenditures, including property taxes, ground lease payments, maintenance costs, interest payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing revenue. Delays in the renovation of a property or a portion thereof could delay the sale of room nights and event space at such property resulting in an increased period of time where the property is not producing revenue, or producing less revenue than a property not undergoing renovations. In addition, costs of renovations have been and may be greater than estimated (including but not limited due to inflation, interest rate increases, labour shortages and supply chain disruptions) resulting in cost overruns, which could adversely affect our cash flows, results of operations or financial condition and our ability to make interest and principal payments to holders of Debentures.

For further information about the Company, please visit the Company's website at www.skylineinvestments.com or SEDAR+ at www.sedarplus.com or Israeli Securities regulators www.magna.isa.gov.il.

March 27, 2024