SKYLINE ANNOUNCES Q1 2023 Financial Results

Toronto, Ontario – May 11, 2023. Skyline Investments Inc. (the "Company" or "Skyline") (TASE: SKLN), a Canadian company that specializes in hotel real estate investments in the United States and Canada, published its results for the three months ended March 31, 2023.

SUMMARY OF FINANCIAL RESULTS

C$000's	**Q1 2023**	**Q1 2022**
NOI[1] from Hotels & Resorts	**5,829**	**8,211**
NOI from Hotels & Resorts Margin	17%	26%
Same Asset Revenue	33,755	31,910
Same Asset NOI[1]	5,912	8,138
Same Asset NOI Margin	18%	26%
Adjusted EBITDA[2]	**3,819**	**6,188**
Adjusted EBITDA Margin	11%	19%
Net Income (loss)	**(7,034)**	**680**
FFO[1]	**2,085**	**5,254**
Shareholders' Equity	**275,525**	**265,379**

Q1 2023 Highlights

- *Q1 2023 same asset revenue increased by 5.8% to $33.8 million compared to $32.0 million in Q1 2022, due to higher RevPAR driven by an increase in ADR, and partially offset by a decrease in occupancy rate. Total revenue from hotels and resorts was $34.5 million compared to $32.0 million in Q1 2022;*
- *Q1 2023 same asset NOI[1] decreased to $5.9 million compared to $8.1 million in Q1 2022. The decrease over prior year is primarily driven by the affect of the extensive renovations at the Renaissance hotel where Skyline has reduced available rooms by 50% for all of Q1/2023; this also significantly impacted the same asset NOI margin, which declined from 26% in the prior year to 18% in Q1 2023.*
- *Q1 2023 Adjusted EBITDA[2] was $3.8 million compared to $6.2 million in Q1 2022.*
- *Q1 2023 Funds from Operations ("FFO")[1] was positive $2.1 million (or $0.13) per share, compared to Q1 2022 FFO of $5.3 million (or $0.32) per share.*
- *On April 20, 2023 the Company entered into a new loan agreement with a banking corporation for the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland. The new loan is a CMBS (commercial mortgage-backed security) loan that replaces a previous loan of approximately US$15.8 million. The previous loan carried interest at BSBY plus 3.5% (i.e., an annual interest rate of approximately 8.44%), and for the extension period of approximately one month, an interest rate of BSBY plus 4.5% (i.e.,*

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

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

an annual interest rate of approximately 9.44%). The new loan is US$25 million for 5 years, with monthly interest-only payments at a fixed rate of 7.99%, and principal paid as a lump sum at the end of the loan term. Out of the new loan proceeds, US $1.8 million will be used to finance the Hotel's renovation, US$15.8 million was used to repay the previous loan, US$2.3 million will be used for expenses of the transaction and tax and interest reserves related to the new loan, and the balance of approximately US$5.1 million will be used by the Company for general working capital purposes.

- *The book value per share of the shareholder equity is* 44.00 NIS ($16.50)*, per share, which is 73% above the closing price of its shares at March 31, 2023.*

Blake Lyon, Skyline's Chief Executive Officer commented "*Skyline's operational progress continued during the first quarter of 2023. Same asset revenue improved compared to Q1 2022, as travel activity continues to rebound and Skyline continues to focus on efficiency initiatives. We reinvested some of the proceeds received during Q4 2021 from the sale of our Canadian resorts, with the acquisition of the Courtyard Ithaca, on July 11, 2022 and also in the substantial renovation of the Renaissance and our Courtyard Dayton. Our strong balance sheet will allow us to build on this success, while we continue to carefully manage our business in this environment of global volatility. In light of the recent rapid rise in interest rates, the company remains cautious.*"

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for Q1 2023** was $34.5, compared to $32.3 in Q1 2022. Revenue from hotels and resorts increased by 7.7% to $34.5 due to the increase in ADR, partially offset by the decrease in occupancy rate. Same asset revenue increased by 5.8% relative to Q1 2022.
- **Same asset NOI for Q1 2023** was $5.9, compared to $8.1 in Q1 2022. The decrease over prior year is mainly due to hotel renovations.
- **Adjusted EBITDA for Q1 2023** was $3.8, compared to $6.2 in Q1 2022.
- **Net financial expense for Q1 2023** totalled $4.9, compared to $0.8 in Q1 2022. Interest expense was $5.3 compared to $2.6 in Q1 2022, mainly due to higher interest rates. Non-cash foreign exchange impact of the Company's bonds was a gain of $0.01, compared to a gain of $0.78 in Q1 2022. Interest income decreased by $0.07 and primarily related to the vendor take back loan ("VTB") associated with the sale of Skyline's Canadian resorts in December 2021.
- **FFO for Q1 2023** was $2.1 compared to $5.3 in Q1 2022. There is a decrease in FFO due to the hotel renovations, as discussed above, which negatively impacted earnings.
- **Net income (loss) for Q1 2023** was ($7.03), compared to $0.7 in Q1 2022. Excluding minority interests, the Company had net income (loss) of ($5.5) in Q1 2023, compared to net income of $1.0 in Q1 2022. The current quarter was impacted by one-time non-cash capital losses of $3.9 from the donation of the historic passenger ship Keewatin to a

Canadian charity, as well as non-cash impairment losses of $0.9 related to development land at Bear Valley.
- **Total comprehensive loss for Q1 2023** was ($5.5) compared to total comprehensive loss of $1.5 in Q1 2022.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at March 31, 2023 were $600.8 compared to $560.9 as at March 31, 2022. The increase was primarily driven by the impact of foreign exchange and increased fair value of Property Plant and Equipment balances, including the purchase of the Ithaca Courtyard and land at Bear Valley.
- **Cash and cash equivalents** were $14.6 as at March 31, 2023 compared to $44.4 as at March 31, 2022. The decrease was driven by capital expenditures, and payments on debt and taxes.
- **Net debt** as at March 31, 2023 totalled $225, an increase of $49, or 28.04% compared to net debt of $175.9 as at March 31, 2022. The increase was primarily driven by a reduction in cash and cash equivalents, as well as higher debt balances.
- **Total equity attributable to shareholders** was $275.53 ($311.64 including non-controlling interest), representing 46% of total assets. Equity per share attributable to shareholders was 44.00 NIS ($16.50), compared to the closing share price on March 31, 2023 of 11.88 NIS ($4.45), a discount of 73%.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 17 income-producing assets with 2,856 hotel rooms and 85,238 square feet of commercial space.

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

For more information:

Blake D. Lyon
Chief Executive Officer
blakel@skylineinvestments.com
1 (519) 535-8651

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

Additional Information:

Non-IFRS Measures

The Company's interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). However, the following measures: NOI, FFO, FFO per share and Adjusted EBITDA are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS, and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance determined in accordance with IFRS. NOI, FFO, FFO per share and Adjusted EBITDA as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries. However, these non-IFRS measures are recognized supplemental measures of performance for real estate issuers widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties, and the Company believes they provide useful supplemental information to both management and readers in measuring the financial performance of the Company. Skyline also uses certain supplementary financial measures as key performance indicators. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not non-IFRS measures. Same Asset NOI is a financial measure that is calculated using the same methodology as NOI, but only including NOI from properties owned for 2 full years prior to March 31, 2023.

Further details on non-IFRS measures and Supplementary Financial Measures are set out in the Company's Management's Discussion and Analysis for the period ended March 31, 2023 and available on the Company's profile on SEDAR at www.sedar.com or MAGNA at www.magna.isa.gov.il and are incorporated by reference in this news release.

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

NOI

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

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

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

i) Segmented results from Development Segment

ii) Selling and Marketing expenses

iii) Administrative and General expenses

Alternatively, the same result is arrived at by adding segmented results (per note 12 in the condensed interim consolidated financial statements) of the Company's hotels and resorts. The following table sets out a reconciliation of NOI from hotels and resorts to operating income before depreciation, valuation adjustments and other income:

NOI from hotels and resorts		
C$000's	**For the three months ended March 31,**	
	2023	**2022**
Operating income before depreciation, valuation adjustments and other income	3,819	6,188
Segmented results from Development Segment	8	50
Selling and Marketing expenses	-	25
Administrative and General Expenses	2,002	1,948
NOI from hotels and resorts	**5,829**	**8,211**
Income from hotels and resorts	34,477	32,023
Operating expenses of hotels and resorts	(28,648)	(23,812)
NOI from hotels and resorts	**5,829**	**8,211**

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 to net income determined in accordance with IFRS. Skyline calculates the financial measure in accordance with the Real Property Association of Canada White Paper issued in January 2022, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the data required under 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 and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO excludes from net income items that do not 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 for recurring capital expenditures necessary to sustain the Company's existing earnings stream. It should be emphasized that the method of calculation of this indicator by the Company may differ from the method of calculation applied by other companies. The following table sets out a reconciliation of FFO to net income:

Funds from Operations (FFO)		
C$000's	**For the Three Months Ended March 31,**	
	2023	**2022**
Net income (loss) attributable to shareholders of the Company	($5,456)	$1,002
(Gain) loss from fair value adjustments	$391	$523
Depreciation and impairment	$4,298	$3,052
Deferred tax	($1,368)	421
Derecognition of investment costs and other capital losses (gains)	$3,964	-
Write down of real estate to net realizable value	-	-
Tax on gain from disposal of a property	-	-
Revaluation component included in cost of sale, that was previously recognized in gain on fair value adjustments of investment property prior to its transfer to inventory	$256	$256
FFO	**$2,085**	**$5,254**

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 profit and loss for the three months ended March 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:***		
C$000's	**For the Three Months Ended March 31,**	
	2023	**2022**
ADJUSTED EBITDA from operations	$3,819	$6,188

Forward-Looking Statements

This release may contain forward-looking statements (within the meaning of applicable securities laws) relating to the business of the Company. In some cases, forward-looking statements can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Such statements involve a number of known and unknown risks and uncertainties, many of which are outside our control that could cause our future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements as well as other risks detailed in our public filings with the Canadian and Israeli Securities Administrators. There can be no assurance that forward-looking statements will prove to be accurate as actual outcomes and results may differ materially from those expressed in these forward-looking statements. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, these forward-looking statements are made as of the date of this news release and, except as expressly required by applicable law, we undertake no obligation to update any forward-looking or other statements herein whether as a result of new information, future events or otherwise.