# Management's Discussion and Analysis

*For the three and six months ended June 30, 2024*

August 22, 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 three and six months ended June 30, 2024 and its financial position as at June 30, 2024. This MD&A is dated and has been prepared with information available as of June 30, 2024.

This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2024 and 2023 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 three and six months ended June 30, 2024 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*",", "*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 June 30, 2024, 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.

## 1. General

The Company has three operating segments: (1) hotels and resorts in the United States; (2) hotels and resorts in Canada; (3) development.

As of the date of the Report, the Company does not own hotels or resorts in Canada[1], and only holds development real estate properties of insignificant value.

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

## 2. The Company's Properties

As at June 30, 2024, Skyline owned 16 income producing properties that include 2,804 rooms and 7,919 sqm. of commercial space.

| 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 |
| Autograph Renaissance Hotel | Cleveland, Ohio | 491 | 2,865 |
| ***Total Full-Service Hotels*** | | ***784*** | ***7,919*** |
| ***Total*** | | ***2,804*** | ***7,919*** |

[1] As noted in Section 1.5 of Part A of the Annual Report for 2023, "The Company's Operations and Description of the Development of the Company's Business", as published by the Company on March 28, 2024 (Reference No. 2024-01-033483) (the "**Annual Report**"), on November 24, 2023, the Company completed a transaction for the sale of its interest in the partnership (which owns resorts in Canada and development land , including properties that were sold to the Partnership 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 in the Company's Annual Report.

In addition to the above, the Company owns development properties of insignificant value.

The following table summarizes the Company's contractual net cash flows from its VTBs, and Note Receivable as of the date of the report:

| VTB Loans | Q3-Q4 2024 | 2025 | 2026 and thereafter | Total |
|---|---|---|---|---|
| Port McNicoll VTB | 2,500 | 2,400 | 23,012 | 27,912 |
| Vetta Spa VTB | 17 | 34 | 737 | 787 |
| ***Total – Development VTBs*** | ***2,517*** | ***2,434*** | ***23,749*** | ***28,699*** |
| Freed VTBs | - | 21,388 | - | 21,388 |
| Equity Note Receivable (against the sale of the rights in the Partnership) | - | 33,800 | - | 33,800 |
| ***Total – Freed Transaction*** [2] | ***-*** | ***55,188*** | ***-*** | ***55,188*** |
| ***Bear Valley Notes Receivable*** | ***-*** | ***-*** | ***9,463*** | ***9,463*** |
| ***Total Inflows*** | ***2,517*** | ***57,622*** | ***33,212*** | ***93,351*** |

The table below provides comparable data on the Company's operating segments for the three and six months ended June 30, 2024, and 2023:

**TOTAL INFORMATION**

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Number of rooms | 2,804 | 2,856 |
| Number of hotel properties | 16 | 17 |
| Occupancy rate | 56% | 59% |
| Average daily room rate (in CAD dollars) | $185.86 | $168.95 |
| Revenue per available room (in CAD dollars) | $104.40 | $100.28 |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Number of rooms | 2,804 | 2,856 |
| Number of hotel properties | 16 | 17 |
| Occupancy rate | 50% | 53% |
| Average daily room rate (in CAD dollars) | $180.55 | $173.21 |
| Revenue per available room (in CAD dollars) | $89.92 | $92.41 |

**HOSPITALITY**

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Revenue | $33,412 | $32,370 |
| Net Operating Income | $6,936 | $4,540 |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Revenue | $55,294 | $66,847 |
| Net Operating Income | $6,993 | $10,369 |

[2] Out of the $55,188 expected cash flows from Freed, $43,408 pertains to the Company's share while the remaining amount of $11,780 pertains to Skyline Blue Mountain Inc.'s (a subsidiary of the Company) share. Skyline Blue Mountain's partner will receive a share of $3,770 out of the $11,780 under the agreements.

**DEVELOPMENT**

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Revenue | $4,281 | $- |
| Net Operating Income (NOI) [3] | ($1,154) | ($10) |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Revenue | $4,281 | $4 |
| Net Operating Income (NOI) [4] | ($1,164) | ($18) |

**CONSOLIDATED**

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Same Asset NOI[3] | $6,342 | $5,706 |
| Adjusted EBITDA [3] | $4,218 | $2,116 |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Same Asset NOI [3] | $6,349 | $8,478 |
| Adjusted EBITDA [3] | $2,321 | $5,935 |

**FUNDS FROM OPERATIONS (FFO)** [3]

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Funds from operations | $2,393 | ($1,469) |
| FFO per share (in CAD dollars) | $0.15 | ($0.09) |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Funds from operations | ($3,312) | $616 |
| FFO per share (in CAD dollars) | ($0.20) | $0.04 |

**CAPITALIZATION AND LEVERAGE**

| As at June 30, | 2024 | 2023 |
|---|---|---|
| Equity to Total Assets | 40% | 49% |
| Unrestricted Cash | $14,095 | $13,692 |
| Net Debt to Net Cap | 55% | 44% |
| Loan to Value (only Hospitality) | 59% | 48% |
| Weighted average debt face interest rate | 8.91% | 8.73% |
| Weighted average debt term to maturity (in years) | 4.45 | 3.92 |

[3] NOI, Adjusted EBITDA, FFO, and FFO per share are non-IFRS performance measures. See "Non-IFRS Performance Measures" for additional information. FFO is presented in accordance with the Real Property Association of Canada Guidance. FFO according to the Israel Securities Authority's approach was $2,393 as of June 30, 2024, and ($1,469) as of June 30, 2023.

[4] Net Financial Debt to Net CAP is a financial ratio intended to measure the capital structure and level of leverage of the Company. The ratio presents the percentage of net loans and credit of the total surplus capital of the Company.

**Human Capital:**

**Further to section 12 of the Annual Report, the Company wish to clarify the breakdown of the Company's employees:**

| | As at June 30, 2024 | As at December 31, 2023 |
|---|---|---|
| Management | 2 | 2 |
| Secretariate | 1 | 1 |
| Finance | 7 | 10 |
| Real estate | 1 | 1 |

The table in section 12 to part A in the Annual Report presents employees that service the hotels (including employees of the external management companies assigned to the related hotels) and employees of the Company (including headquarters).

The management companies are responsible for hiring staff to properly operate and manage the hotels – property teams are officially employees of the Management Companies and not the Company. The amount of the Company's employees only (staff and management) as of December 31, 2023 was 14.

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, is prepared in accordance with the applicable laws of Ontario, Canada, and for convenience is also reported separately in Israel. 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.

Further to paragraph 19 of the Company's Annual Report, the Company wishes to note that in recent years the global economy has been characterized by a high level of uncertainty. The COVID-19 pandemic that broke out in February 2020 had a substantial impact on the hotel industry, and after the recovery began, an economic crisis broke out that led to a sharp increase in interest rates compounded by difficulties in obtaining financing. All of these have influenced and continue to affect the Company's operations and require an initial focus on meeting the Company's cash flow needs. As noted in the Annual Report, the most recent strategy recommended by management and approved by the Board of Directors is the strategy as reported on June 14, 2023 (reference number: 2023-01-055591). However, the Company is continuing to review its strategy, and the Board of Directors will establish a strategic committee to examine the future strategy of the Company. At the same time, the Company has continued to invest in significant renovations and to improve its properties, with the major renovation carried out on some of the Courtyard properties in accordance with the renovation plan.

At the same time, it is the economic business reality that has led the Company, which acts to ensure that its obligations are met on time and to ensure its cash flow needs, to examine the options available to it, including the realization of assets, including the establishment of a strategic committee that will examine the future strategy of the Company. As described in Comment 1(b) to the Consolidated Financial Statements, even after maturity of the Company's Series B debentures, the Company has shareholders loans due in April 2025 as well as a loan of approximately $103 million to be repaid in early 2027 at an interest rate of over 10%. In addition, the Company must complete a mandatory renovation program on some of its Courtyard assets (if they are not otherwise sold).

The Company acted to sell its hotels in the city of Cleveland in accordance with its strategy, but since these attempts were unsuccessful (cancellation of the agreements for the sale of the hotels in Cleveland reported by the Company at the end of May 2022 (reference number: 2022-01-055596) and discussions and negotiations conducted by the Company over the years with various potential buyers that did not mature into a binding agreement), and since the negotiations conducted by the Company with the potential buyer who approached the Company with an offer to purchase all of the Company's hotel properties in the US did not mature into a binding agreement and in light of its liabilities and cash flow needs, and while the Company will continue its actions to sell its Cleveland hotels, the Company has begun to act to sell a significant portion of its Courtyard assets. For details regarding the agreements the Company has entered into for the sale of Courtyard asset, refer to section 3.2.

## 3. Material Events that Occurred during the Period ended June 30, 2024, and After the Balance Sheet Date

For information about events that occurred prior to the date of the report for the first quarter of 20224, see the Company's report for the first quarter of 2024, as published on May 30, 2024 (Reference No.: 2024-01-057342) ("Q1 2024 Report"). Listed below are material events that occurred during the second quarter of 2024 and material events that occurred after the balance sheet date:

3.1. On June 13, 2024, the Company's Series B Bonds were redeemed by way of a full early redemption. Accordingly, on June 16, 2024, Midroog Ltd. announced that it will no longer assign a rating to the Bonds.

3.2. On June 6, 2024, the Audit Committee and the Board of Directors of the Company approved (in accordance with Section 271 of the Companies Law, 5759-1999) the execution of agreements for the sale of 4 additional Courtyard hotels at a cumulative price of approximately USD 31,500 thousand (in addition to 8 hotels for which sale agreements were signed with various purchasers at a cumulative price of USD 91,750 thousand, including Chicago Arlington Heights, Chicago Deerfield, Chicago Rockford, Birmingham Hoover, Huntsville University Drive, Fort Myers Cape Coral, Courtyard Manassas Battlefield Park, Courtyard Lexington North). For details, see immediate report dated July 14, 2024 (Reference No.: 2024-01-072093). On July 11, 2024 the Company signed sales agreements of four Courtyard hotels (Courtyard Dayton Miamisburg, Courtyard Little Rock, Courtyard Oklahoma City, Courtyard Toledo Holland). Please see Note 11 (g) of the Consolidated Interim Financial Statements for the period ended June 30, 2024, for further details. On August 20, 2024, one of the purchasers with whom the Company has entered into an agreement to sell four Courtyard hotels (Chicago Deerfield, Chicago Arlington Heights, Chicago Rockford and Courtyard Ft Myers) announced the cancellation of the purchase agreement for Courtyard Ft. Myers only. Pursuant to the agreements between the parties, the deposit of USD 0.75 million from the Ft. Myers agreement will be added equally to the consideration for the remaining three properties (the current consideration for these three properties of USD 24.00 million will increase to USD 24.75 million). The aggregate proceeds expected to the Company from the sale of the remaining Courtyard assets for which signed sales agreements exist (total of 11 assets) will be approximately USD $101 million. Please see Note 15 (d) of the Consolidated Interim Financial Statements for the period ended June 30, 2024, for further details. In addition, the company's management is working to conduct a tender process for the sale of each of the three remaining Courtyard properties (Courtyard Ft. Myers, Ithaca, NY, and Tucson, AZ), with any binding agreement subject to board approval.

3.3. During the second quarter of 2024, the Company completed a partial sale of 27 out of 56 lots of its real estate inventory in Golf Cottages for $4,300 to two unrelated parties. As part of the sale, which closed on June 2024, a VTB with a total of $3,200 was given to the purchasers. The VTBs are interest free until two years and thereafter bear interest at 4.0% per annum, and compounded monthly for the third and final year. As at June 30, 2024, the balance of the VTB classified as current receivable is $200, while the remaining $3,000, which is due in three years, is classified as non-current receivable. Skyline recognized losses of $513 from the sale and $626 from the write-down to record the remaining Golf Cottages inventory at its net realizable value.

3.4. Further to Note 12 of the Company's consolidated financial statements for the year 2023, during Q2 2024, the Company recorded Expected Credit Losses ("ECL") for a total of $186 (related to the Freed loans, which as at June 30, 2024 were $48,984), and total of $2,341 on Port McNicoll (of which $1,500 had been previously recognized in Q4-2023). As of June 30, 2024, the balance of the Port McNicoll VTB was $26,194, with the total provision for credit losses amounting to $2,341. The

Company continues to monitor the borrower's ability to meet the loan terms and will reevaluate the credit loss provisions as necessary. Please see Note 11 (j) of the Consolidated Interim Financial Statements for the period ended June 30, 2024, for further details.

3.5. On August 12, 2024, Skyline Investments Inc. and Skyline (Port McNicoll) Land Inc. signed a mortgage loan renewal for a loan that was initially obtained on September 19, 2023. The loan term was extended for a further period of one year from the original maturity date, to mature on October 01, 2025 after the renewal. The interest rate is floating at the greater of 9.90% per annum or the TD Canada Trust posted bank prime rate of interest plus 3.2% per annum (as of August 12, 2024 the rate applicable to the loan was 9.90%). The loan principal balance as at the renewal date was $4,500 ($6,000 when initially obtained in September 2023). All other loan terms remain unchanged from the original loan.

3.6. On August 15, 2024, the Company has entered into a commitment for a financing facility with a lender in the amount of USD 20 million. Please see Note 15 (d) of the Consolidated Interim Financial Statements for the period ended June 30, 2024, for further details.

3.7. On August 22, 2024, the company's board of directors approved, subject to the approval of the general meeting of the company's shareholders, which will be summoned by the Company, to enter into a settlement agreement with Mr. Gil Blutrich in the lawsuit he filed against the company in Ontario in December 2017. Under the agreement, the company will pay Mr. Blutrich a one-time and final compensation of CAD 750,000, which will be paid as follows: CAD 100,000 shortly after the approval of the general meeting, and CAD 650,000 by January 30, 2025. The settlement agreement includes, among other things, mutual release from claims and demands.

3.8. On August 22 2024, the company reported that, in accordance with Section 1b1 of the Companies Regulations (Reliefs in Transactions with Interested Parties), 2000, the company's Compensation Committee approved the engagement in a directors' and officers' liability insurance policy, including for officers who are among the controlling shareholders and/or their relatives, for a period of one year starting from August 14, 2024. For details, see the company's immediate report from the same date (Reference Number: 2024-01-092794).

**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 and not 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.**

## 4. Attention in the review report of the external auditor, as it appears in the auditor's examination of the accompanying financial statements

Without qualifying our conclusion above, we draw attention to Note 1b of the condensed consolidated financial statements which details, among other, Company's obligation and plans to repay shareholder loans in April 2025 in the amount of approximately CAD 30 million. In the event that sale of assets is delayed or not completed, additional source of funding might be required for certain capital investments including renovations of hotels. Based on the Management and the Board of Directors analysis of the cash needs and available sources, the company's Board of Directors and Management are of the opinion that the Company will comply with its liabilities in the foreseeable future when they come due.

## 5. Operating Results

Key Performance Evaluation 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.

The second quarter of 2024 saw a year over year decrease in all three key indicators for the Company's properties US select service hotels driven by lower occupancy due to ongoing renovations at two of its Courtyard hotels and the sale of Bear Valley resort in November 2023. US full-service hotels has increased in Q2 2024 in all three key indicators primarily due to reopening and rebranding of the Autograph hotel (formerly Renaissance) following its extensive renovations. [5] The Autograph hotel RevPAR in Q2 2024 was $56.86 (Q4 2023: $16.56; Q2 2023: $41.83), and the occupancy was 32% in Q2 2024 (Q4 2023: 10%; Q2 2023: 26%).

The Company has not experienced material impacts from inflation, but has recorded significant increases in interest expense resulting from rising interest rates. The Company has financial strategies to protect against rising interest rates and other inflationary pressures, if any, including entering into interest rate swaps, interest rate caps and other hedging measures. the Company entered into an interest rate cap on its largest USD denominated loan in November 2022.

While the Company's hospitality portfolio and business base allows it to be flexible in navigating these volatile economic conditions, there is no assurance regarding the impact of economic contraction or recession on the Company's business, results of operations and financial position.

| US select service Hotels and a California Ski Resort in USD | Q3-2023 | Q3-2022 | Q4-2023 | Q4-2022 | Q1-2024 | Q1-2023 | Q2-2024 | Q2-2023 |
|---|---|---|---|---|---|---|---|---|
| RevPAR | $72.51 | $71.33 | $55.54 | $64.97 | $60.34 | $69.54 | $70.33 | $77.95 |
| ADR | $114.58 | $110.09 | $109.71 | $115.54 | $118.75 | $129.94 | $117.21 | $117.33 |
| Occ. | 63% | 65% | 51% | 56% | 51% | 54% | 60.0% | 66% |

| US full-service Hotels in USD | Q3-2023 | Q3-2022 | Q4-2023 | Q4-2022 | Q1-2024 | Q1-2023 | Q2-2024 | Q2-2023 |
|---|---|---|---|---|---|---|---|---|
| RevPAR | $63.96 | $107.00 | $54.44 | $76.81 | $41.63 | $48.60 | $91.59 | $69.90 |
| ADR | $184.36 | $173.24 | $182.92 | $169.24 | $170.58 | $157.64 | $197.87 | $172 |
| Occ. | 35% | 62% | 30% | 45% | 24% | 31% | 46.3% | 41% |

Non-IFRS Performance Indicators

The Company also uses certain performance indicators that are not defined in International Finance Reporting Standards (IFRS) as Key Performance Indicators (KPIs). These indicators include net operating income (NOI), adjusted EBITDA and funds from operations (FFO). For the definitions of these indicators and the tabular discloser, see hereinafter in this report.

Same Asset Analysis

| Same Asset Revenue for Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| USA | $31,545 | $28,797 |

[5] It should be noted that the renovation of the Renaissance Hotel began in December 2022 and was completed in July 2024. The hotel was operating during the renovation, but at a significantly lower capacity. At the peak of the renovation process, the number of rooms declined from 491 to 88 rooms. Group and conference bookings decreased as conference facilities and meetings rooms were unavailable for the greater part of 2023, and only reopened around December 2023. The hotel underwent full renovation of all rooms, the meeting space, lobby and common areas. The Company invested approx. USD 82,000 thousand in the renovation.

| Same Asset Revenue for Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Canada | $19 | $20 |
| **Total** | **$31,564** | **$28,717** |

| Same Asset Revenue for Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| USA | $52,645 | $52,697 |
| Canada | $39 | $40 |
| **Total** | **$52,684** | **$52,737** |

| Same Asset NOI for Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| USA | $6,324 | $5,688 |
| Canada | $18 | $18 |
| **Total** | **$6,342** | **$5,706** |

| Same Asset NOI for Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| USA | $6,312 | $8,451 |
| Canada | $37 | $27 |
| **Total** | **$6,349** | **$8,478** |

The same asset analysis includes results of operations of assets owned by the Company for at least the two full years ending June 30, 2024.

Said analysis does not include results relating to the Ithaca hotel, which was purchased in July 2022, and the Bear Valley ski resort, which was sold in November 2023. The decrease in same-asset revenues is a result of the effect of extensive renovations at the Autograph hotel.

During the three and six months ended June 30, 2024, same asset NOI was $6,342 and $6,349, respectively, compared to $5,706 and $8,478 for the three and six months ended June 30, 2023. The increase during the three-month period was due to the reopening and rebranding of the Autograph hotel (formerly Renaissance) following its extensive renovations. The decrease in same asset NOI for the six months ended June 30, 2024 compared to the same period from the previous year was mainly due to the renovation of the two Courtyard hotels and the Autograph hotel.

During the three and six months ended June 30, 2024, the Autograph hotel revenue was $6,886 and $9,024, respectively, compared to $3,430 and $6,012 for the three and six months ended June 30, 2023. During the three and six months ended June 30, 2024, the Autograph hotel NOI was $490 and (1,699), respectively, compared to ($819) and ($2,074) for the three and six months ended June 30, 2023.

## 6. Fair Value

The Company recognizes the fair value of certain real estate assets on its balance sheet. These assets represent 76% of the total assets of Skyline as at June 30, 2024. The Company receives independent, third-party appraisals of all 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. With regard to all of the Company's assets (including fixed assets), the Company takes certain actions on a quarterly basis, to determine if there was any change in value, including discussions with independent, third-party experts, referencing market transactions and non-binding purchase offers, as well as review of internal forecasts. The Company then uses these inputs for a 10-year discounted cash flow analysis to determine if a change in value is required. For details regarding the fair value decrease of the Company's assets in the current reporting period, please refer to Note 6 to the Consolidated Interim Financial Statements for the six months ended June 30, 2024. The following table summarizes the Company's investment properties and property, plant and equipment ("PP&E") for the year ended December 31, 2023, and the period and six months ended June 30, 2024 (data in CAD thousand):

| | Six months ended June 30, 2024 | Twelve Months Ended December 31, 2023 |
|---|---|---|
| **Balance as at January 1** | **$450,647** | **$414,552** |
| Capital expenditures and acquisitions | $19,069 | $98,488 |
| Depreciation and value decrease | ($6,753) | ($14,813) |
| Dispositions | $- | ($30,165) |
| Allocations of right of use of asset and lease liability | $- | $149 |
| Changes in fair value | ($16,787) | ($7,982) |
| Foreign exchange rates | $15,503 | ($9,582) |
| **Balance, end of period** | **$461,679** | **$450,647** |

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 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 June 30, 2024 | Balance Sheet Value | Outstanding Secured Liabilities[6] | LTV[7] | Net Asset Value |
|---|---|---|---|---|
| US select service hotels | $220,176 | $150,146 | 68% | $70,030 |
| US full-service hotels | $236,087 | $120,023 | 51% | $116,064 |

Includes secured capital leases.
[7] Loan to Value ratio.

| As at June 30, 2024 | Balance Sheet Value | Outstanding Secured Liabilities[6] | LTV[7] | Net Asset Value |
|---|---|---|---|---|
| Development lands | $9,695 | $8,778 | 91% | $917 |
| **Total real estate and other** | **$465,958** | **$278,947** | **60%** | **$187,011** |
| Cash | $14,095 | | | |
| Other assets | $127,152 | | | |
| **Total assets** | **$607,205** | | | **$607,205** |
| Total debt | $309,982 | | | |
| Other liabilities | $52,908 | | | |
| **Total liabilities** | **$362,890** | **$278,947** | **77%** | **$362,890** |
| Non-controlling interest | $29,362 | | | |
| **Total NAV** | **$244,315** | | | **$244,315** |
| NAV per share[8] (CAD) | **$12.87** | | | |
| NAV per share [9] (NIS) | **$35.28** | | | |

## 7. The Company's Financial Position

For details regarding the financial position of the Company, see Note 1(b) to the Consolidated Interim Financial Statements for the six months ended June 30, 2024.

The main sources of cash for meeting liabilities, in accordance with the Company's plans, are set forth in Section 12 below.

## 8. Liquidity

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

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Net income (loss) for the period | ($6,436) | ($12,322) |
| Net cash provided by (used for) operating activities | $2,802 | $539 |
| Net cash provided by (used for) investing activities | ($5,853) | ($17,513) |
| Net cash provided by (used by) financing activities | ($21,813) | $16,172 |
| Impact of foreign activity balance translation on cash balances | $73 | ($118) |
| **Increase (decrease) in cash and cash equivalents** | **($24,791)** | **($920)** |
| Cash and cash equivalents, beginning of the period | $38,886 | $14,612 |
| **Cash and cash equivalents, end of the period** | **$14,095** | **$13,692** |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Net income (loss) for the period | ($16,495) | ($19,356) |
| Net cash provided by (used for) operating activities | ($5,398) | ($898) |

[8] Excluding non-controlling interest.

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Net cash provided by (used for) investing activities | ($25,970) | ($21,193) |
| Net cash provided by (used by) financing activities | ($11,913) | $16,407 |
| Impact of foreign activity balance translation on cash balances | $237 | ($127) |
| **Increase (decrease) in cash and cash equivalents** | **($43,044)** | **($5,811)** |
| Cash and cash equivalents, beginning of the period | $57,139 | $19,503 |
| **Cash and cash equivalents, end of the period** | **$14,095** | **$13,692** |

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

| Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Financing expenses | $10,026 | $8,783 |
| Cash Interest paid | $6,544 | $4,836 |

| Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Financing expenses | $18,661 | $14,906 |
| Cash Interest paid | $12,485 | $10,309 |

Debts – The Company's long-term debts (loans, mortgages and debentures) principal repayments as of June 30, 2024 are as follows:

| As at June 30, 2024 | Principal Amount (loans) (In CAD thousands) | % of the total principal amount (excluding non-capitalized financing costs) |
|---|---|---|
| By June 30, 2025 | $51,058 | 16.04% |
| By June 30, 2026 | $5,408 | 1.70% |
| By June 30, 2027 | $141,811 | 44.55% |
| By June 30, 2028 and thereafter | $120,016 | 37.71% |
| Deferred financing costs | ($8,311) | |
| Total | $309,982 | 100.00% |

Loans and mortgages have fixed rates that range from 1% to 7.99%. The variable rate loans and mortgages range from 8.09% to 10.88%. Maturity dates range from October 2024 to May 2048.

**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 Chapter A of the Annual Report.**

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

### 9.1. Financial Position – in CAD thousands

| Assets | 06.30.2024 | 12.31.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Cash and cash equivalents | 14,095 | 57,139 | (43,044) | (75.33%) | The decrease is primarily attributable to the Bond B early repayment in June 2024 and capital expenditures. This is partially offset by the proceeds from the shareholders loan. |
| Trade receivables and other receivables | 9,820 | 8,633 | 1,187 | 13.75% | Increase in trade receivables is mainly due to reopening of the Autograph hotel following its extensive renovations; all three key indicators for the US full-service hotels increased in Q2 2024. Notably, the RevPAR and ADR increased significantly in Q2 2024, after the Company successfully completed its rebranding to the Hotel Cleveland Autograph Collection. This increase is offset by the decrease was due to the receipt of insurance claims for repairing property damage at Bear Valley resort during 2022 to 2023 ski season. |
| Real Estate Inventory and Inventories | 5,842 | 10,391 | (4,549) | (43.78%) | This is due to the completed sale of some of the Golf Cottages lots and the write-down of the remaining inventory to its net realizable value |
| Loans to purchasers (short and long-term) | 87,766 | 82,983 | 4,783 | 5.76% | The increase is primarily due to accrued interests on the VTBs and new VTBs from the sale of the Golf Cottages lots. This is partially offset by the additional provision for credit losses against the Port McNicoll VTB. |
| Bank deposits with limited use (short and long-term) | 23,938 | 25,868 | (1,930) | (7.46%) | The change is primarily due to decrease of debt service reserve in connection with the Renaissance bank loan. |
| Financial derivative | 1,168 | 2,435 | (1,267) | (52.03%) | 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 | 14,115 | 13,769 | 346 | 2.51% | The change is primarily due to fair value adjustments. |
| Property Plant and Equipment | 447,564 | 436,878 | 10,686 | 2.45% | The increase is due to additions to PP&E as a result of renovations at the Autograph and Courtyard, partially offset by the increase in accumulated amortization. |
| Other non-current assets | 2,897 | 2,801 | 96 | 3.43% | The increase is primarily due to the FX impact on long term deposits (CY Marriott franchises). |
| **Total Assets** | **607,205** | **640,897** | **(33,692)** | **(5.26%)** | **The decrease in total assets is a result of the above changes.** |

| Liabilities and Equity | 06.30.2024 | 12.31.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Bonds | - | 52,037 | (52,037) | (100.00%) | The decrease is primarily attributable to the Bond B early repayment in June 2024. |
| Loans | 309,982 | 258,791 | 51,191 | 19.78% | The increase is primarily due to the additional Bank construction loan draw (US$ 6.3M), OWDA loan (US$ 1.6M), and the Cuyahoga County loan (US$ 2M), for the renovation of the Autograph hotel, loan from shareholders (CAD 30.2M), as well as an impact from FX translation of US loan balances. This was partially offset by the loan payments made during the quarter. |
| Suppliers, deferred income and other payables | 50,148 | 51,822 | (1,674) | (3.23%) | The decrease is due to payment of liabilities in relation to the renovation costs at the Autograph and Courtyard, and recapturing of reserves from a completed development project into income. |
| Income taxes payable | - | 1,793 | (1,793) | (100.00%) | The decrease is due to the tax payments made during Q2 2024. |
| Deferred tax | 2,760 | 9,759 | (6,999) | (71.72%) | The decrease is primarily due to taxes recognized on fair value changes of Property Plant and Equipment. |
| Equity | 244,315 | 266,695 | (22,380) | (8.39%) | The decrease in equity is attributable mainly to the net loss attributable during the period. |
| **Total Liabilities and Equity** | **607,205** | **640,897** | **(33,692)** | **(5.26%)** | **The decrease in total liabilities and equity is a result of the above changes.** |

The Company's shareholders' equity, excluding minority interests was $214,953 or $12.87 per share (35.28 NIS based on the NIS/CAD exchange rate as at June 30, 2024). The Company's Common Shares closed on June 30, 2024 at 16.29 NIS per share, a discount per share of 54% to the Company's shareholders' equity.

### 9.2. Results of Operations for the Period Ended – in CAD thousands

The Company's revenue is generated by three operating segments: US hotels and resorts, Canadian hotels and resorts, and Development. Hospitality operations include hotel operations and other businesses including food and beverage, spa, retail and rental operations, and other related or ancillary activities. The US Hotels and resorts segment contributed approximately 93% of revenue to the Company's hospitality operations during the three and six months ended June 30, 2024. Development revenue includes the sale of serviced lots and condominiums.

Revenue from the hotels and resorts segments depends on the number of customers and their spending, as well as competitive pricing. The number of customers is impacted by a number of factors, including the customer experience, economic conditions, geo-political factors, weather and accessibility of the hotels and resorts. Revenue from the development segment is variable. Project timing and revenue recognition can vary from quarter to quarter as a result of the circumstances surrounding individual projects. Skyline has one ongoing project that is expected to be completed by Q3 2024. The selected financial information set out below is based on and derived from the Financial Statements:

| Income Statement | 06.30.2024 | 06.30.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Revenue | $59,575 | $66,851 | ($7,276) | (10.88%) | The decrease is mainly due to the sale of Bear Valley resort in Q4 2023, revenues from ski in Bear Valley during the first half of 2023 amounted to $8.7M. Additional decrease is a result of lower revenue from hotels and resorts in the Select service hotels due to overall lower RevPAR, occupancy rates, and ADR, which was primarily driven by the ongoing renovations at two of its Courtyard hotels. This is partially offset by the increase in revenue for the US full-service hotels in Q2 2024 in which there was an increase in all three key indicators, primarily due to the reopening and rebranding of the Autograph following its renovation and the sale of some of the lots in Golf Cottages. |
| Expense and Costs | ($53,746) | ($56,500) | $2,754 | (4.87%) | Decrease in hotel operating costs is mainly due to the sale of Bear Valley. In line with decrease in revenue from the Select service hotels, variable expenses such as hotel management fees and staff costs declined. This is offset by the increase in costs associated with the sale of some of the Golf Cottages lots, and increase in costs for the US full-service hotels. |
| Administrative and General and Marketing expenses | ($3,508) | ($4,416) | $908 | (20.56%) | Decrease is primarily due to lower professional services costs, insurance costs, and office rent, and compensation costs. |
| Depreciation and Impairment | ($6,753) | ($8,498) | $1,745 | (20.53%) | The decrease is primarily due to the decrease in PPE balances from the sale of the Bear Valley resort in Q4 2023. |
| Gain (loss) from change in fair value | $- | ($3,167) | $3,167 | (100.00%) | The increase from the loss noted in prior year is due to change in value of Skyline's investment in RCLP. As part of the Freed transaction in Q4 2023, the company has sold its holdings in RCLP. |
| Capital losses, net, and other expenses, net | $55 | ($3,140) | $3,195 | (101.75%) | Net capital gain in Q2 2024 is due to the recapturing of reserves from a completed development project into income. In 2023, the net capital loss was due to the derecognition of the Keewatin due to its donation. |
| Net Financial Income (Expense) | ($15,451) | ($12,527) | ($2,924) | 23.34% | The increase of expense is primarily due to higher interest rates, and more loans compared to prior year, and the foreign exchange revaluation of bonds - the non-cash foreign exchange impact of the Company's bonds was a loss of ($2.2M) compared to a gain of $0.98 in Q2 2023. This was partially offset by the provision for credit loss against Freed VTB loans in previous year and increase in interest income from Freed debt notes receivable and bank deposits. |
| Income Tax Recovery (Expense) | $3,333 | $2,041 | $1,292 | 63.30% | The current period income is due to increase in deferred taxes and increase in previous year taxes and current period taxes. The increase in tax losses primarily due to the renovations and high interest expenses in 2024. |
| **Profit (loss) for the year** | **($16,495)** | **($19,356)** | **$2,861** | **(14.78%)** | **The change in the net results is due to the reasons mentioned above.** |
| **Net income (loss) (after tax) per share (basic and diluted)** | **(0.79)** | **(0.97)** | | | |
| **Weighted avg. shares outstanding** | **16,500,480** | **16,500,490** | | | |

### 9.3. Operating Segments – in CAD thousands

9.3.1. Hotels and Resorts in the United States

| | 06.30.2024 | 06.30.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Revenue | $55,254 | $66,807 | ($11,553) | (17.29%) | The decrease is mainly due to the sale of Bear Valley resort in Q4 2023, revenues from ski in Bear Valley during the first half of 2023 amounted to $8.7M. Additionally, decrease is a result of lower revenue from hotels and resorts in the Select service hotels due to overall lower RevPAR, occupancy rates, and ADR, which was primarily driven by the ongoing renovations at two of its Courtyard hotels. This is partially offset by the increase in revenue for the US full-service hotels in Q2 2024 in which there was an increase in all three key indicators, primarily due to the reopening and rebranding of the Autograph following its renovation. |
| Cost of revenue (excluding depreciation) | ($48,299) | ($56,466) | $8,167 | (14.46%) | Decrease in hotel operating costs is mainly due to the sale of Bear Valley and decrease in variable expenses such as hotel management fees and staff costs, in line with the decline in revenue from the select service hotels. This was partially offset by the increase in costs from the US full-service hotels. |
| **Segment Results** | **$6,955** | **$10,341** | **($3,386)** | **(32.74%)** | **Net segment results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.** |

9.3.2. Development Property

| | 06.30.2024 | 06.30.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Revenue | 4,281 | $4 | $4,277 | 106,925.00% | Increase is due to the sale of some development property in Golf Cottages. |
| Cost of revenue | ($5,445) | ($22) | ($5,423) | 24,650.00% | Increase is due to the sale of some development property in Golf Cottages. |
| **Segment Results** | **($1,164)** | **($18)** | **($1,146)** | **6,366.67%** | **Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.** |

9.3.3. Same Asset Analysis

| | 06.30.2024 | 06.30.2023 | Increase (Decrease) | % | Explanation |
|---|---|---|---|---|---|
| Revenue | $52,684 | $52,737 | ($53) | (0.10%) | Immaterial variance. |
| Cost of revenue (excluding depreciation) | ($46,335) | ($44,259) | ($2,076) | 4.69% | Immaterial variance. |
| **NOI** | **$6,349** | **$8,478** | **($2,129)** | **(25.11%)** | **Revenue from operations for the select service hotels decreased compared to the same period from the prior year, whereas the operations from the full-service improved due to the reopening and rebranding of the Autograph following its extensive renovations.** |
| **NOI Profitability rate** | **12.05%** | **16.08%** | **(4.02%)** | **(25.04%)** | **NOI Profitability has decreased as a result of the above.** |

**Same-asset analysis includes results of operations of assets owned by the Company for at least the two full years ending June 30, 2024. These assets include the Company's hotels in the US (Autograph and Hyatt) and 13 Courtyard hotels.**

## 10. Performance Measures that are not based on IFRS

All financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, Skyline uses certain non-IFRS measures as key performance indicators including net operating income ("**NOI**"), funds from operations ("**FFO**"), 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.

Certain key measures are 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.

### *10.1. NOI*

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key performance indicator 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 seasonality of its hospitality operations, NOI for a fiscal year (or trailing four quarters) is considered by Management as a more accurate measure of the Company's performance.

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

i) Segmented results from Development Segment;

ii) Selling and Marketing expenses;

iii) Administrative and General expenses.

Alternatively, the same result is arrived at by adding segmented results (per Note 13 to the Consolidated Interim Financial Statements for the six months ended June 30, 2024) of the Company's hotels and resorts.

| NOI for the Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Operating income before depreciation, valuation adjustments and other income | $4,218 | $2,116 |
| Segmented results from Development Segment | $1,154 | $10 |
| Administrative and General Expenses | $1,564 | $2,414 |
| **NOI from income producing assets** | **$6,936** | **$4,540** |
| Income from hotels and resorts | $33,412 | $32,370 |
| Operating expenses of income producing assets | ($26,476) | ($27,830) |
| **NOI from income producing assets** | **$6,936** | **$4,540** |
| **Change in % compared to corresponding period** | **52.78%** | |

| NOI for the Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Operating income before depreciation, valuation adjustments and other income | $2,321 | $5,935 |
| Segmented results from Development Segment | $1,164 | $18 |
| Administrative and General Expenses | $3,508 | $4,416 |
| **NOI from income producing assets** | **$6,993** | **$10,369** |
| Income from hotels and resorts | $55,294 | $66,847 |
| Operating expenses of income producing assets | ($48,301) | ($56,478) |
| **NOI from income producing assets** | **$6,993** | **$10,369** |
| **Change in % compared to corresponding period** | **(32.56%)** | |

**10.2. *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.

| FFO for the Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Net income (loss) attributable to shareholders of the Company | ($5,334) | ($10,574) |
| (Gain) loss from fair value adjustments | $1,059 | $1,123 |
| Provision for credit losses | $1,011 | $4,784 |
| Depreciation and impairment | $3,605 | $3,317 |
| Deferred tax | ($1,361) | ($375) |
| Tax on gain from disposal of property | $1,532 | $- |
| 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 | $1,881 | $256 |
| **FFO per Real Property Association of Canada Guidance** | **$2,393** | **($1,469)** |
| Adjustment for: | | |
| Fair value component included in purchase costs, which was previously recognized to profit (loss) from changes in fair value of investment real estate before reclassified to inventory | $- | ($256) |
| **FFO according to the ISA approach** | **$2,393** | **($1,725)** |

| FFO for the Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| Net income (loss) attributable to shareholders of the Company | (12,992) | ($16,030) |
| (Gain) loss from fair value adjustments | 2,127 | $1,514 |
| Provision for credit losses | 1,011 | $4,784 |
| Depreciation and impairment | 6,653 | $7,615 |
| Deferred tax | (3,780) | ($1,743) |
| Derecognition of investment costs and other capital losses (gains) | - | $3,964 |
| Tax on gain from disposal of a property | $1,532 | $- |
| 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 | $2,137 | $512 |
| **FFO per Real Property Association of Canada Guidance** | **($3,312)** | **$616** |
| Adjustment for: | | |
| Fair value component included in purchase costs, which was previously recognized to profit (loss) from changes in fair value of investment real estate before reclassified to inventory | ($256) | ($512) |
| **FFO according to the ISA approach** | **($3,568)** | **$104** |

FFO according to the Israel Securities Authority's approach for the three and six months ended June 30, 2024 was $2,393 and ($3,568) compared to ($1,725) and $104, for the three and six months ended June 30, 2023. The increase for the three-month period ending June 30, 2024, is due to the reopening of the Autograph hotel, while the decrease for the six months ended June 30, 2024 is mainly due to hotel renovations.

### 10.3. ***Adjusted EBITDA***

The Company's operations include income from 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 and six months ended June 30, 2024 as operating income before depreciation, valuation adjustments and other income.

| Adjusted EBITDA for the Three Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| **ADJUSTED EBITDA from operations** | **4,218** | **$2,116** |
| **Change in % compared to corresponding period** | **99.34%** | |

| Adjusted EBITDA for the Six Months Ended June 30, | 2024 | 2023 |
|---|---|---|
| **ADJUSTED EBITDA from operations** | **2,321** | **$5,935** |
| **Change in % compared to corresponding period** | **(60.89%)** | |

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.

10.4. ***Linkage Base Report as of June 30, 2024 (in CAD thousands)***

| Assets | Financial items CAD | Financial items USD | Financial items NIS | Non-financial items CAD | Non-financial items USD | Non-financial items NIS | Total |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 5,669 | 7,693 | 733 | - | - | - | 14,095 |
| Customers and receivables | 339 | 7,459 | - | 242 | 1,709 | 71 | 9,820 |
| Loans to purchasers | 79,554 | 8,212 | - | - | - | - | 87,766 |
| Inventory | - | - | - | 5,221 | 621 | - | 5,842 |
| Financial derivative | - | 1,168 | - | - | - | - | 1,168 |
| Investment real estate | - | - | - | 4,476 | 9,639 | - | 14,115 |
| Fixed assets | - | - | - | 941 | 446,623 | - | 447,564 |
| Other assets | 426 | - | - | 214 | 2,257 | - | 2,897 |
| Restricted deposits | 4,069 | 19,869 | - | - | - | - | 23,938 |
| **Total** | **90,057** | **44,401** | **733** | **11,094** | **460,849** | **71** | **607,205** |

| Liabilities | Financial items CAD | Financial items USD | Financial items NIS | Non-financial items CAD | Non-financial items USD | Non-financial items NIS | Total |
|---|---|---|---|---|---|---|---|
| Loans | 9,763 | 270,225 | 29,994 | - | - | - | 309,982 |
| Suppliers | 403 | 9,511 | - | - | - | - | 9,914 |
| Payables and credit balances | 7,536 | 30,950 | 240 | - | 1,508 | - | 40,234 |
| Deferred tax | - | - | - | 150 | 2,610 | - | 2,760 |
| **Total** | **17,702** | **310,686** | **30,234** | **150** | **4,118** | **-** | **362,890** |

| Excess (Shortage) of assets over liabilities | CAD | USD | NIS | CAD | USD | NIS | Total |
|---|---|---|---|---|---|---|---|
| **Total** | **72,355** | **(266,285)** | **(25,901)** | **10,944** | **456,731** | **71** | **244,315** |

## 11. Cash Flows

### 11.1. Cash Flows from Operating Activities

During the three and six months ended June 30, 2024, the Company had a positive (negative) consolidated cash flow from operating activities of $2,802 and ($5,398), respectively. This compares to a cash flow from operating activities of $539 and ($898), for the corresponding periods of the previous year. For further details, see the statement of cash flow for the period ended June 30, 2024.

The Company presents in its solo statements a negative cash flow from operating activities of approximately ($2,355) and ($7,249), for the three and six months ended June 30, 2024, compared to a positive (negative) cash flow from operating activities of approximately $581 and ($778) for the corresponding periods of the previous year. The Company anticipates that in the future it could present a negative cash flow from operations in its solo reports as the majority of the Company's activity is carried out through its 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 regarding its compliance with obligations upon their maturity, 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 are dependent on external macro-economic factors over which the Company has little or no influence.**

### 11.2. Working Capital

As at June 30, 2024, the Company had a positive working capital of $1,065 in its consolidated statements, compared to a negative working capital of ($11,380) for the corresponding period of the previous year. The increase in working capital was due to reclassification of the remaining Freed VTB balance from long term to short term, reclassification of the equity investment in RCLP from financial instruments to short term note receivable, and partially offset by the reclassification of the renovation bridge loan from long term to short term. In addition, the Company has around $83 thousand in available undrawn lines of credit. Management believes that it has sufficient working capital to meet its obligations as they come due.

In its solo statements, the Company had positive working capital of $41,385 as of June 30, 2024, compared to a positive working capital of $6,622 as of June 30, 2023. The increase was primarily due reclassification of the remaining Freed VTB balance from long term to short term and the reclassification of the equity investment in RCLP from financial instruments to short term note receivable.

**11.3. Cash Flows Used for Investment Activities**

For the three and six months ended June 30, 2024, the Company had a negative cash flow from investing activities of approximately ($5,853) and ($25,970), respectively, which is primarily due capital additions in line with the hotel renovations. In the corresponding period of last year, the Company recorded a negative cash flow of approximately ($17,513) and ($21,193), primarily due to the additions of capital expenditures the Company's hotels and resorts.

**11.4. Cash Flows Used for Financing Activities**

During the three and six months ended June 30, 2024, the Company had a negative cash flow from financing activities of approximately ($21,813) and ($11,913). During the corresponding period of the previous year, the Company had a positive cash flow from financing activities of approximately $16,172 and $16,407. The cash outflow from financing activities for the three and six months ended June 30, 2024, was driven primarily by the full early repayment of Series Bonds B. This was offset by the proceeds from the shareholder's loan provided to the Company (see Note 11 (c) to the Consolidated Interim Financial Statements for the six months ended June 30, 2024).

## 12. Financing Sources

12.1. For details of the loans within the operations segments of the Company, see section 9 above and Sections 7.3.1 through 7.3.5 of Part A of the Annual Report, as well as Note 7 to the Consolidated Interim Financial Statements for the six months ended June 30, 2024.

12.2. Mishorim Real Estate Investments Ltd. and the Israel Land Development Company Ltd. provided shareholder loans to the Company in the amounts of NIS 55,000 thousand and NIS 27,000 thousand, respectfully, bearing an annual interest rate of 6% and index-linked. See Note 11 (c) to the Consolidated Interim Financial Statements for the six months ended June 30, 2024.

12.3. Trade receivables, other receivables and prepaid expenses as of June 30, 2024, stood at approximately $9,820, compared to approximately $8,633 as of December 31, 2023.

12.4. Trade payables balance as of June 30, 2024 amounted to approximately $9,914, compared to approximately $6,620 as December 31, 2023. The increase is largely due to liabilities in relation to the renovation costs at the Autograph and Courtyard.

12.5. As of June 30, 2024, the Company has unused credit facilities of approximately $83 thousand and has assets without financial liabilities of approximately $11,223 thousand.

## 13. Report of Liabilities by Repayment Dates

For information about the Company's liabilities by repayment dates, see the Company's immediate report published simultaneously with this Quarterly Report.

## 14. Compliance with Financial Covenants

As of the date of publication of the Report, the Company and its subsidiaries comply with the financial covenants undertaken by them in favor of financing parties (except as provided 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):

14.1. The terms of the loan provided to finance the 12 Courtyard by Marriott hotels have no defaulting covenants that trigger grounds for immediate repayment. See Note 11(f) to the Consolidated Interim Financial Statements for the six months ended June 30, 2024.

14.2. With respect to the loan related to the Autograph hotel (see also 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.

14.2.1. The guarantor (the Company) must hold, in its own name, liquid assets with a value not less than $12,500 thousand. As of June 30, 2024, total liquid assets amounted to $14,178 thousand.

14.2.2. The guarantor (the Company) must have a net equity of not less than $100,000 thousand. As of June 30, 2024, the Company's net equity amounted to $214,953 thousand.

14.2.3. With respect to the loan taken by a subsidiary of the Company on November in connection with financing and renovation of Autograph 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 June 30, 2024 Skyline net worth is USD 157,131 thousand, and the liquid assets in the aggregate are USD 10,364 thousand.

14.3. 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 $100,000 thousand, as of June 30, 2024 the amount is $214,953 thousand. Beginning the first day of the fiscal year 2023, Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. This covenant is tested annually as of the last day of each fiscal year. The DSCR based on the 12 months ending December 31, 2023 was 1.53.

14.4. 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 Part A of the Annual Report, the terms of the loan do not include defaulting financial covenants. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to not be less than 1.4:1 – at closing based on the 12 months ending February 2023 the debt service coverage ratio 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 based on the 12 months ending June 30, 2024 was 2.01.

## 15. 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 June 30, 2024 (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 June 30, 2024** |
|---|---|
| Total outstanding at the beginning of the period[1] | 16,700,480 |
| Shares issued (repurchased) during the period | - |
| **Total outstanding at the end of the period** | **16,700,480** |

## 16. 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.

*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*

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

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.

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 14 Marriott by Courtyard hotels.

*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.

## 17. 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.

**18. 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.

**19. 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 three and six months ended June 30, 2024, 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 June 30, 2024.

## 20. 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.

**Global Risks**

***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.

***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.***

The Company has non-capital loss carry-forwards 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 Company's outstanding debt 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 loans to become 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.

***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.

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.

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