SKYLINE Announces Q3 2024 Financial Results

Toronto, Ontario – November 22, 2024. Skyline Investments Inc. (the "Company" or "Skyline") (TASE: SKLN), a Canadian company that specializes in hotel real estate investments in the United States and Canada, published its results for the three and nine months ended September 30, 2024.

SUMMARY OF FINANCIAL RESULTS

C$000's	For the Three Months Ended September,		For the Nine Months Ended September,	
	2024	2023	2024	2023
NOI[1] from Hotels & Resorts	**5,747**	**3,993**	**12,740**	**14,362**
Same Asset Revenue	36,432	28,960	91,721	83,990
Same Asset NOI[1]	5,755	5,452	12,647	14,266
Adjusted EBITDA[2]	**1,625**	**1,731**	**3,946**	**7,666**
Net Income (loss)	**(33,371)**	**(11,745)**	**(49,866)**	**(31,101)**
FFO[1]	**(6,585)**	**(2,035)**	**(10,153)**	**(1,931)**
Shareholders' Equity	**180,150**	**250,360**	**180,150**	**250,360**

Q3 2024 Highlights

- *Q3 2024 same asset revenue has increased by 25.8% to $36.4 million compared to $29 million in Q3 2023, overall increase was primarily driven by the incline in US full-service hotels, especially due to the completion of the renovation of the Autograph (formerly Renaissance). This was partially offset by the decline in select service hotels over the prior year, driven by lower occupancy due to the ongoing renovations at two of its Courtyard hotels, as well as generally lower market conditions across all Courtyard properties. Total revenue from hotels and resorts was $36.4 million compared to $29.7 million in Q3 2023;*
- *Q3 2024 same asset NOI[1] increased to $5.8 million compared to $5.5 million in Q3 2023. The increase over prior year is primarily driven by higher revenues at the Autograph, and partially offset by increases in operating expenses across the portfolio;*
- *Q3 2024 Adjusted EBITDA[2] was $1.6 million compared to $1.7 million in Q3 2023.*
- *Q3 2024 Funds from Operations ("FFO")[1] was (6.6) million (or negative $0.40) per share, compared to a negative Q3 2023 FFO of ($2.0 million) (or negative $0.12) per share.*
- *The book value per share of the shareholder equity is 29.59 NIS ($10.79), per share, which is 41.0% above the closing price of its shares at September 30, 2024.*

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

INCOME STATEMENT HIGHLIGHTS

All amounts in millions of Canadian dollars unless otherwise stated

- **Total revenue for Q3 2024** was $36.4, compared to $29.7 in Q3 2023. Revenue from hotels and resorts increased by 22.6% to $36.4 driven by the increase in occupancy rate due to the completion of renovation of the Autograph hotel. This was partially offset by the decline in revenue from select-service hotels due to the renovations at two of its Courtyard hotels. Same asset revenue increased by 25.8% relative to Q3 2023.
- **Same asset NOI for Q3 2024** was $5.8, compared to $5.5 in Q3 2023. The increase over prior year is mainly due to the completion of hotel renovations.
- **Adjusted EBITDA for Q3 2024** was $1.6, compared to $1.7 in Q3 2023.
- **Net financial expense for Q3 2024** totalled $10.0, compared to $12.2 in Q3 2023. Decrease in net financial expense was due to the $5.8 million provision for credit losses recognized in the prior year, no provision was recorded in the current period. In addition to this, interest income from Freed VTB loans and bank deposits have increased in Q3 2024 compared to Q3 2023. This was offset by the increase in interest expense from the loans driven primarily by the 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 ($2.2,) compared to a gain of 0.13 in Q3 2023.
- **FFO for Q3 2024** was ($6.6) compared to ($2.0) in Q3 2023. There is a decrease in FFO due to the sale of the 11 Courtyard hotels, partially offset by the completion of hotel renovations, as discussed above, which in the prior period negatively impacted earnings.
- **Net income (loss) for Q3 2024** was ($33.4), compared to ($11.8) in Q3 2023. Excluding minority interests, the Company had net income (loss) of ($30.9) in Q3 2024, compared to net income (loss) of ($9.6) in Q3 2023. The loss increase is mainly due to the sale of the 11 Courtyard hotels on September 30, 2024, for which the Company recorded a loss of US $12.9 in its financial statements.
- **Total comprehensive income (loss) for Q3 2024** was ($36.3) compared to total comprehensive loss of ($15.5) in Q3 2023.

BALANCE SHEET HIGHLIGHTS

- **Total assets** as at September 30, 2024 were $447.7 compared to $640.9 as at December 31, 2023. The decrease was primarily driven by the early repayment of Bond B as well as debt payments and capital expenditure payments, and the significant decrease in PPE due to the sale of the 11 Courtyards, partially offset by the additions to PP&E as a result of renovations at the Autograph.
- **Cash and cash equivalents** were $16.5 as at September 30, 2024 compared to $57.1 as at December 31, 2023. The decrease is primarily attributable to the Bond B early repayment in June 2024 as well as capital expenditures, and net debt payments. This was partially offset by the receipt of funds from the shareholders' loan and the proceeds from the sale of the 11 Courtyard hotels.
- **Net debt** as at September 30, 2024 totalled $178.9, a decrease of ($74.8) or (29.5%) compared to net debt of $253.7 as at December 31, 2023. The decrease was primarily driven by repayment of MetLife loan and Deerfield line of credit following the sale of the 11

Courtyards, and repayment of Bond B in June 2024, partially offset by receiving a bank credit facility for two of the remaining Courtyards (US $20), shareholders loans (CAD $30.5), additional bank construction loan draw (US $7.3), OWDA loan (US$1.8), and the Cuyahoga County loan (US$2) for the renovation of the Autograph hotel, as well as an impact from FX translation of US loan balances.

- **Total equity attributable to shareholders** was $180.2 ($208.0 including non-controlling interest), representing 40.2% of total assets. Equity per share attributable to shareholders was 29.59 NIS ($10.79), compared to the closing share price on September 30, 2024 of 17.45 NIS ($6.36), a discount of 41.0%.

About Skyline

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada. The Company currently owns 5 income-producing assets with 1,189 hotel rooms and 7,919 sqm. of commercial space.

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

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Additional Information :

Non-IFRS Measures

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting *Standards ("IFRS"). However, the following measures: NOI, FFO, FFO per share and Adjusted EBITDA are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS, and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance determined in accordance with IFRS. NOI, FFO, FFO per share and Adjusted EBITDA as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries. However, these non-IFRS measures are recognized supplemental measures of performance for real estate issuers widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties, and the Company believes they provide useful supplemental information to both management and readers in measuring the financial performance of the Company. Skyline also uses certain supplementary financial measures as key performance indicators. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not non-IFRS measures. Same Asset NOI is a financial measure that is calculated using the same methodology as NOI, but only including NOI from properties owned for 2 full years prior to September 30, 2024.*

Further details on non-IFRS measures and Supplementary Financial Measures are set out in the Company's Management's Discussion and Analysis for the period ended September 30, 2024 and available on the Company's profile on SEDAR+ at www.sedarplus.com or MAGNA at www.magna.isa.gov.il and are incorporated by reference in this news release.

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

NOI

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

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

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

i) Segmented results from Development Segment

ii) Selling and Marketing expenses

iii) Administrative and General expenses

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

NOI from hotels and resorts				
C$000's	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**
Operating income before depreciation, valuation adjustments and other income	1,625	1,731	3,946	7,666
Segmented results from Development Segment	747	2	1,911	20
Administrative and General Expenses	3,375	2,260	6,883	6,676
NOI from hotels and resorts	**5,747**	**3,993**	**12,740**	**14,362**
Income from hotels and resorts	36,427	29,719	91,721	96,566
Operating expenses of hotels and resorts	(30,680)	(25,726)	(78,981)	(82,204)
NOI from hotels and resorts	**5,747**	**3,993**	**12,740**	**14,362**

FFO

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO is not an alternative to net income determined in accordance with IFRS. Skyline calculates the financial measure in accordance with the Real Property Association of Canada White Paper issued in January 2022, except for (i) changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting, (ii) non-controlling interest, and (iii) operational revenue and expenses from right-of-use assets. The use of FFO, combined with the data required under IFRS, has been included for the purpose of improving the understanding of the operating results of Skyline.

Management believes that FFO provides an operating performance measure that, when compared period-over- period, reflects the impact on operations of trends in occupancy, room rates, operating costs and realty taxes and interest costs, and provides a perspective of the Company's financial performance that is not immediately apparent from net income determined in accordance with IFRS. FFO excludes from net income items that do not arise from operating activities, such as fair value adjustments, purchase transaction costs, and deferred income taxes, if any. FFO, however, still includes non-cash revenues related to accounting for straight-line rent and makes no deduction for recurring capital expenditures necessary to sustain the Company's existing earnings stream. It should be emphasized that the method of calculation of this indicator by the Company may differ from the method of calculation applied by other companies. The following table sets out a reconciliation of FFO to net income:

Funds from Operations (FFO)				
C$000's	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**
Net income (loss) attributable to shareholders of the Company	(30,922)	(9,588)	(43,914)	(25,618)
(Gain) loss from fair value adjustments	1,315	3.922	3,442	5,436
Provision for credit losses	-	5,262	1,011	10,046
Depreciation and impairment	7,967	2,607	16,501	10,222
Deferred tax	(1,727)	(3,181)	(5,507)	(4,924)
Derecognition of investment costs and other capital losses (gains)	17,364	(1,057)	17,364	2,907
Tax on gain from disposal of a property	(582)	-	950	-
FFO	**(6,585)**	**(2,035)**	**(10,153)**	**(1,931)**

Adjusted EBITDA

The Company's operations include income producing assets and revenue from the sale of developed real estate. As such, Management believes Adjusted EBITDA (as defined below) is a useful supplemental measure of its operating performance for investors and debt holders.

EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, and Amortization. The Company calculates Adjusted EBITDA as follows:

- Income from hotels and resorts;
- Sale of residential real estate;

Less:

- Operating expenses from hotels and resorts;
- Cost of sales of residential real estate;
- Selling and marketing expenses;
- Administration and general expenses

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of profit and loss for year ended September 30, 2024 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA from Operations ***Adjusted EBITDA from Operations combines performance of income producing and development activities:***				
C$000's	**For the Three Months Ended September 30,**		**For the Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**
ADJUSTED EBITDA from operations	1,625	1,731	3,946	7,666

Forward-Looking Statements

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