

SKYLINE
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Management's Discussion and Analysis

For the three and six months ended June 30, 2025



SKYLINE

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MANAGEMENT'S DISCUSSION AND ANALYSIS

August 21, 2025

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, 2025 and its financial position as at June 30, 2025. This MD&A is dated and has been prepared with information available as of June 30, 2025.

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, 2025 and 2024 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, 2025 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 Annual Information Form of the Company dated March 13, 2025, 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

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(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, 2025, 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 Canada¹, 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, 2025, Skyline owned 4 income producing properties that include 1,040 rooms and 7,919 sqm. of commercial space.

| Property | Location | Number of Rooms | Commercial Space in Square Meters |
|------------------------------------|-----------------|-----------------|-----------------------------------|
| Courtyard Marriott | Fort Myers, FL | 149 | |
| Courtyard Marriott | Ithaca, NY | 107 | |
| Total Select Service Hotels | | 256 | |
| Hyatt Hotel | Cleveland, Ohio | 293 | 5,054 |
| Autograph Hotel | Cleveland, Ohio | 491 | 2,865 |
| Total Full-Service Hotels | | 784 | 7,919 |
| Total | | 1,040 | 7,919 |

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

The following table summarizes the Company's expected net cash flows from its vendor take-back ("VTB") loans², and Equity Notes Receivable:

| VTB Loans, and Notes Receivable | Q3-Q4 2025 | 2026 | 2027 and thereafter | Total |
|--|------------|---------------|---------------------|---------------|
| Port McNicoll VTB | - | 27,912 | - | 27,912 |
| Golf Cottages | 243 | - | 7,198 | 7,441 |
| Total – Development VTBs | 243 | 27,912 | 7,198 | 35,353 |
| Freed Corp. ("Freed") VTBs | 22,108 | - | - | 22,108 |
| Debt Note Receivable (against the sale of the rights in the Partnership) | 34,936 | - | - | 34,936 |

¹ On November 24, 2023, the Company completed a transaction for the sale of its interest in Resort Communities LP "RCLP" (which owns resorts in Canada and development land, including properties that were sold to the RCLP in December 2021) to affiliates of Freed, and for changing the terms of the VTB loans.

² For details regarding expected credit losses (ECLs) related to VTB and receivables from the Freed Transaction, see Note 11 (g) to the financial statements.

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| VTB Loans, and Notes Receivable | Q3-Q4 2025 | 2026 | 2027 and thereafter | Total |
|-------------------------------------|------------|--------|---------------------|---------|
| <i>Total – Freed</i> ³ | 57,044 | - | - | 57,044 |
| <i>Bear Valley Notes Receivable</i> | - | 9,433 | - | 9,433 |
| <i>Total Inflows</i> | 57,287 | 37,345 | 7,198 | 101,831 |

The table below provides comparable data on the Company’s operating segments for the three and six months ended June 30, 2025, and 2024

TOTAL INFORMATION

| Three Months Ended June 30, | 2025 | 2024 |
|---|----------|----------|
| Number of rooms | 1,040 | 2,804 |
| Number of hotel properties | 4 | 16 |
| Occupancy rate | 56% | 56% |
| Average daily room rate (in CAD dollars) | \$245.84 | \$185.86 |
| Revenue per available room (in CAD dollars) | \$137.59 | \$104.40 |

| Six Months Ended June 30, | 2025 | 2024 |
|---|----------|----------|
| Number of rooms | 1,040 | 2,804 |
| Number of hotel properties | 4 | 16 |
| Occupancy rate | 52% | 50% |
| Average daily room rate (in CAD dollars) | \$237.81 | \$180.55 |
| Revenue per available room (in CAD dollars) | \$122.84 | \$89.92 |

HOSPITALITY

| Three Months Ended June 30, | 2025 | 2024 |
|-----------------------------------|----------|----------|
| Revenue | \$19,074 | \$33,412 |
| Net Operating Income ⁴ | \$2,021 | \$6,936 |

| Six Months Ended June 30, | 2025 | 2024 |
|-----------------------------------|----------|----------|
| Revenue | \$35,953 | \$55,294 |
| Net Operating Income ⁴ | \$1,030 | \$6,993 |

DEVELOPMENT

| Three Months Ended June 30, | 2025 | 2024 |
|---|-------|-----------|
| Revenue | \$1 | \$4,281 |
| Net Operating Income (NOI) ⁴ | (\$5) | (\$1,154) |

| Six Months Ended June 30, | 2025 | 2024 |
|---|--------|-----------|
| Revenue | \$1 | \$4,281 |
| Net Operating Income (NOI) ⁴ | (\$19) | (\$1,164) |

³ Out of the \$57.04 million expected cash flows from Freed, \$12.18 million pertains to Skyline Blue Mountain Inc.’s (a subsidiary of the Company) share. Skyline Blue Mountain’s partner will receive a share of \$3.90 million.

⁴ NOI, Adjusted EBITDA, FFO, and FFO per share are non-IFRS performance measures. See “Non-IFRS Performance Measures” for additional information.

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CONSOLIDATED

| Three Months Ended June 30, | 2025 | 2024 |
|------------------------------|---------|---------|
| Same Asset NOI ⁵ | \$2,203 | \$3,736 |
| Adjusted EBITDA ⁵ | \$794 | \$4,218 |

| Six Months Ended June 30, | 2025 | 2024 |
|------------------------------|-----------|---------|
| Same Asset NOI ⁵ | \$2,258 | \$2,672 |
| Adjusted EBITDA ⁵ | (\$1,503) | \$2,321 |

FUNDS FROM OPERATIONS (FFO) ⁵

| Three Months Ended June 30, | 2025 | 2024 |
|--------------------------------|-----------|---------|
| Funds from operations | (\$1,109) | \$2,393 |
| FFO per share (in CAD dollars) | (\$0.07) | \$0.15 |

| Six Months Ended June 30, | 2025 | 2024 |
|--------------------------------|-----------|-----------|
| Funds from operations | (\$3,715) | (\$3,568) |
| FFO per share (in CAD dollars) | (\$0.23) | (\$0.22) |

CAPITALIZATION AND LEVERAGE

| As at June 30, | 2025 | 2024 |
|---|----------|----------|
| Equity to Total Assets | 43% | 40% |
| Unrestricted Cash | \$16,079 | \$14,095 |
| Net Debt to Net Cap ⁶ | 50% | 55% |
| Loan to Value (only Hospitality) | 53% | 59% |
| Weighted average debt face interest rate | 7.31% | 8.91% |
| Weighted average debt term to maturity (in years) | 4.45 | 4.45 |

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.

⁵ NOI, Adjusted EBITDA, FFO, and FFO per share are non-IFRS performance measures. See "Non-IFRS Performance Measures" for additional information.

⁶ 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.

3. Material Events that Occurred during the Period ended June 30, 2025, and After the Balance Sheet Date

For information about events that occurred prior to the date of the report for the first quarter of 2025, see the Company's report for the first quarter of 2025, as published on May 25, 2025 (Reference No.: 2025-01-036583) ("Q1 2025 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 23, 2025, the Company entered into a supplement to the loan agreement with Mishorim Real Estate Investments Ltd. ("Mishorim"), pursuant to which Mishorim provided an additional amount of CAD 2.7 million (NIS 6.67 million) as a shareholders' loan (*i.e.* the total principal of Mishorim's loan will amount to CAD 25 million (NIS 61.67 million)), under the same terms as the existing shareholders' loan. On the same date, the Company also entered into a supplement to the loan agreement relating the loan provided to the Company by Land Development of Nimrod Group Ltd. ("LDNG"), pursuant to which LDNG increased the loan amount by CAD 1.3 million (NIS 3.33 million) (*i.e.*, the total principal of the LDNG loan will amount to CAD 12.3 million (NIS 30.33 million)), under the same terms. The purpose of said additional amounts was to allow the Company to meet its obligations to maintain liquid cash undertaken in its capacity as a guarantor of some of the Company's subsidiaries. The Board of Directors and the Audit Committee approved the increase in Mishorim's loan as an arm's length transaction entered into in the ordinary course of the Company's business for the benefit of the Company. After the reporting period, Mishorim and LDNG extended the loans maturity date to August 31, 2026; all other terms of the agreement remain the same.
- 3.2. On July 10, 2025, the special and annual general meeting of the Company's shareholders was held, at which a service agreement between the Company and its former CEO, Mr. Blake D. Lyon, was approved, under which Mr. Lyon will present properties held by the Company to potential buyers. For more details, see Notice of General Meeting dated June 5, 2025.
- 3.3. On July 15, 2025, the Company executed an agreement with Marriot, under which Marriott will refrain from terminating the franchise agreement related to the Company's Courtyard Hotel at Fort Myers. See further details in note 11(c) of the company's consolidated financial statements.
- 3.4. On August 1, 2025, following the approval of the Compensation Committee, the Company's Board of Directors approved the Company's engagement in the renewal of its Directors' and Officers' Liability Insurance policy for a period of one year effective August 14, 2025 (for further details, see an immediate report dated August 5, 2025).
- 3.5. On August 1, 2025, Crescent Hotel & Resorts assumed management of the Company's Courtyard Ithaca Airport/University hotel. The Crescent hotel management agreement is substantially similar to the agreement with HHM LP, and may be terminated without penalty with 30 days notice.
- 3.6. On August 8, 2025, the Company signed an LOI with the lender regarding the refinancing of the loan at the Company's Courtyard Hotel at Fort Myers, see further details in note 11(c) of the company's consolidated financial statements.
- 3.7. On August 18, 2025, a subsidiary of the Company (50%) entered into an amendment to the primary bank loan related to Hotel Cleveland Autograph Collection. For further details see note 11(d) of the company's consolidated financial statements.

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 Annual Information Form.

4. Attention in the review report of the external auditor

It should be noted that, without qualifying the Auditor's conclusion, attention was drawn in the Company's Auditor's Review Report as of the date of the report, to Note 1(b) of the condensed interim consolidated financial statements regarding the Company's financial position and its obligations, including a credit facility in the amount of CAD 11.7 million payable on September 30, 2025, which is currently in default, and for which a Letter of Intent (LOI) was signed with the lender after the reporting period, and the management's and board's plans. Based on the analysis of the cash needs and available sources, the Company expects to meet all of its financial obligations 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.

In the second quarter of 2025, the Company's U.S. select-service hotels experienced year-over-year increases in RevPAR and ADR; however, occupancy declined compared to the same period in the prior year. U.S. full-service hotels recorded improvements in both RevPAR and occupancy in Q2 2025, primarily driven by the reopening and rebranding of the Autograph Hotel (formerly the Renaissance) following extensive renovations. The Autograph Hotel achieved a RevPAR of \$111.23 in Q2 2025, compared to \$52.26 in Q2 2024, with occupancy increasing to 43% from 22% over the same period.

The Company has not experienced material impacts from inflation. During the reporting period, there was a decrease in interest rates and the Company's interest expenses. The Company has financial strategies available 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.

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 ⁷ | Q3-2024 | Q3-2023 | Q4-2024 | Q4-2023 | Q1-2025 | Q1-2024 | Q2-2025 | Q2-2024 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|
| RevPAR | \$67.27 | \$72.51 | \$87.08 | \$56.02 | \$103.04 | \$60.34 | \$76.74 | \$70.33 |
| ADR | \$114.15 | \$114.58 | \$120.65 | \$109.71 | \$157.03 | \$118.75 | \$149.17 | \$117.21 |
| Occ. | 59% | 63% | 72% | 51% | 66% | 51% | 51% | 60% |

| US full-service Hotels in USD | Q3-2024 | Q3-2023 | Q4-2024 | Q4-2023 | Q1-2025 | Q1-2024 | Q2-2025 | Q2-2024 |
|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| RevPAR | \$126.13 | \$63.96 | \$85.61 | \$54.44 | \$70.72 | \$41.63 | \$108.73 | \$91.59 |
| ADR | \$209.31 | \$184.36 | \$194.68 | \$182.92 | \$173.78 | \$170.58 | \$189.26 | \$197.87 |
| Occ. | 60% | 35% | 44% | 30% | 41% | 24% | 57% | 46% |

Non-IFRS Performance Indicators

⁷ Figures include 11 Courtyard hotels that were sold in September 2024 and Courtyard Tucson Hotel that was sold in January 2025.

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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 disclosure, see hereinafter in this report.

Same Asset Analysis

| Same Asset Revenue for Three Months Ended June 30, | 2025 | 2024 |
|--|-----------------|-----------------|
| USA | \$19,017 | \$17,754 |
| Canada | \$21 | \$20 |
| Total | \$19,038 | \$17,774 |

| Same Asset Revenue for Six Months Ended June 30, | 2025 | 2024 |
|--|-----------------|-----------------|
| USA | \$35,379 | \$27,708 |
| Canada | \$41 | \$40 |
| Total | \$35,420 | \$27,748 |

| Same Asset NOI for Three Months Ended June 30, | 2025 | 2024 |
|--|----------------|----------------|
| USA | \$2,183 | \$3,717 |
| Canada | \$20 | \$19 |
| Total | \$2,203 | \$3,736 |

| Same Asset NOI for Six Months Ended June 30, | 2025 | 2024 |
|--|----------------|----------------|
| USA | \$2,219 | \$2,634 |
| Canada | \$39 | \$38 |
| Total | \$2,258 | \$2,672 |

The same asset analysis includes results of operations of assets owned by the Company for at least the two full years ending June 30, 2025.

Results related to the Bear Valley ski resort that was sold in November 2023, the 11 Courtyard hotels that were sold during the third quarter of 2024 and Courtyard Tucson hotel that was sold in January 2025, have not been included in said analysis.

During the three and six months ended June 30, 2025, same asset NOI was \$2,203 and \$2,258 respectively, compared to \$3,736 and \$2,672 for the three and six months ended June 30, 2024. The decrease in same asset NOI was primarily attributable to lower performance at Hyatt hotel and Fort Myers hotel, partially offset by an improvement in Autograph performance as the hotel was fully operational in Q2 2025, whereas it was still in renovations during Q2 2024.

6. Fair Value

The Company recognizes the fair value of certain real estate assets on its balance sheet. These assets represent 68% of the total assets of Skyline as at June 30, 2025. 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. As for its total assets (including fixed assets), the Company takes certain actions on a quarterly basis, to determine if there was any change in value, including 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 in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date. For details regarding decreases in the fair value of the Company's properties, see Note 6 to the financial statements. The following table summarizes the Company's investment properties and property, plant and equipment ("PP&E") for the year ended December 31, 2024, and the period of six months ended June 30, 2025 (data in CAD thousand):

| | Six months ended June 30, 2025 | Twelve Months Ended December 31, 2024 |
|--|-----------------------------------|--|
| Balance as at January 1 | \$291,248 | \$450,647 |
| Capital expenditures and acquisitions | \$3,313 | \$24,384 |
| Depreciation and value decrease | (\$8,814) | (\$23,592) |
| Dispositions | (\$200) | (\$169,206) |
| Allocations of right of use of asset and lease liability | - | \$368 |
| Changes in fair value | (\$7,991) | (\$20,604) |
| Foreign exchange rates | (\$14,618) | \$29,251 |
| Balance, end of period | \$262,938 | \$291,248 |

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, 2025 | Balance Sheet Value | Outstanding Secured Liabilities ⁸ | LTV ⁹ | Net Asset Value |
|--------------------------|---------------------|---|------------------|-----------------|
| US select service hotels | \$36,563 | \$19,856 | 54% | \$16,707 |
| US full-service hotels | \$221,685 | \$116,181 | 52% | \$105,504 |

⁸ Includes secured capital leases.

⁹ Loan to Value ratio.

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| As at June 30, 2025 | Balance Sheet Value | Outstanding Secured Liabilities ⁸ | LTV ⁹ | Net Asset Value |
|------------------------------------|---------------------|--|------------------|------------------|
| Development lands | \$4,475 | \$1,726 | 39% | \$2,749 |
| Total real estate and other | \$262,723 | \$137,763 | 52% | \$124,960 |
| Cash | \$16,079 | | | |
| Other assets | \$106,929 | | | |
| Total assets | \$385,731 | | | |
| Total debt | \$179,943 | | | |
| Other liabilities | \$39,655 | | | |
| Total liabilities | \$219,598 | | | |
| Non-controlling interest | \$25,252 | | | |
| Total NAV | \$166,133 | | | |
| NAV per share ¹⁰ (CAD) | \$8.44 | - | - | - |
| NAV per share ¹⁰ (NIS) | \$20.81 | - | - | - |

Real estate inventory: as of June 30, 2025, the Company had no development projects and its real estate inventory was zero.

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, 2025.

8. Liquidity

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

| Three Months Ended June 30, | 2025 | 2024 |
|---|------------------|-------------------|
| Net income (loss) for the period | (\$19,427) | (\$6,436) |
| Net cash provided by (used for) operating activities | (\$4,236) | \$2,802 |
| Net cash provided by (used for) investing activities | (\$344) | (\$5,853) |
| Net cash provided by (used by) financing activities | \$2,437 | (\$21,813) |
| Impact of foreign activity balance translation on cash balances | \$603 | \$73 |
| Increase (decrease) in cash and cash equivalents | (\$1,540) | (\$24,791) |
| Cash and cash equivalents, beginning of the period | \$17,619 | \$38,886 |
| Cash and cash equivalents, end of the period | \$16,079 | \$14,095 |

| Six Months Ended June 30, | 2025 | 2024 |
|--|------------|------------|
| Net income (loss) for the period | (\$30,751) | (\$16,495) |
| Net cash provided by (used for) operating activities | (\$11,640) | (\$5,398) |
| Net cash provided by (used for) investing activities | \$15,878 | (\$25,970) |

¹⁰ Excluding non-controlling interest.

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| Six Months Ended June 30, | 2025 | 2024 |
|---|------------------|-------------------|
| Net cash provided by (used by) financing activities | (\$13,168) | (\$11,913) |
| Impact of foreign activity balance translation on cash balances | \$387 | \$237 |
| Increase (decrease) in cash and cash equivalents | (\$8,543) | (\$43,044) |
| Cash and cash equivalents, beginning of the period | \$24,622 | \$57,139 |
| Cash and cash equivalents, end of the period | \$16,079 | \$14,095 |

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

| Three Months Ended June 30, | 2025 | 2024 |
|-----------------------------|----------|----------|
| Financing expenses | \$10,954 | \$10,026 |
| Cash Interest paid | \$2,993 | \$6,544 |

| Six Months Ended June 30, | 2025 | 2024 |
|---------------------------|----------|----------|
| Financing expenses | \$19,581 | \$18,661 |
| Cash Interest paid | \$5,816 | \$12,485 |

Debts – The Company's long-term debts (loans, mortgages and debentures) principal repayments as of June 30, 2025 are as follows:

| As at June 30, 2025 | Principal Amount (loans) (In CAD thousands) | % of the total principal amount (excluding non- capitalized financing costs) |
|---------------------------------|---|--|
| By June 30, 2026 | \$57,773 | 31.30% |
| By June 30, 2027 | \$3,011 | 1.63% |
| By June 30, 2028 | \$43,642 | 23.64% |
| By June 30, 2029 and thereafter | \$80,177 | 43.43% |
| Deferred financing costs | (\$4,660) | |
| Total | \$179,943 | 100.00% |

Loans and mortgages have fixed rates that range from 3.76% to 10.75%. The variable rate loans and mortgages range from 6.45% to 9.90%. Maturity dates range from September 2025 to May 2048.

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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 Annual Information Form.

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 | 06.30.2025 | 12.31.2024 | Increase (Decrease) | % | Explanation |
|--|------------------|------------------|------------------------|-----------------|---|
| Cash and cash equivalents | \$16,079 | \$24,622 | (\$8,543) | (34.70%) | The decrease is primarily attributable to capital expenditures, net debt repayments, settlements related to Keewatin and payments to the former Chairman of the Board of Directors, and a higher level of cash disbursements compared to cash inflows from hotel operations, as reflected in the lower NOI during the period. This was partially offset by the receipt of funds from an increase in the shareholder loan. |
| Trade receivables and other receivables | \$6,401 | \$8,002 | (\$1,601) | (20.01%) | The decrease is mainly driven by the collection of the outstanding receivables from the sold properties and net decrease tax in recoveries. |
| Real Estate Inventory and Inventories | \$417 | \$491 | (\$74) | (15.07%) | The decrease is mainly due to the decrease in Courtyard inventory from the sale of Courtyard Tucson. |
| Loans to purchasers (short and long-term) | \$83,764 | \$91,423 | (\$7,659) | (8.38%) | The decrease is primarily due to the additional provision for credit losses against the Freed equity notes and VTBs in the period, partially offset by the increase of the accrued interest on VTBs. |
| Bank deposits with limited use (short and long-term) | \$12,030 | \$15,050 | (\$3,020) | (20.07%) | The change is primarily due to property tax payments, capital expenditures, loan repayments, and the release of cash security related to the Company's line of credit from prior development projects. |
| Investment properties | \$14,083 | \$14,609 | (\$526) | (3.60%) | Immaterial variance due to foreign exchange translation. |
| Property Plant and Equipment | \$248,855 | \$276,639 | (\$27,784) | (10.04%) | The decrease is primarily due to increase in accumulated amortization, a decline in the fair value of the assets, and the impact of foreign exchange translation differences. |
| Disposal group classified as held for sale | \$- | \$20,755 | (\$20,755) | (100.00%) | The change is due to the sale of Courtyard Tucson in January 2025. |
| Other non-current assets | \$453 | \$466 | (\$13) | (2.79%) | Immaterial variance due to foreign exchange translation. |
| Deferred Tax Asset | \$3,649 | \$6,718 | (\$3,069) | (45.68%) | The decrease is due to the write off of the deferred tax assets. |
| Total Assets | \$385,731 | \$458,775 | (\$73,044) | (15.92%) | The decrease in total assets is a result of the above changes. |

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| Liabilities and Equity | 06.30.2025 | 12.31.2024 | Increase (Decrease) | % | Explanation |
|---|------------------|------------------|------------------------|-----------------|--|
| Loans | \$179,943 | \$184,417 | (\$4,474) | (2.43%) | The decrease is primarily due to reduction of CPI index for shareholders loans, and FX translation of US loans balances. This was partially offset by the additional bank construction loan draw of 1M USD for Autograph hotel, the further draw of 118k USD on Ithaca renovation loan, and a 4M CAD increase in the shareholder loan. |
| Suppliers, deferred income and other payables | \$39,089 | \$46,997 | (\$7,908) | (16.83%) | The decrease is primarily attributable to the settlement of liabilities related to renovation costs at the Autograph, the sale of Courtyard hotels, and Keewatin settlement at corporate level, and the impact of foreign exchange translation. This was offset by the increase in accrued interest on shareholders loans. |
| Disposal group classified as held for sale | \$- | \$19,534 | (\$19,534) | (100.00%) | The change is due to the sale of Courtyard Tucson in January 2025. |
| Income taxes payable | \$566 | \$7 | \$559 | 7,985.71% | Increase is mainly due to the increase in the prior year taxes due. |
| Equity | \$166,133 | \$207,820 | (\$41,687) | (20.06%) | The decrease in equity is attributable mainly to the net loss attributable during the period and changes in fair value. |
| Total Liabilities and Equity | \$385,731 | \$458,775 | (\$73,044) | (15.92%) | The decrease in total liabilities and equity is a result of the above changes. |

The Company's shareholders' equity, excluding minority interests was \$140,881 or \$8.44 per share (20.81 NIS based on the NIS/CAD exchange rate as at June 30, 2025). The Company's Common Shares closed on June 30, 2025 at 13.09 NIS per share, a discount per share of 37% 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 100% of revenue to the Company's hospitality operations during the three and six months ended June 30, 2025. Development revenue includes the sale of serviced lots and condominiums.

Revenue from the hotels and resorts segments depends on the volume 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. As of the date of this Report, the Company has no development projects, hence there was no revenue from development segment in Q2 2025. The selected financial information set out below is based on and derived from the Financial Statements:

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| Income Statement | 06.30.2025 | 06.30.2024 | Increase (Decrease) | % | Explanation |
|--|-------------------|-------------------|------------------------|---------------|---|
| Revenue | \$35,954 | \$59,575 | (\$23,621) | (39.65%) | The decrease is a result of the sale of 11 Courtyards in September 2024 and one Courtyard in January 2025, and lower performance for Hyatt hotel and Fort Myers Courtyard hotel This was partially offset by the increase in revenue from the Autograph hotel as it was still in renovations during Q2 2024. |
| Expense and Costs | (\$34,943) | (\$53,746) | \$18,803 | (34.98%) | Overall decrease in hotel operating costs is mainly due to the sale of the 12 Courtyards as mentioned above. This was partially offset by the increase in the variable operating expenses of the US full-service hotels, such as the salaries, Food & Beverage ("F&B") costs, marketing, insurance, hotel management fees and property taxes. |
| Administrative and General and Marketing expenses | (\$2,514) | (\$3,508) | \$994 | (28.34%) | Decrease is primarily due to decrease in compensation costs as 2024 included LTIP costs for former CEO and severance packages. |
| Depreciation and Impairment | (\$8,814) | (\$6,753) | (\$2,061) | 30.52% | The increase is primarily due to the increase in PPE balances following the renovations at the Autograph, partially offset by the decrease in PPE balances from the sale of the Courtyards. |
| Capital gain (losses), net, and other income (expenses), net | \$1,751 | \$55 | \$1,696 | 3083.64% | The gain is mostly due to deferred revenue recognition to income. The increase is also attributable to the recapturing of reserves from a completed development project into income. |
| Net Financial Income (Expense) | (\$16,427) | (\$15,451) | (\$976) | 6.32% | The increase is primarily due to recognition of additional provision for credit losses for Freed and Port VTBs and Note Receivable. This was partially offset by lower interest rates and less loans compared with prior year, including bonds. |
| Income Tax Recovery (Expense) | (\$5,758) | \$3,333 | (\$9,091) | (272.76%) | Income tax expense during the current period is due to the write down of the deferred tax asset. |
| Profit (loss) for the year | (\$30,751) | (\$16,495) | (\$14,256) | 86.43% | The change in the net results is due to the reasons mentioned above. |
| Net income (loss) (after tax) per share (basic and diluted) | (1.57) | (0.79) | (0.79) | 100% | |

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| Income Statement | 06.30.2025 | 06.30.2024 | Increase (Decrease) | % | Explanation |
|-------------------------------------|------------|------------|------------------------|---|-------------|
| Weighted avg. shares outstanding | 16,500,480 | 16,500,480 | - | - | |

9.3. Operating Segments – in CAD thousands

9.3.1. Hotels and Resorts in the United States

| | 06.30.2025 | 06.30.2024 | Increase (Decrease) | % | Explanation |
|--|--------------|----------------|------------------------|-----------------|---|
| Revenue | \$35,912 | \$55,254 | (\$19,342) | (35.01%) | The decrease is a result of the sale of 11 Courtyards in September 2024 and one Courtyard in January 2025. This was partially offset by the increase in revenue especially from the US full-service hotels as evidenced by the increase in RevPAR and occupancy. |
| Cost of revenue (excluding depreciation) | (\$34,921) | (\$48,299) | \$13,378 | (27.70%) | The decrease in costs is attributable to the sale of 11 Courtyard hotels in September 2024 and one Courtyard in January 2025, partially offset by an increase in Autograph hotel operating expenses in line with the hotel's sales growth after its rebranding and reopening in 2024. |
| Segment Results | \$991 | \$6,955 | (\$5,964) | (85.75%) | 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

| | 06.30.2025 | 06.30.2024 | Increase (Decrease) | % | Explanation |
|------------------------|---------------|------------------|------------------------|-----------------|---|
| Revenue | \$1 | \$4,281 | (\$4,280) | (99.98%) | The decrease is due to the sale of some development property in Golf Cottages in Q2 2024. The Company currently has no active development projects. |
| Cost of revenue | (\$20) | (\$5,445) | \$5,425 | (99.63%) | The decrease is due to the sale of some development property in Golf Cottages in Q2 2024. The expenses in the current period pertain to minimal trailing expenses from the previous development projects. |
| Segment Results | (\$19) | (\$1,164) | \$1,145 | (98.37%) | 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

| | 06.30.2025 | 06.30.2024 | Increase (Decrease) | % | Explanation |
|---|------------|------------|------------------------|----------|--|
| Revenue | \$35,420 | \$27,748 | \$7,672 | 27.65% | The increase is a result of growth in revenue from hotels and resorts due to overall higher RevPAR, ADR and occupancy rates especially in the US full-service hotels. Notably, the reopening of the Autograph hotel after its extensive renovation has largely contributed to this increase. |
| Cost of revenue (excluding depreciation) | (\$33,162) | (\$25,076) | (\$8,086) | 32.25% | In line with the increase in revenue, the variable operating expenses of the hotels, such as the salaries, F&B costs, marketing, insurance, hotel management fees and property taxes has also increased during the quarter. |
| NOI | \$2,258 | \$2,672 | (\$414) | (15.49%) | Net results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above. |
| NOI Profitability rate | 6.37% | 9.63% | (3.25%) | (33.80%) | 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, 2025. These assets include the Company's hotels in the US (Autograph and Hyatt) and two Courtyard hotels (Ft. Myers and Ithaca).

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, 2025) of the Company’s hotels and resorts.

| NOI for the Three Months Ended June 30, | 2025 | 2024 |
|--|---------|---------|
| Operating income before depreciation, valuation adjustments and other income | \$794 | \$4,218 |
| Segmented results from Development Segment | \$5 | \$1,154 |
| Administrative and General Expenses | \$1,222 | \$1,564 |

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| NOI for the Three Months Ended June 30, | 2025 | 2024 |
|---|------------|------------|
| NOI from income producing assets | \$2,021 | \$6,936 |
| Income from hotels and resorts | \$19,074 | \$33,412 |
| Operating expenses of income producing assets | (\$17,053) | (\$26,476) |
| NOI from income producing assets | \$2,021 | \$6,936 |
| Change in % compared to corresponding period | (70.86%) | |

| NOI for the Six Months Ended June 30, | 2025 | 2024 |
|--|------------|------------|
| Operating income before depreciation, valuation adjustments and other income | (\$1,503) | \$2,321 |
| Segmented results from Development Segment | \$19 | \$1,164 |
| Administrative and General Expenses | \$2,514 | \$3,508 |
| NOI from income producing assets | \$1,030 | \$6,993 |
| Income from hotels and resorts | \$35,953 | \$55,294 |
| Operating expenses of income producing assets | (\$34,923) | (\$48,301) |
| NOI from income producing assets | \$1,030 | \$6,993 |
| Change in % compared to corresponding period | (85.27%) | |

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 guidelines of Israel Securities Authority. 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, | 2025 | 2024 |
|---|------------|-----------|
| Net income (loss) | (\$19,427) | (\$6,436) |
| Attributable to non-controlling interest | (\$1,747) | (\$1,102) |
| Net income (loss) net of minority interests | (\$17,680) | (\$5,334) |
| (Gain) loss from fair value adjustments | \$2,891 | \$1,059 |

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| FFO for the Three Months Ended June 30, | 2025 | 2024 |
|--|------------------|----------------|
| Depreciation and impairment | \$2,949 | \$5,486 |
| Deferred tax | \$6,516 | (\$1,361) |
| Derecognition of investment costs and other capital losses (gains) | - | - |
| Provision for credit loss | \$4,215 | \$1,011 |
| Tax on gain from disposal of property | - | \$1,532 |
| FFO per ISA Guidance | (\$1,109) | \$2,393 |

| FFO for the Six Months Ended June 30, | 2025 | 2024 |
|--|------------------|------------------|
| Net income (loss) | (\$30,751) | (\$16,495) |
| Attributable to non-controlling interest | (\$4,802) | (\$3,503) |
| Net income (loss) net of minority interests | (\$25,949) | (\$12,992) |
| (Gain) loss from fair value adjustments | \$2,247 | \$2,127 |
| Depreciation and impairment | \$5,402 | \$8,534 |
| Deferred tax | \$5,018 | (\$3,780) |
| Derecognition of investment costs and other capital losses (gains) | \$64 | - |
| Provision for credit loss | \$9,503 | \$1,011 |
| Tax on gain from disposal of a property | - | \$1,532 |
| FFO per ISA Guidance | (\$3,715) | (\$3,568) |

FFO according to the Israel Securities Authority's approach for the three and six months ended June 30, 2025 was (\$1,109) and (\$3,715), respectively, compared to \$2,393 and (\$3,568), for the three and six months ended June 30, 2024. The decrease for the three-month period ending June 30, 2025, is due to decrease in hospitality NOI, while the FFO for the six months ended June 30, 2025 has an immaterial variance compared to prior year.

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

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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, 2025 as operating income before depreciation, valuation adjustments and other income.

| Adjusted EBITDA for the Three Months Ended June 30, | 2025 | 2024 |
|---|-----------------|----------------|
| ADJUSTED EBITDA from operations | \$794 | \$4,218 |
| Change in % compared to corresponding period | (81.18%) | |

| Adjusted EBITDA for the Six Months Ended June 30, | 2025 | 2024 |
|---|------------------|----------------|
| ADJUSTED EBITDA from operations | (\$1,503) | \$2,321 |
| Change in % compared to corresponding period | (164.76%) | |

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, 2025 (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 | \$637 | \$10,574 | \$4,868 | - | - | - | \$16,079 |
| Customers and receivables | \$599 | \$4,253 | - | \$128 | \$1,421 | - | \$6,401 |
| Loans to purchasers | \$75,578 | \$8,186 | - | - | - | - | \$83,764 |
| Inventory | - | - | - | - | \$417 | - | \$417 |
| Investment real estate | - | - | - | \$4,475 | \$9,608 | - | \$14,083 |
| Fixed assets | - | - | - | \$215 | \$248,640 | - | \$248,855 |
| Other assets | - | - | - | \$214 | \$239 | - | \$453 |
| Restricted deposits | \$2,173 | \$9,857 | - | - | - | - | \$12,030 |
| Deferred tax | - | - | - | (\$788) | \$4,437 | - | \$3,649 |
| Total | \$78,987 | \$32,870 | \$4,868 | \$4,244 | \$264,762 | - | \$385,731 |

| Liabilities | Financial items CAD | Financial items USD | Financial items NIS | Non-financial items CAD | Non-financial items USD | Non-financial items NIS | Total |
|-------------|---------------------|---------------------|---------------------|-------------------------|-------------------------|-------------------------|-----------|
| Loans | \$6,620 | \$136,037 | \$37,286 | - | - | - | \$179,943 |

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| Liabilities | Financial items CAD | Financial items USD | Financial items NIS | Non-financial items CAD | Non-financial items USD | Non-financial items NIS | Total |
|--|------------------------|------------------------|---------------------|----------------------------|----------------------------|-------------------------|------------------|
| Suppliers | \$201 | \$6,936 | - | - | - | - | \$7,137 |
| Payables and credit balances | \$4,788 | \$18,428 | \$2,260 | \$522 | \$6,520 | - | \$32,518 |
| Debentures | - | - | - | - | - | - | - |
| Deferred tax | - | - | - | - | - | - | - |
| Total | \$11,609 | \$161,401 | \$39,546 | \$522 | \$6,520 | - | \$219,598 |
| Excess (Shortage) of assets over liabilities | \$67,378 | (\$128,531) | (\$34,678) | \$3,722 | \$258,242 | - | \$166,133 |

11. Cash Flows

11.1. Cash Flows from Operating Activities

During the three and six months ended June 30, 2025, the Company had a (negative) consolidated cash flow from operating activities of (\$4,236) and (\$11,640) respectively. This compares to a cash flow from operating activities of \$2,802 and (\$5,398), for the corresponding periods of the previous year. For further details, see the statement of cash flow for the period ended June 30, 2025.

11.2. Working Capital

As at June 30, 2025, the Company had a negative working capital of (\$70,242) in its consolidated statements, compared to a positive working capital \$1,065 for the corresponding period of the previous year. The decrease in working capital compared to prior period, was due to the reclassification of the Autograph loan to current liabilities, the reclassification of the Port McNicoll VTB to non-current asset and the increase in the provision losses from the Freed VTB and equity notes receivable, and releases of restricted deposits. In addition, the Company has around \$5 in available undrawn lines of credit.

11.3. Cash Flows Used for Investment Activities

For the three and six months ended June 30, 2025, the Company had a (negative) positive cash flow from investing activities of approximately (\$344) and \$15,878, respectively. The negative cash flow for the three months ended June 30, 2025 is primarily due to capital additions in line with the hotel renovations, partially offset by releases from restricted deposits. The positive cash flow for the six months ended June 30, 2025 is primarily due to the proceeds from the sale of Courtyard Tucson hotel and release of restricted deposits. In the corresponding period of last year, the Company recorded a negative cash flow of approximately (\$5,853) and (\$25,970), primarily due to the capital additions in line with hotels renovations.

11.4. Cash Flows Used for Financing Activities

During the three and six months ended June 30, 2025, the Company had a positive (negative) cash flow from financing activities of approximately \$2,437 and (\$13,168), respectively. During the corresponding period of the previous year, the Company had a negative cash flow from financing activities of approximately (\$21,813) and (\$11,913). The cash inflow from financing activities for the three months ended June 30, 2025, was driven primarily by the additional proceeds from shareholder's loan, while the cash outflow from financing activities for the six months ended June 30, 2025 was driven primarily by the repayment of American Bank loan which was secured against the Courtyard Tucson hotel and repaid from the proceeds of the completion of the sale. This was partially offset by increasing the Autograph bank construction loan and the additional proceeds from shareholder's loan.

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, 2025.
- 12.2. Trade receivables, other receivables and prepaid expenses as of June 30, 2025, stood at approximately \$6,401, compared to approximately \$8,002 as of December 31, 2024.
- 12.3. Trade payables balance as of June 30, 2025 amounted to approximately \$7,137, compared to approximately \$7,779 as December 31, 2024.
- 12.4. As of June 30, 2025, the Company has unused credit facilities of approximately \$5 and has no assets without financial liabilities.
- 12.5. For information on agreements for loans totaling NIS 92 million from Mishorim and LDNG, see Note 11 (f) of the consolidated financial statements.

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 towards banking corporations with the exception of the Autograph loan and Hyatt loan.

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):

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- 14.1. The terms of the credit facility that is backed by a lien on Ft. Meyers Hotel do not include financial covenants. See Section 7.3.4 of Part A of the Annual report.
- 14.2. With respect to the loan related to the Autograph Cleveland Hotel (see also Section 7.3.2 of part A of the Annual Report), after the balance sheet date, the Company executed an amendment to the loan agreement with the Bank, which specifies the following: a) The Company will make a principal payment of USD 6.6 million by August 29, 2025; b) the Bank will waive the DSCR requirements for June 30, 2025 and September 30, 2025; c) the DSCR for December 31, 2025 will be calculated based on a trailing 6 month period; d) the DSCR for March 31, 2026 will be calculated based on a trailing 9 month period (DSCR for June 30, 2026 onwards will be on a trailing 12 month basis); and (e) the Company, in its capacity as guarantor, will be required to hold, in its own name, liquid assets equal to CAD 7 million (in lieu of CAD 12.5 million, as was required prior to the amendment). As of the reporting date, the Company has sufficient funds to make the USD 6.6 million principal repayment noted above.
- 14.2.1 The guarantor (the Company) must hold, in its own name, liquid assets with a value not less than \$12,500 (as of reporting date the minimum liquidity requirement is \$7,000). As of June 30, 2025, total liquid assets amounted to \$16,084.
- 14.2.2 The guarantor (the Company) must have a net equity of not less than \$100,000. As of June 30, 2025, the Company's net equity amounted to \$140,881.
- 14.2.3 With respect to the loan taken by a subsidiary of the Company in 2023 in connection with financing and renovation of the hotel (OWDA Loan), Skyline shall maintain a net worth in the aggregate of at least USD 4,000 and liquid assets in the aggregate of at least USD 2,000. As of June 30, 2025 Skyline net worth is CAD 140,881, and the liquid assets in the aggregate are CAD 16,084.
- 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 CAD, as of June 30, 2025 the amount is \$140,881. Beginning the first day of Borrower's 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, 2024 was 1.73.
- 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 Regency Arcade Hotel in Cleveland, as described in Section 7.3.2 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, which the hotel did not meet in Q2 2025. Failure to maintain the required Debt Service Coverage Ratio does not constitute an Event of Default under the Loan Agreement, but, rather, initiates a Cash Trap Event Period, during which the cash management provisions of the Loan Agreement take effect. As long as the Company's hotel is managed by Hyatt, the Cash Trap provisions apply only to (i) revenue generated by the retail portion of the property, and (ii) distributions of excess cash, if any, made by Hyatt Regency Cleveland hotel to the Company. Accordingly, Skyline Cleveland Acquisitions does not expect the implementation of a Cash Trap Period to impair normal hotel operations. Reporting with respect to quarterly earnings will be provided to the lender in accordance with the regular schedule, after the issuance of the Company's quarterly results.

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, 2025 (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, 2025 |
|---|----------------------------|
| 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 and risks.

Our hospitality operations and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. There are certain risks inherent in an investment in the securities of Skyline and in the activities of Skyline, including our hospitality operations, and those set out in Skyline's materials filed with Israeli and Canadian securities regulatory authorities from time to time, 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 risks presented in Annual Information Form 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 risks described in the Annual Information Form, or other unforeseen risks.

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.

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

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.

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 VP Finance 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.

SKYLINE

I N V E S T M E N T S

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, 2025, 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, 2025.

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.

August 21, 2025