

SKYLINE INVESTMENTS INC.

Condensed interim consolidated
financial statements for the period
ended June 30, 2025 (Unaudited)

Contents

Condensed interim consolidated statements of financial position.....	- 3 -
Condensed interim consolidated statements of income (loss)	- 4 -
Condensed interim consolidated statements of comprehensive income	- 5 -
Condensed interim consolidated statements of changes in equity	- 6 -
Condensed interim consolidated statements of cash flows.....	- 8 -
Notes to condensed interim consolidated financial statements.....	- 10 -
1 Nature of operations.....	- 10 -
2 Material accounting policies	- 11 -
3 Seasonality and other disclosures.....	- 12 -
4 Fair value of financial assets and liabilities	- 12 -
5 Investment properties	- 12 -
6 Property, plant and equipment.....	- 13 -
7 Loans and leases payable.....	- 14 -
8 Income from hotels and resorts.....	- 14 -
9 Financial expense.....	- 14 -
10 Income taxes	- 14 -
11 Significant events during the period	- 14 -
12 Claims	- 17 -
13 Segmented information	- 17 -
14 Subsequent events.....	- 19 -



**A Review Report of the Independent Auditor to the shareholders of
Skyline Investments Inc.**

Introduction

We have reviewed the accompanying financial information of **Skyline Investments Inc.** and consolidated companies (hereafter- "the Company") which includes the condensed consolidated statement of financial position as of June 30, 2025 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the periods of six and three months ended on that date. The Board of Directors and management are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 "Interim Financial Reporting" and they are also responsible for the preparation of this interim financial information in accordance with Chapter D of Securities Regulations (Periodic and Immediate Reports) - 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure requirements of Chapter D of the Securities Regulations (Periodic and Immediate Reports) - 1970.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1b to the condensed interim consolidated financial statements, regarding 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 end of the reporting period, and the management's and board's plans. Based on 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.

Brightman Almagor Zohar & Co.
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Haifa,
August 21, 2025.

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Condensed interim consolidated statements of financial position

Condensed interim consolidated statements of financial position as at	Note	June 30, 2025 (Unaudited)	June 30, 2024 (Unaudited)	December 31, 2024 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		16,079	14,095	24,622
Trade receivables, other receivables and prepayments		6,401	9,820	8,002
Inventories		417	622	491
Real estate inventory		-	5,220	-
Loans to purchasers		48,907	54,961	56,243
Financial derivative		-	1,168	-
Restricted bank deposits		3,434	8,092	5,520
Disposal group classified as held for sale	6	-	-	20,755
		75,238	93,978	115,633
Non-current assets				
Investment properties	5	14,083	14,115	14,609
Property, plant and equipment	6	248,855	447,564	276,639
Loans to purchasers		34,857	32,805	35,180
Other non-current assets		453	2,897	466
Restricted bank deposits		8,596	15,846	9,530
Deferred tax		3,649	-	6,718
		310,493	513,227	343,142
Total assets		385,731	607,205	458,775
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	116,732	48,947	54,825
Trade payables		7,137	9,914	7,779
Other payables and accruals		14,570	32,544	19,705
Deferred revenue		6,475	1,508	6,303
Income taxes payable		566	-	7
Disposal group classified as held for sale	7	-	-	19,534
		145,480	92,913	108,153
Non-current liabilities				
Loans and leases payable	7	63,211	261,035	129,592
Other liabilities		10,907	6,182	13,210
Deferred tax		-	2,760	-
		74,118	269,977	142,802
Total liabilities		219,598	362,890	250,955
Equity				
Equity attributable to shareholders of the Company		140,881	214,953	180,016
Non-controlling interest		25,252	29,362	27,804
Total equity		166,133	244,315	207,820
Total liabilities and equity		385,731	607,205	458,775

On behalf of the board of directors:

"Amir Tamari"

Amir Tamari
Chairman

"Neha Kapelus"

Neha Kapelus
CEO

"Binu Mathai"

Binu Mathai
VP Finance

August 21, 2025

Date

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2025 (Unaudited)

Condensed interim consolidated statements of income (loss)

(in thousands of Canadian Dollars, except for per share amounts)

Condensed interim consolidated statements of income (loss)

Condensed interim consolidated statements of income (loss)	Note	Six months ended June 30, 2025 (Unaudited)	Six months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Revenue						
Income from hotels and resorts	8	35,953	55,294	19,074	33,412	111,889
Sale of residential real estate		1	4,281	1	4,281	9,502
Total revenue		35,954	59,575	19,075	37,693	121,391
Expenses and costs						
Operating expenses from hotels and resorts		(34,923)	(48,301)	(17,053)	(26,476)	(96,901)
Cost of sales of residential real estate		(20)	(5,445)	(6)	(5,435)	(12,470)
Total expenses and costs		(34,943)	(53,746)	(17,059)	(31,911)	(109,371)
Gross profit		1,011	5,829	2,016	5,782	12,020
Administrative and general expenses		(2,514)	(3,508)	(1,222)	(1,564)	(8,153)
Operating income loss before depreciation, valuation adjustments and other income		(1,503)	2,321	794	4,218	3,867
Impairment of real estate properties		(327)	-	(472)	-	(2,201)
Depreciation		(8,487)	(6,753)	(4,134)	(3,341)	(20,457)
Loss on sale and other capital losses		(64)	-	-	-	(18,048)
Other income		1,815	55	838	199	453
Net income (loss) from operations		(8,566)	(4,377)	(2,974)	1,076	(36,386)
Financial expense	9	(19,581)	(18,661)	(10,954)	(10,026)	(40,393)
Financial income		3,154	3,210	1,691	1,466	5,789
Net loss before income taxes		(24,993)	(19,828)	(12,237)	(7,484)	(70,990)
Income tax (expense) recovery	10	(5,758)	3,333	(7,190)	1,048	12,454
Net loss for the year		(30,751)	(16,495)	(19,427)	(6,436)	(58,536)
Attributable to:						
Shareholders of the Company		(25,949)	(12,992)	(17,680)	(5,334)	(49,864)
Non-controlling interest		(4,802)	(3,503)	(1,747)	(1,102)	(8,672)
Net loss for the year		(30,751)	(16,495)	(19,427)	(6,436)	(58,536)
Net loss per share:						
Basic		(1.57)	(0.79)	(1.07)	(0.32)	(3.02)
Diluted		(1.57)	(0.79)	(1.07)	(0.32)	(3.02)

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2025 (Unaudited)

Condensed interim consolidated statements of comprehensive income (loss)

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of comprehensive income

	Six months ended June 30, 2025 (Unaudited)	Six months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Condensed interim consolidated statements of comprehensive income (loss) for the					
Net loss for the year	(30,751)	(16,495)	(19,427)	(6,436)	(58,536)
Other comprehensive income (loss):					
<u>Items that will not be reclassified subsequently to net income (loss):</u>					
Revaluation of property, plant and equipment, before income taxes	(7,991)	(16,787)	(10,720)	(5,086)	(20,604)
Income taxes	2,397	3,524	2,744	884	4,667
Net loss from revaluation of property, plant and equipment	(5,594)	(13,263)	(7,976)	(4,202)	(15,937)
<u>Items that will or may be reclassified subsequently to net income (loss):</u>					
Foreign exchange differences on translation of foreign operations	(6,706)	5,857	(6,629)	1,658	14,077
Other comprehensive loss for the year net of income tax	(12,300)	(7,406)	(14,605)	(2,544)	(1,860)
Total comprehensive loss for the year, net of income tax	(43,051)	(23,901)	(34,032)	(8,980)	(60,396)
Attributable to:					
Shareholders of the Company	(39,135)	(20,178)	(31,960)	(7,003)	(55,115)
Non-controlling interest	(3,916)	(3,723)	(2,072)	(1,977)	(5,281)
Total comprehensive income loss for the year, net of income tax	(43,051)	(23,901)	(34,032)	(8,980)	(60,396)

Condensed interim consolidated statements of changes in equity

Condensed interim consolidated statements of changes in equity	Share capital and premium	Treasury shares	Related party surplus	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the six months ended June 30, 2025 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	297	24,630	396	20,691	54,247	180,016	27,804	207,820
Net loss for the period	-	-	-	-	-	-	(25,949)	(25,949)	(4,802)	(30,751)
Other comprehensive income (loss) for the period	-	-	-	(7,970)	-	(5,216)	-	(13,186)	886	(12,300)
Total comprehensive income (loss) for the period	-	-	-	(7,970)	-	(5,216)	(25,949)	(39,135)	(3,916)	(43,051)
Transfer upon recognition of depreciation	-	-	-	(216)	-	-	216	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,364	1,364
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-
Balance at the end of the period	80,188	(433)	297	13,206	396	15,475	31,752	140,881	25,252	166,133
For the six months ended June 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	125	42,074	396	9,238	103,371	234,959	31,736	266,695
Net loss for the period	-	-	-	-	-	-	(12,992)	(12,992)	(3,503)	(16,495)
Other comprehensive loss for the period	-	-	-	(11,925)	-	4,739	-	(7,186)	(220)	(7,406)
Total comprehensive loss for the period	-	-	-	(11,925)	-	4,739	(12,992)	(20,178)	(3,723)	(23,901)
Transfer upon recognition of depreciation	-	-	-	(427)	-	-	427	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Contribution from shareholders	-	-	172	-	-	-	-	172	-	172
Balance at the end of the period	80,188	(433)	297	29,722	396	13,977	90,806	214,953	29,362	244,315

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2025 (Unaudited)

Condensed interim consolidated statements of changes in equity

(in thousands of Canadian Dollars)

Condensed interim consolidated statements of changes in equity	Share capital and premium	Treasury shares	Related party surplus	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the three months ended June 30, 2025 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	297	22,442	396	20,629	49,322	172,841	25,960	198,801
Net loss for the period	-	-	-	-	-	-	(17,680)	(17,680)	(1,747)	(19,427)
Other comprehensive income (loss) for the period	-	-	-	(9,126)	-	(5,154)	-	(14,280)	(325)	(14,605)
Total comprehensive income (loss) for the period	-	-	-	(9,126)	-	(5,154)	(17,680)	(31,960)	(2,072)	(34,032)
Transfer upon recognition of depreciation	-	-	-	(110)	-	-	110	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,364	1,364
Balance at the end of the period	80,188	(433)	297	13,206	396	15,475	31,752	140,881	25,252	166,133
For the three months ended June 30, 2024 (Unaudited):										
Balance at the beginning of the period	80,188	(433)	125	32,895	396	12,655	95,958	221,784	31,339	253,123
Net loss for the period	-	-	-	-	-	-	(5,334)	(5,334)	(1,102)	(6,436)
Other comprehensive loss for the period	-	-	-	(2,991)	-	1,322	-	(1,669)	(875)	(2,544)
Total comprehensive income (loss) for the period	-	-	-	(2,991)	-	1,322	(5,334)	(7,003)	(1,977)	(8,980)
Transfer upon recognition of depreciation	-	-	-	(182)	-	-	182	-	-	-
Contribution from shareholders	-	-	172	-	-	-	-	172	-	172
Balance at the end of the period	80,188	(433)	297	29,722	396	13,977	90,806	214,953	29,362	244,315
For the year ended December 31, 2024 (audited):										
Balance at the beginning of the year	80,188	(433)	125	42,074	396	9,238	103,371	234,959	31,736	266,695
Net loss for the year	-	-	-	-	-	-	(49,864)	(49,864)	(8,672)	(58,536)
Other comprehensive loss for the year	-	-	-	(16,704)	-	11,453	-	(5,251)	3,391	(1,860)
Total comprehensive loss for the year	-	-	-	(16,704)	-	11,453	(49,864)	(55,115)	(5,281)	(60,396)
Transfer upon recognition of depreciation	-	-	-	(740)	-	-	740	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	1,349	1,349
Contribution from shareholders	-	-	172	-	-	-	-	172	-	172
Balance at the end of the year	80,188	(433)	297	24,630	396	20,691	54,247	180,016	27,804	207,820

Condensed interim consolidated statements of cash flows

Condensed interim consolidated statements of cash flows	Six months ended June 30, 2025 (Unaudited)	Six months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Operating activities:					
Net loss for the year	(30,751)	(16,495)	(19,427)	(6,436)	(58,536)
Adjustments for:					
Depreciation and amortization	9,734	7,819	4,983	3,882	27,917
Loss on sale of investment and other property	63	-	-	-	18,048
Financing costs from bonds including foreign exchange	-	1,038	-	316	1,038
Financing expense on financial derivative	-	1,346	-	772	1,938
Finance costs from shareholders' loan	1,246	216	2,168	216	4,252
Deferred tax, net	5,018	(3,726)	6,516	(1,328)	(12,102)
Changes in non-cash working capital:					
Trade receivables, other receivables, prepayments and others	7,876	(6,315)	2,880	(5,409)	(3,806)
Inventories	50	(202)	14	(159)	(47)
Real estate inventory	-	4,766	-	4,952	9,986
Trade and other payables and credit balances	(5,595)	6,308	(2,049)	6,141	8,786
Income taxes	719	(153)	679	(145)	(688)
Cash used in operating activities	(11,640)	(5,398)	(4,236)	2,802	(3,214)
Investing activities:					
Additions to investment properties	-	(21)	-	(21)	(22)
Release from (Investment in) restricted deposit	2,469	2,638	1,222	885	12,413
Additions to property, plant and equipment	(4,752)	(26,863)	(1,899)	(4,993)	(37,631)
Income taxes paid	-	(1,724)	-	(1,724)	(1,259)
Proceeds of loans given to purchasers	333	-	333	-	-
Disposition (Purchase) of financial derivative	-	-	-	-	575
Proceeds from sale of property, plant and equipment, net of income tax	17,828	-	-	-	130,403
Cash used in investing activities	15,878	(25,970)	(344)	(5,853)	104,479
Financing activities:					
Bank credit and other short-term loans	(18,797)	(1,375)	(1,854)	(939)	24,631
Repayment of bonds	-	(54,825)	-	(52,215)	(54,825)
Proceeds from long term loans	1,608	13,226	-	1,406	19,019
Repayments of long-term loans and capital leases	(1,372)	(478)	(1,102)	(255)	(154,416)
Capital contribution from shareholders	-	172	-	172	172
Proceeds on loans payable to shareholders	4,029	30,018	4,029	30,018	30,018
Contribution from non-controlling shareholders, net	1,364	1,349	1,364	-	1,349
Cash provided by financing activities	(13,168)	(11,913)	2,437	(21,813)	(134,052)
Foreign exchange translation of cash balances	387	237	603	73	270
Net increase (decrease) in cash and cash equivalents	(8,543)	(43,044)	(1,540)	(24,791)	(32,517)
Cash and cash equivalents at beginning of year	24,622	57,139	17,619	38,886	57,139
Cash and cash equivalents at end of year	16,079	14,095	16,079	14,095	24,622

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2025 (Unaudited)

Condensed interim consolidated statements of cash flows

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Six months ended June 30, 2025 (Unaudited)	Six months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Interest paid	5,816	12,485	2,993	6,544	19,924
Interest received	15	863	7	656	881
Income taxes paid	18	2,155	18	2,122	1,582

Significant non-cash investing and financing activities for the period	Six months ended June 30, 2025 (Unaudited)	Six months ended June 30, 2024 (Unaudited)	Three months ended June 30, 2025 (Unaudited)	Three months ended June 30, 2024 (Unaudited)	Year ended December 31, 2024 (Audited)
Right-of-use assets and lease liabilities	-	-	-	-	368

Notes to condensed interim consolidated financial statements

1 Nature of operations

(a) Nature of operations

Skyline Investments Inc. (the "Company", the "Group" or "Skyline") was incorporated on December 4, 1998 under the Ontario Business Corporations Act, and its registered office is located at 43 Colborne Street, Suite 300, Toronto, Ontario, Canada.

Skyline is a Canadian company that specializes in hospitality real estate investments in the United States and Canada.

As at June 30, 2025, the Company is 52.75% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd ("Mishorim") and 25.69% owned by Land Development of Nimrodi Group Ltd ("LDNG"). Both are public companies whose shares are traded on the Tel-Aviv Stock Exchange ("TASE").

The Company's shares trade on the Tel Aviv Stock Exchange (the "TASE"), and the Company is a reporting issuer in Canada.

(b) The Company's Financial Position

As of June 30, 2025, the Company presents a negative working capital of approximately CAD 70.2 million. The Company has certain loans classified in short-term liabilities in the approximate amount of CAD 116.7 million, as below:

- Due to the breach of the Debt Service Coverage Ratio related to loans for Hotel Cleveland Autograph, as of June 30, 2025, the total related loan amounts (CAD 61.4 million, US 45.0 million) were classified to short-term liabilities, the fair value of the Hotel as of June 30, 2025, was CAD 159.6 million (USD 117 million). After the reporting period, the Company reached an agreement with the lender, according to which the Company will make a principal repayment of the loan in the amount of CAD 9 million (USD 6.6 million), the bank has waived the DSCR requirements for June and September 2025, implement a new DSCR requirement starting in December 2025 and reduce the required minimum liquidity from CAD 12.5 million to CAD 7 million, see Note 11(d) for further details. Excluding the impact of these re-classified loans, working capital would be negative CAD 8.8 million.
- Loans from the Company's major shareholders, Mishorim Real Estate Investments Ltd. ("Mishorim") and Land Development of Nimrodi Group Ltd. ("LDNG"), in the amount of approximately CAD 33 million (NIS 82 million), were originally payable on April 1, 2025. On March 13, 2025, this date was extended to January 5, 2026 (refer to Note 11(f) for further detail). On June 23, 2025, the Company entered into a supplement to the loan agreement with 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 amounts 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 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 as the original LDNG loan. The total amount of shareholder loans as of June 30, 2025 was CAD 37.3 million. After the reporting period the Company entered into an agreement with both shareholders and extended the loans maturity date to August 31, 2026; all other terms of the agreement remain the same. See note 11(f) for further details.
- A recourse credit facility in the amount of CAD 11.7 million (USD 8.6 million) which is payable in September 2025. The fair value of the Hotel as of June 30, 2025 was CAD 21.5 (USD 15.8 million). The credit facility is currently in default due to the default of the franchise agreement with Marriot, for which Marriott has provided forbearance. On August 8, 2025 the Company signed an LOI with the lender to refinance and defer the repayment date by 18 months (refer Note 11(c) for further detail).
- Loans related to the Port McNicoll assets (CAD 1.7 million) due on October 01, 2025, Company's Golf Cottages development (CAD 3.68 million) due in November 2025, and a bank line of credit of CAD 995 thousand. The Company is in discussions with the lender of the Golf Cottages development loan to extend the maturity date, and it plans to pay the loan related to Port McNicoll assets when it becomes due.

The repayment of the loans from the Company's major shareholders is expected to be done by receiving payments on loans to purchasers (VTBs), and alternatively the Company is examining the potential sale of certain properties.

It should be noted that the Company's current assets include Freed VTBs in the amount of CAD 57 million in principal and accrued interest. These VTBs were expected to be repaid on March 31, 2025 (the "Freed Transaction" see Note 4 to the Company's annual consolidated financial statements for the year 2024 for further details), however, as of the reporting date, Freed has not repaid these loans. Freed approached the Company before March 31, 2025, to request an extension of up to 90 days of the maturity date, but the Company, Freed and Freed's senior lender that holds the senior debt and a first mortgage on the properties of Resorts Communities Limited Partnership (the "Partnership") have not reached agreement on the extension period or terms.

The Company was informed during Q2 2025 that Freed is negotiating a transaction that may provide Freed with the necessary funds to repay the loans provided by the Company. Any transaction will require, *inter alia*, the approval of Freed's senior lender. As of this date no binding agreement has been signed with regard to such transaction, and neither the Company nor the senior lender has commenced enforcement proceedings for repayment of the loans. For details on the impact on the expected credit losses related to the Freed VTBs, see Note 11(g).

The Company holds the following collateral: a second lien on some of the Partnership's properties which are secured by a VTB loan (subject to the senior lender's priority), a first lien on Freed's interest in the Partnership, and a guarantee from Freed's parent company for the entire debt. If the Company decides to commence enforcement proceedings for immediate repayment and realization of the collateral, then under Canadian law and all the agreements, the proceedings will be commenced by notice served by the Company on the senior lender to start a 150 days notice period during which it cannot take enforcement measures and, thereafter, assuming the senior lender will not commence enforcement proceedings against Freed, the Company may issue notice of default to Freed, from which point the Company's enforcement proceedings will begin. If the senior lender commences enforcement proceedings, the Company may be a witness in such proceedings but may not conduct enforcement proceedings on its own. After the senior lender's enforcement proceedings are completed, the proceeds will be used first to repay the debt to the senior lender and then, to repay the debt to the Company. Moreover, if there are any properties of Freed or the Partnership against which enforcement measures are not taken by the senior lender, the Company will have an opportunity to do so if any portion of the debt owed to it is not paid.

In the event that the Company's VTBs are not repaid before the due date of the Company's obligations maturity or no sales of certain properties materialize, there may be additional funding required for the repayment of the Company's obligations, as well as for certain capital expenditures including Property Improvement Plans that may be mandated by the Franchisor of some of the Company's hotels.

The Company is a guarantor under certain existing loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 12.5 million. After the reporting period, the Company reached an agreement with the lender that reduced the minimum liquidity requirement to CAD 7 million (see note 11(d) for further details). The Company and its subsidiaries comply with the financial covenants undertaken towards financing parties with the exception of the Autograph and Hyatt loans. See Note 11(d) for further details regarding the Autograph DSCR breach, and Note 11(g) regarding the Hyatt DSCR breach.

Based on analyses of Management and the Company's Board of Directors 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.

2 Material accounting policies

(a) Basis of presentation

The Company has prepared these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting", and in accordance with the disclosure requirements of Chapter D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970. These policies have been consistently applied to all periods presented. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements. These condensed interim consolidated financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the Year ended December 31, 2024.

These condensed interim consolidated financial statements were approved by the Company's Board of Directors on August 21, 2025.

(b) Significant estimates, assumptions, and judgements

For information regarding Management's significant assumptions and estimates, please refer to Note 6.

(c) Foreign currency

See further detail on the foreign currency exchange rates used during the period:

Exchange rates- At balance sheet date as at	June 30, 2025	June 30, 2024	March 31, 2025	March 31, 2024	December 31, 2024
USD / CAD	1.364	1.369	1.438	1.355	1.439
CAD / NIS	2.467	2.741	2.589	2.712	2.535

Exchange rates- Average during the period ended	Six months ended June 30, 2025	Six months ended June 30, 2024	Three months ended June 30, 2025	Three months ended June 30, 2024	Year ended December 31, 2024
USD / CAD	1.409	1.359	1.384	1.368	1.370
CAD / NIS	2.551	2.721	2.586	2.723	2.701

Change in rate- During the period ended	Six months ended June 30, 2025	Six months ended June 30, 2024	Three months ended June 30, 2025	Three months ended June 30, 2024	Year ended December 31, 2024
USD / CAD	(5.2%)	3.5%	(5.1%)	1.0%	8.8%
CAD / NIS	(2.7%)	0.1%	(4.7%)	1.1%	(7.4%)

3 Seasonality and other disclosures

The Company's hotels are all-season operations, though characterized by seasonality. These operations are stronger during June through October and slower during December through February. The third quarter is historically the strongest and the first quarter is historically the weakest for all the hotels. The operating expenses of these assets are evenly incurred throughout the year, with the exception of certain variable costs such as labor, food and beverage costs, and supplies, among others, which are typically higher during peak season. Please refer to Note 8 for details.

4 Fair value of financial assets and liabilities

(a) The estimated fair values and carrying amounts of financial instruments are as follows:

Financial assets and liabilities at fair value through profit or loss	Fair value as at June 30, 2025	Fair value as at June 30, 2024	Fair value as at Year ended December 31, 2024	Carrying amount as at June 30, 2025	Carrying amount as at June 30, 2024	Carrying amount as at Year ended December 31, 2024
Financial assets						
Loans to purchasers	80,341	88,927	90,062	83,764	87,766	91,423
Financial liabilities						
Loans payable*	179,052	307,315	183,420	179,943	309,982	184,417
Disposal group classified as held for sale	-	-	-	-	-	19,534

* Fair value amounts include deferred finance costs.

- (b) The fair value of financial assets includes loans to purchasers as vendor-take-back mortgages ("VTB"), including the VTBS as part of the Freed Transaction and sale of Port McNicoll. Loans to Purchasers are debt instruments carried on the balance sheet at amortized cost under IFRS 9.
- (c) The fair value of long-term financial liabilities has been determined by calculating their present values as at the reporting date, using effective market interest rates available to the Company. The carrying amount of these loans approximate their fair values. The carrying amount presented in the statement of financial position is net of transaction costs, in addition with accrued interest.
- (d) Fair value of other financial assets and liabilities:
The fair value of cash and cash equivalents approximate their carrying values. Amounts receivable, accounts payable and accrued liabilities are assumed to have a fair value that approximates their carrying values due to their short-term nature.

5 Investment properties

Investment properties movement	Six months ended June 30, 2025	Six months ended June 30, 2024	Year ended December 31, 2024
Balance as at the beginning of the period	14,609	13,769	13,769
Expenditures subsequent to acquisition	-	21	22
Foreign exchange translation and other	(526)	325	818
Balance as at the end of the period	14,083	14,115	14,609

6 Property, plant and equipment

	Six months ended June 30, 2025	Six months ended June 30, 2024	Year ended December 31, 2024
Property, plant and equipment movement			
Property, plant and equipment as at beginning of year	276,639	436,878	436,878
Expenditures subsequent to acquisitions, including payable amounts*	3,313	19,048	24,362
Adjustment to fair value through revaluation surplus	(7,991)	(16,787)	(20,604)
Transfers to disposal group	-	-	(20,755)
Right-of-use assets and lease liabilities	-	-	368
Depreciation	(8,487)	(6,753)	(20,457)
Impairment	(327)	-	(3,135)
Disposals	(200)	-	(148,451)
Foreign exchange translation	(14,092)	15,178	28,433
Balance as at the end of the period	248,855	447,564	276,639

* The balance as of December 31, 2024 includes CAD 1.4 million of vendor holdbacks from the renovations at the Company's hotels that were subsequently paid in Q1 2025. The balance as of June 30, 2025 includes CAD 0.4 million from Capex expenses not yet paid as of June 30, 2025.

The revaluation method has been used for PP&E, with valuations for each hospitality asset classified as PP&E performed at least annually by qualified independent valuers who hold recognized relevant professional qualifications and have recent experience in the location and category of similar properties. The Company discusses the valuation process and verifies all major inputs to the valuations and reviews the results with the external appraisers for all independent valuations.

In the current reporting period, certain assets were revalued by independent appraisers. For periods when an independent third-party valuation is not performed, the Company undertakes specific actions to determine if there is any change in the value of its PP&E, including discussions with independent, third-party experts, referencing market transactions and any non-binding offers received on its hotels, and a review of updated internal forecasts. The Company then uses the inputs mentioned above in a discounted cash flow analysis over ten years to determine if there is any required revaluation at the reporting date.

In the report's period, an external appraisal was performed for 3 of the remaining 4 properties. For the remaining 1 property, discussions with independent appraisers indicated that property and market performance, as well as observations from market transactions, all indicated that the value did not have a material change from last quarter.

The value of the Company's PP&E is primarily determined using the DCF method. As a result, PP&E are classified as level 3 in the fair value hierarchy. Changes in level 3 fair values are analyzed at each reporting date as part of the discussion between the Company and its appraisers.

Significant unobservable (level 3) inputs used in the DCF method as at June 30, 2025 are as follows:

- (a) Forecast of the operating profit of the property for a period of up to 10 years;
- (b) Specific terminal capitalization rate for each asset according to its condition, location and risks specific to the asset;
- (c) Required timing and amount of investment in the property improvement plans;
- (d) Estimations of the average occupancy as well as the average daily rate;
- (e) Other factors such as building rights, planning and legal status.

Discount rates used in applying the DCF method ranged between 10.25% and 13.25%, terminal capitalization rates ranged between 8.50% and 10.75%.

As at June 30, 2025, a 25-basis point ("bps") decrease in both the discount and terminal capitalization rates would increase the fair value of the Company's PP&E by CAD 3.68 million. As at June 30, 2025, a 25-bps increase in both the discount and terminal capitalization rates would decrease the estimated fair value of the Company's PP&E by CAD 3.41 million.

Based on the appraisals completed in Q2 2025, most of the decreases in fair value related to the Hyatt and Fort Myers properties. The appraisal of the Company's Hyatt Regency Cleveland hotel shows a value of USD 45.5 million, a decrease of USD 7.7 million compared to the prior value of USD 53.2 million on December 31, 2024 and March 31, 2025. This is driven by lower expected food & beverage revenue and expected increases in operating expenses such as insurance, property tax, security, etc. The appraisal of the Company's Courtyard Ft Myers Cape Coral hotel shows a value of USD 15.8 million, a decrease of USD 1.7 million compared to the prior value of USD 17.5 million on December 31, 2024 and March 31, 2025. This is driven primarily by lower performance at the property and also the submarket as well as an increase in newer properties that have increased supply.

7 Loans and leases payable

	Six months ended June 30, 2025	Six months ended June 30, 2024	Year ended December 31, 2024
Loans and leases payable movement			
Balance as at the beginning of the period	184,417	258,791	258,791
Proceeds from long-term loans	1,608	13,226	19,019
Repayments of long-term loans	(1,372)	(478)	(154,416)
Net proceeds (repayments) from short-term loans	(2,327)	(1,375)	24,631
Proceeds from shareholders loans	4,029	30,018	30,018
Right-of-use assets and lease liabilities	-	-	368
Transfers to (from) other non-current assets and other	(1,069)	(240)	(1,191)
Linkage differences and exchange rate differences on loans from shareholders	1,246	216	4,252
Amortization of deferred financing charges	920	1,066	4,325
Transfers to disposal group classified as held for sale			(16,470)
Foreign exchange translation	(7,509)	8,758	15,090
Balance as at the end of the period	179,943	309,982	184,417

8 Income from hotels and resorts

	Six months ended June 30, 2025	Six months ended June 30, 2024	Three months ended June 30, 2025	Three months ended June 30, 2024	Year ended December 31, 2024
For the period ended,					
Room revenue	24,187	45,525	13,106	26,577	88,088
Food & beverage revenue	8,727	7,441	4,446	5,437	18,395
Other revenue	3,039	2,328	1,522	1,398	5,406
	35,953	55,294	19,074	33,412	111,889

9 Financial expense

	Six months ended June 30, 2025	Six months ended June 30, 2024	Three months ended June 30, 2025	Three months ended June 30, 2024	Year ended December 31, 2024
For the period ended,					
Interest on loans and leases	(7,250)	(12,206)	(4,080)	(6,525)	(23,577)
Provision for credit losses	(9,996)	(1,027)	(4,214)*	(1,027)	(3,914)
Interest on bonds	-	(3,948)	-	(1,624)	(3,948)
Interest on shareholder loans**	(1,246)	(216)	(2,168)	(216)	(4,252)
Amortization of deferred financing charges	(920)	(1,066)	(377)	(541)	(4,325)
Bank Charges	(169)	(198)	(115)	(93)	(377)
	(19,581)	(18,661)	(10,954)	(10,026)	(40,393)

* In Q2 2025, additional ECL was booked related to the Port McNicoll VTB to account for changes observed in market conditions.

** Includes income from exchange rate differences and CPI index adjustment

10 Income taxes

Income tax recovery (expense) included in the consolidated statements of income (loss):

	Six months ended June 30, 2025	Six months ended June 30, 2024	Three months ended June 30, 2025	Three months ended June 30, 2024	Year ended December 31, 2024
For the year ended December 31,					
Current income tax expense	(133)	(140)	(67)	(83)	21
Prior year income tax recovery (expense)	(607)	(253)	(607)	(197)	331
Deferred income tax recovery (expense)	(5,018)	3,726	(6,516)*	1,328	12,102
Income tax recovery	(5,758)	3,333	(7,190)	1,048	12,454

* The Company reduced the total recognized deferred tax asset, as it does not expect to utilize the full tax losses against future taxable income.

11 Significant events during the period

- (a) On January 15, 2025, the company announced that Mr. Blake Lyon, the Company's CEO, had submitted his resignation and his employment as the Company's CEO was terminated effective March 31, 2025. Mrs. Neha Kapelus, who until then served as the Company's CFO, was appointed CEO effective April 1, 2025, and Mr. Binu Mathai was appointed VP Finance. On April 09, 2025 the Company's Compensation

Committee and Board of Directors approved an amendment to the Company's compensation policy, and an update to the terms of office and employment of the Company's CEO. Under the approved terms of office, the CEO is entitled to base salary and benefits, and bonus related to the sales of assets, cost reductions, and debt collection. On May 19, 2025, the Special General Meeting also approved the amendment of the compensation policy and the terms of office and employment of the Company's CEO.

- (b) On January 22, 2025 an agreement was completed for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million (CAD 21.4 million). Refer to Note 30 (b) to the Consolidated financial statements as of December 31, 2024 for further details.
- (c) With respect to the Company's Courtyard Hotel at Fort Myers, Marriott delivered a Notice of Red Zone 7 Default, dated February 21, 2025. The Hotel has been in Red Zone in different degrees since 2022; however previous notices provided that, as a result of discussions between Marriott and Skyline, Marriott would forbear from immediately terminating the Franchise Agreement. The Red Zone 7 Notice did not include such forbearance language, but, rather, stated that Marriott had the right to terminate the Franchise Agreement and arrange for de-identification of the hotel and payment of liquidated damages.

In July 2025, Marriott and Skyline executed a forbearance agreement following Skyline's replacement of Aimbridge Hospitality as the manager of the Hotel. Marriott also required the Hotel's commitment to improving performance under the Accountability Program, for the period between July 2025 and December 2025, so that the hotel would no longer be in Red Zone. Further, the Property must complete certain renovations in accordance with the Franchise requirements on or before December 31, 2025 (the Company estimates that these renovations will cost approximately CAD 1 million). Crescent Hotel & Resorts assumed management of the Hotel on July 15, 2025; the Crescent hotel management agreement has similar terms as the agreement with Aimbridge, and may be terminated without penalty with 30 days' notice.

The recourse loan related to this property has a maturity date of September 30, 2025 and a balance as at June 30, 2025 of USD 8.6 million (CAD 12 million), and related restricted cash balance of USD 2.0 million (CAD 2.8 million) that would be released if the loan were to be repaid. As of March 31, 2025 and June 30, 2025 the loan was in default as there was a default under the Franchise Agreement, however, to date, the lender has not officially declared an Event of Default and on August 8, 2025 the Company signed an LOI with the lender to refinance and defer the repayment date by 18 months.

- (d) The Company's primarily loan related to Hotel Cleveland, Autograph Collection has a maturity date of June 16, 2029 and the loan amount as of June 30, 2025 is USD 45.0 million (CAD 61.4 million), including deferred costs of USD 1.5 million (CAD 2.1 million).

On February 28, 2025, the Company received waiver from its lender for the financial covenants under Autograph loan for the period ended March 31, 2025, and a change in the method of calculating the DSCR for the quarter ending June 30, 2025, from a calculation based on a trailing 12-month period to a calculation based on a trailing 3-month period, annualized. The calculation to be made thereafter shall continue to be made on a trailing 12-month basis.

As of June 30, 2025, the Company was required to meet a DSCR of 1.4, which it failed to meet and consequently the loan has been classified in current liabilities. The DSCR covenant was a non-defaulting covenant, and the Company had a contractual right to cure the breach; however, the Company did not have sufficient funds as at June 30th 2025 to cure the breach while also meeting its minimum liquidity requirement of CAD 12.5 million.

After the balance sheet date, the Company has 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 30, 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 and the DSCR for June 30, 2026 onwards will be on a trailing 12 month basis; and (e) the Company, in its capacity as guarantor, will also 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). After the reporting date, the Company has sufficient funds to make the USD 6.6 million principal repayment noted above.

- (e) On March 03, 2025, Mr. Shimshon Marfogel ceased to serve as the Chairman of the Board (he continues to serve as a director of the Company), and Mr. Amir Tamari was appointed as Chairman of the Board.
- (f) On March 13, 2025, the Company signed an addendum to the loan agreement with Mishorim to extend the payment date of the loan from April 1, 2025 to January 5, 2026. On the same date, the Company signed an addendum to the loan agreement with LDNG to extend the payment date of the loan from April 1, 2025 to the earlier of: January 5, 2026 or 7 days after the Company receives the full principal and interest accrued in respect of the VTB loans in the Freed Transaction (see Note 1). In case the Company receives partial payment from Freed before January 5, 2026, the Company plans to use the amounts received from Freed, after considering transaction fees and any amounts related to non-controlling interests, to repay the balance of LDNG loan (principal amount together with the interest and indexation accrued thereon) or part of it. The other terms of the loan remain the same. The loan will be repaid prior to any dividend

distribution and has customary events of default, including distribution of dividends without the loan being repaid, delisting of the shares from the Tel Aviv Stock Exchange, or changes in controlling shareholders of the Company or of Mishorim. In case of an event of default, the lenders may, in addition to all other rights and remedies available to them, terminate the agreement by written notice to the Company and announce immediate repayment of any unpaid principal and accrued interest that have not yet been paid as well as any linkage differences accrued on the loan. The shareholder loans bear a 6% annual interest and are linked to Israel's consumer price index. The balance of the original shareholder loans was CAD 33 million (NIS 82 million) as of June 30, 2025, including adjustment to the consumer price index. The Company, with support from its external valuation specialist, concluded that on the date of the extension the outstanding balance of the loans reflected their fair value, mainly due to a decline in the interest rates in Canada, therefore the Company did not record any new contribution from shareholder within the equity.

On June 23, 2025 (following receipt of approvals from the Company's Board of Directors and Audit Committee in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000), 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: annual interest at a rate of 6%, linked to the Consumer Price Index and repayable by January 5, 2026. 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 as the original LDNG loan. 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 in accordance with Section 1(5) of the Companies Regulations (Relaxations in Transactions with Interested Parties), 5760-2000, as an arm's length transaction entered into in the ordinary course of the Company's business for the benefit of the Company.

On August 21, 2025, the Company signed an amendment to the agreements with both shareholders to extend the maturity date of the loans to August 31, 2026; all other terms of the agreement remain the same.

- (g) Further to Note 4, during Q1 2025, the Company recorded additional Expected Credit Losses ("ECL") of CAD 5.78 million (as of June 30, 2025 the total provision is CAD 8.02 million) from the Freed VTBs, which as at June 30, 2025 had a principal balance of CAD 49 million and accrued interest of CAD 7.7 million. No additional provision was recorded in Q2 2025.

Freed had failed to meet its obligation to pay the Company principal and accrued interest on the VTBs totaling CAD 55 million on the maturity date (March 31, 2025). For details regarding the collateral held by the Company against the Freed loans, see Note 1b.

The Freed VTBs are debt instruments carried on the balance sheet at amortized cost under IFRS 9. The loan is currently considered to be a financial asset impaired due to credit risk, therefore, the loan was classified as a Stage 3 asset. The Company engaged with an external appraiser in Q1 2025 in order to assist with the ECL calculation and certain assumptions changed since last ECL calculation mainly related to probability default that was increase from 36% to 100%, and incorporation of discounts to the value of the assets and a second scenario for repayment, as below.

In the ECL calculation in Q1 2025, the first scenario considered in the model is the liquidation of the collaterals. The Company first considered if the value of the collateral (based on March 31, 2025 unaudited and unreviewed financial information received) can cover the entire VTBs amounts, after applying 5% deduction for estimated liquidation and commission costs and 20% discount to the value of the assets. After these deductions it was concluded that there is a potential collateral shortfall of 2.07% (CAD 7.4 million). The present value of this shortfall was included in the loss given default (LGD).

Additionally, the Company was informed that Freed is negotiating a transaction that may provide Freed with the necessary funds to repay the loans provided by the Company to Freed. Any transaction will require, *inter alia*, the approval of Freed's senior lender. As of the reporting date no binding agreement has been signed with regard to such transaction, and neither the Company nor the senior lender has commenced enforcement proceedings for repayment of the loans. In the ECL calculation in Q1 2025, this was considered as a second possible scenario with the weight of 50%. In this scenario the Company considered that the VTBs would be paid in full and the loss given default it is a result of the delay on the time to receive the payments until the deal is closed.

Based on the Company's assessment in the current quarter and the work done by the external appraiser in the prior quarter, management concluded that the ECL related to the Freed VTBs in the amount of CAD 8.02 million is sufficient.

- (h) The loan agreement for the Company's Hyatt Regency Cleveland hotel requires a DSCR of 1.4, 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 the Hyatt Regency Cleveland hotel to the Company. Accordingly, the Company 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. The loan principal balance as of June 30, 2025 was USD 25 million (CAD 34.1 million), with maturity date of May 01, 2028, and classified in non-current liabilities.

12 Claims

The Company has been served with claims totaling CAD 1.7 million in relation to certain construction projects. In agreement with the Company's legal counsel, 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.

13 Segmented information

US Hotels and Resorts

The chief operating decision maker reviews and analyzes the US hospitality operations as a separate segment, which includes the Hyatt Regency Arcade and the Autograph (Hotel Cleveland) assets located in Cleveland, Ohio, and the 2 Hotels branded Marriott Courtyard located in 2 different states. The results in June 30, 2024 and December 31, 2024 include 14 Marriott Courtyards (of which 11 Courtyards were sold on September 30, 2024 and Tucson Courtyard was sold on January 22, 2025); the results for the six months ended in June 30, 2025 include 3 Marriott Courtyards, and for the three months ended in June 30, 2025 include 2 Marriott Courtyards.

Canadian Hotels and Resorts

The chief operating decision maker reviews and analyzes the Canadian hospitality operations as a separate segment, which mainly includes loans to purchases of the Canadian resorts that were sold in December 2021. The Canadian segment also includes assets and liabilities of the Company's headquarters, including the shareholder loans.

Development segment

Management operates the development assets regardless of their accounting classification, as one operating segment. Therefore, the chief operating decision maker reviews and analyzes all land (both accounted for IAS 40 and IAS 2) under the development segment, together.

Segmented financial information is as follows:

For the six months ended June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	35,912	41	1	35,954
Costs and expenses	(34,921)	(2)	(20)	(34,943)
	991	39	(19)	1,011
Administrative and general expenses				(2,514)
Impairment of real estate properties				(327)
Depreciation				(8,487)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net				1,815*
Financial expense				(19,581)
Financial income				3,154
Loss before income taxes				(24,993)
(*) Other income includes CAD 1.7 million from the Autograph tax credit that was transferred to income.				

For the six months ended June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	55,254	40	4,281	59,575
Costs and expenses	(48,299)	(2)	(5,445)	(53,746)
	6,955	38	(1,164)	5,829
Administrative and general expenses				(3,508)
Impairment of real estate properties				-
Depreciation				(6,753)
Derecognition of investment costs and other capital losses, net				-
Other income, net				55
Financial expense				(18,661)

SKYLINE INVESTMENTS INC.

Condensed interim consolidated financial statements for the period ended June 30, 2025 (Unaudited)

Notes to condensed interim consolidated financial statements

(in thousands of Canadian Dollars except where otherwise stated)

For the six months ended June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Financial income				3,210
Loss before income taxes				(19,828)

For the three months ended June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	19,054	20	1	19,075
Costs and expenses	(17,052)	(1)	(6)	(17,059)
	2,002	19	(5)	2,016
Administrative and general expenses				(1,222)
Impairment of real estate properties				(472)
Depreciation				(4,134)
Derecognition of investment costs and other capital losses, net				-
Other income, net				838*
Financial expense				(10,954)
Financial income				1,691
Loss before income taxes				(12,237)

(*) Other income includes CAD 812 from the Autograph tax credit that was transferred to income.

For the three months ended June 30, 2024 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	33,392	20	4,281	37,693
Costs and expenses	(26,475)	(1)	(5,435)	(31,911)
	6,917	19	(1,154)	5,782
Administrative and general expenses				(1,564)
Depreciation				(3,341)
Other expense, net				199
Financial expense				(10,026)
Financial income				1,466
Loss before income taxes				(7,484)

For the Year ended December 31, 2024 (Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	111,809	80	9,502	121,391
Costs and expenses	(96,898)	(3)	(12,470)	(109,371)
	14,911	77	(2,968)	12,020
Administrative and general expenses				(8,153)
Impairment of real estate properties				(2,201)
Depreciation				(20,457)
Derecognition of investment costs and other capital losses, net				(18,048)
Other income, net (*)				453
Financial expense				(40,393)
Financial income				5,789
Loss before income taxes				(70,990)

(*) Other income: CAD 360 other income from decrease in donation provision related to the Keewatin as per new agreement; CAD 93 refers to recapturing of reserves from several completed development projects.

As at June 30, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development ²	Total
Assets ¹	297,621	54,819	33,291	385,731
Liabilities	(167,921)	(44,688)	(6,989)	(219,598)
	129,700	10,131	26,302	166,133
As at June 30, 2024 (Unaudited)				
Assets ¹	505,132	55,910	46,163	607,205
Liabilities	(314,803)	(36,202)	(11,885)	(362,890)
	190,329	19,708	34,278	244,315
As at December 31, 2024 (Audited)				
Assets ¹	365,360	55,586	37,829	458,775
Liabilities	(199,771)	(43,437)	(7,747)	(250,955)
	165,589	12,149	30,082	207,820

¹ Includes loans to Freed² Includes Port McNicoll VTBs**14 Subsequent events**

- (a) On July 10, 2025, a 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. Mr. Lyon will provide management services, and to the extent that his services result in the sale of the Company's assets, he will be entitled to a cash payment of 0.75% of the gross sales price. The Agreement shall remain in effect during the period from May 14, 2025 until terminated by either party. Each party shall have the right to terminate the Agreement at its discretion upon thirty (30) days prior written notice to the other party or immediately in the event of a breach of the provisions of the Agreement.
- (b) On July 15, 2025, the Company executed a forbearance agreement with Marriot with respect to the Company's Courtyard Hotel at Fort Myers, see further details in note 11(c).
- (c) 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
- (d) 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.
- (e) 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).
- (f) 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, see further details in note 11(d).
- (g) On August 21, 2025, the Company entered into an agreement to amend the shareholders' loans, see further details in note 11(f).