

SKYLINE INVESTMENTS INC.

Condensed consolidated financial
statements for the period ended
March 31, 2026 (Unaudited)

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**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 March 31, 2026 and the related condensed *consolidated* statements of *profit or loss*, *comprehensive income*, changes in equity and cash flows for the three-month period then ended. 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 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 qualifying our conclusion, we draw attention to Note 1(b) of the condensed consolidated financial statements, particularly with respect to the negative working capital as of March 31, 2026, breaches of financial covenants, the findings of the Canada Revenue Agency (CRA), the cash requirements for renovations to certain properties, and the plans of management and the Board of Directors. Based on an analysis of the Company's cash requirements and the alternatives available to it, management and the Board of Directors estimate that the Company will be able to meet all of its obligations in the foreseeable future as they fall due.

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Haifa May 30, 2026.

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Condensed consolidated statements of financial position

Condensed consolidated statements of financial position as at	Note	March 31, 2026 (Unaudited)	March 31, 2025 (Unaudited)	December 31, 2025 (Audited)
Assets:				
Current assets				
Cash and cash equivalents		13,206	17,619	13,716
Trade receivables, other receivables and prepayments		5,567	6,926 *	4,856*
Inventories		313	454	366
Loans to purchasers		-	47,420	-
Restricted bank deposits		1,432	4,912	1,671
		20,518	77,331	20,609
Non-current assets				
Investment properties	5	14,128	14,600	13,943
Property, plant and equipment	6	239,233	276,343	235,113
Loans to purchasers		40,728	39,655	40,435
Other non-current assets		240	466	452
Restricted bank deposits		9,469	8,878	10,206
Deferred tax		4,530	7,863	4,821
		308,328	347,805	304,970
Total assets		328,846	425,136	325,579
Liabilities and equity:				
Current liabilities				
Loans and leases payable	7	70,186	53,573	54,219
Trade payables		8,548	7,983	6,426
Other payables and accruals		11,865	16,149*	11,392*
Deferred revenue		6,985	6,838	6,394
Income taxes payable		-	7	-
		97,584	84,550	78,431
Non-current liabilities				
Loans and leases payable	7	77,032	130,700	90,531
Other liabilities		11,172	12,346	11,669
		88,204	143,046	102,200
Total liabilities		185,788	227,596	180,631
Equity				
Equity attributable to shareholders of the Company		114,910	172,217*	116,900*
Non-controlling interest		28,148	25,323*	28,048*
Total equity		143,058	197,540	144,948
Total liabilities and equity		328,846	425,136	325,579

* Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during the current period in respect of prior periods. As a result, the Company's total equity was reduced by about CAD 1.2 million.

On behalf of the board of directors:

"Amir Tamari"

Amir Tamari
Chairman

"Neha Kapelus"

Neha Kapelus
CEO

"Chanda Kuber"

Chanda Kuber
VP Finance

May 30, 2026

Date

SKYLINE INVESTMENTS INC.

Condensed consolidated financial statements for the period ended March 31, 2026 (Unaudited)

Condensed consolidated statements of income (loss)

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

Condensed consolidated statements of profit or loss

Condensed consolidated statements of profit or loss	Note	Three months ended March 31, 2026 (Unaudited)	Three months ended March 31, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
<u>Revenue</u>				
Income from hotels and resorts	8	17,285	16,879	81,732
Sale of residential real estate		-	-	1
Total revenue		17,285	16,879	81,733
<u>Expenses and costs</u>				
Operating expenses from hotels and resorts		(16,694)	(17,870)	(72,024)
Cost of sales of residential real estate		(7)	(14)	(76)
Total expenses and costs		(16,701)	(17,884)	(72,100)
Gross profit (loss)		584	(1,005)	9,633
Administrative and general expenses		(1,143)	(1,292)	(4,917)
Operating income (loss) before depreciation, valuation adjustments and other income		(559)	(2,297)	4,716
Impairment recovery (loss) from real estate properties		75	145	(8,584)
Depreciation		(3,992)	(4,353)	(16,453)
Loss from fair value adjustments of investment properties		-	-	(200)
Loss on sale and other capital losses		-	(64)	(64)
Other income (expense)		667	977	2,033
Net loss from operations		(3,809)	(5,592)	(18,552)
<u>Financial expenses</u>	9			
Provision for credit losses		-	(5,782)	(47,287)
Other financial expenses		(3,280)	(2,845)	(21,095)
Total Financial expenses		(3,280)	(8,627)	(68,382)
Financial income		296	1,463	5,724
Net loss before income taxes		(6,793)	(12,756)	(81,210)
Income tax recovery (expense)	10	21	1,432	(4,411)
Net loss for the period		(6,772)	(11,324)	(85,621)
<u>Attributable to:</u>				
Shareholders of the Company		(4,723)	(8,269)	(76,791)
Non-controlling interest		(2,049)	(3,055)	(8,830)
Net loss for the period		(6,772)	(11,324)	(85,621)
<u>Net loss per share:</u>				
Basic		(0.28)	(0.50)	(4.65)
Diluted		(0.28)	(0.50)	(4.65)

SKYLINE INVESTMENTS INC.

Condensed consolidated financial statements for the period ended March 31, 2026 (Unaudited)

Condensed consolidated statements of comprehensive income (loss)

(in thousands of Canadian Dollars)

Condensed consolidated statements of comprehensive income

Condensed consolidated statements of comprehensive income for the	Three months ended March 31, 2026 (Unaudited)	Three months ended March 31, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Net loss for the period	(6,772)	(11,324)	(85,621)
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	3,368	2,729	(8,598)
Income taxes gain (loss)	(403)	(347)	2,786
Net gain (loss) from revaluation of property, plant and equipment	2,965	2,382	(5,812)
<u>Items that will or may be reclassified subsequently to net income (loss):</u>			
Foreign exchange differences on translation of foreign operations	1,917	(77)	(6,241)
Other comprehensive income (loss) for the period net of income tax	4,882	2,305	(12,053)
Total comprehensive income (loss) for the period, net of income tax	(1,890)	(9,019)	(97,674)
Attributable to:			
Shareholders of the Company	(1,990)	(7,175)	(92,597)
Non-controlling interest	100	(1,844)	(5,077)
Total comprehensive income (loss) for the period, net of income tax	(1,890)	(9,019)	(97,674)

SKYLINE INVESTMENTS INC.

Condensed consolidated financial statements for the period ended March 31, 2026 (Unaudited)

Condensed consolidated statements of changes in equity

(in thousands of Canadian Dollars)

Condensed consolidated statements of changes in equity

Condensed consolidated statements of changes in equity	Share capital and premium	Related party surplus	Treasury shares	Revaluation surplus	Share based compensation surplus	Foreign exchange translation	Retained earnings	Share capital- Shareholder loan	Attributable to shareholders of the Company	Non-controlling interest	Total Equity
For the three months ended March 31, 2026 (Unaudited):											
Balance at the beginning of the period	80,584	297	(433)	10,017	-	15,891	(19,561) *	30,105	116,900 *	28,048 *	144,948 *
Net loss for the period	-	-	-	-	-	-	(4,723)	-	(4,723)	(2,049)	(6,772)
Other comprehensive income (loss) for the period	-	-	-	1,351	-	1,382	-	-	2,733	2,149	4,882
Total comprehensive income (loss) for the period	-	-	-	1,351	-	1,382	(4,723)	-	(1,990)	100	(1,890)
Transfer upon recognition of depreciation	-	-	-	(98)	-	-	98	-	-	-	-
Interest, Linkage differences and exchange rate differences on equity loans	-	-	-	-	-	-	(1,112)	1,112	-	-	-
Balance at the end of the period	80,584	297	(433)	11,270	-	17,273	(25,298)	31,217	114,910	28,148	143,058
For the three months ended March 31, 2025 (Unaudited):											
Balance at the beginning of the period	80,188	297	(433)	24,630	396	20,698	53,616 *	-	179,392 *	27,167 *	206,559 *
Net loss for the period	-	-	-	-	-	-	(8,269)	-	(8,269)	(3,055)	(11,324)
Other comprehensive income (loss) for the period	-	-	-	1,156	-	(62)	-	-	1,094	1,211	2,305
Total comprehensive income (loss) for the period	-	-	-	1,156	-	(62)	(8,269)	-	(7,175)	(1,844)	(9,019)
Transfer upon recognition of depreciation	-	-	-	(106)	-	-	106	-	-	-	-
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-	-
Balance at the end of the period	80,188	297	(433)	22,442	396	20,636	48,691	-	172,217*	25,323*	197,540*
For the year ended December 31, 2025:											
Balance at the beginning of the year	80,188	297	(433)	24,630	396	20,698	53,616 *	-	179,392 *	27,167 *	206,559 *
Net loss for the year	-	-	-	-	-	-	(76,791)	-	(76,791)	(8,830)	(85,621)
Other comprehensive loss for the year	-	-	-	(10,999)	-	(4,807)	-	-	(15,806)	3,753	(12,053)
Total comprehensive loss for the year	-	-	-	(10,999)	-	(4,807)	(76,791)	-	(92,597)	(5,077)	(97,674)
Transfer upon recognition of depreciation	-	-	-	(376)	-	-	376	-	-	-	-
Contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	5,958	5,958
Contribution from shareholders (see note 12(j) to the consolidated financial statements as of December 31, 2025)	-	-	-	-	-	-	-	30,105	30,105	-	30,105
Transfer upon sale	-	-	-	(3,238)	-	-	3,238	-	-	-	-
Transfer upon expiration	396	-	-	-	(396)	-	-	-	-	-	-
Balance at the end of the year	80,584	297	(433)	10,017	-	15,891	(19,561) *	30,105	116,900 *	28,048 *	144,948 *

* Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during the current period in respect of prior periods. As a result, the Company's total equity was reduced by about CAD 1.2 million

Condensed consolidated statements of cash flows

	Three months ended March 31, 2026 (Unaudited)	Three months ended March 31, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Condensed consolidated statements of cash flows			
Operating activities:			
Net loss for the period	(6,772)	(11,324)	(85,621)
Adjustments for:			
Depreciation, amortization and impairment	4,236	4,751	26,654
Loss from fair value adjustments on investment properties and financial instruments	-	-	200
Loss on sale of investment and other property	-	63	64
Finance costs from shareholders' loan	522	(922)	6,522
Deferred tax, net	(18)	(1,498)	4,262
Changes in non-cash working capital:			
Trade receivables, other receivables, prepayments and others	(703)	4,996	46,081
Inventories	58	36	103
Trade and other payables and credit balances	2,004	(3,546)	(9,124)
Income taxes	(2)	40	(132)
Cash used in operating activities	(675)	(7,404)	(10,991)
Investing activities:			
Additions to investment properties	(20)	-	(15)
Release from restricted deposit	1,161	1,247	2,667
Additions to property, plant and equipment	(543)	(2,853)	(6,621)
Proceeds of loans given to purchasers	-	-	7,257
Proceeds from sale of property, plant and equipment	-	17,828	17,628
Cash provided by investing activities	598	16,222	20,916
Financing activities:			
Repayment of bank credit and other short-term loans	(985)	(16,943)	(21,693)
Proceeds from long term loans	990	1,608	1,666
Repayments of long-term loans and capital leases	(513)	(270)	(11,335)
Proceeds on loans payable to related parties	-	-	4,029
Contribution from non-controlling shareholders	-	-	5,958
Cash used in financing activities	(508)	(15,605)	(21,375)
Foreign exchange translation of cash balances	75	(216)	544
Net decrease in cash and cash equivalents	(510)	(7,003)	(10,906)
Cash and cash equivalents at beginning of period	13,716	24,622	24,622
Cash and cash equivalents at end of period	13,206	17,619	13,716

SKYLINE INVESTMENTS INC.

Condensed consolidated financial statements for the period ended March 31, 2026 (Unaudited)

Condensed consolidated statements of cash flows

(in thousands of Canadian Dollars)

Supplemental cash flow information for the period	Three months ended March 31, 2026 (Unaudited)	Three months ended March 31, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Interest paid	2,204	2,823	11,172
Interest received	2	8	20
Income taxes paid and refunded*	-	-	277

* Income taxes paid for the year ended December 31, 2025 of CAD 277 is related to investing activities.

Significant non-cash investing and financing activities for the period	Three months ended March 31, 2026 (Unaudited)	Three months ended March 31, 2025 (Unaudited)	Year ended December 31, 2025 (Audited)
Right-of-use assets and lease liabilities	185	-	-
Share capital and premium increase and share capital shareholder loan	-	-	30,105

Notes to condensed 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 has hospitality real estate investments in the United States and financial assets related to real estate assets sold in Canada.

As at March 31, 2026, the Company is 53.39% owned by its controlling shareholder, Mishorim Real Estate Investments Ltd ("Mishorim") and 26% owned by Land Development of Nimrodi Group Ltd ("ILDC") (formerly The Israel Land Development Co. Ltd. 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

- 1) As of March 31, 2026, the Company presents a negative working capital of approximately CAD 77 million (as of 31 December 2025, negative working capital of CAD 56.6 million). Compared to prior year, the decrease in working capital was primarily due to the classification of Autograph's OWDA loan and Cuyahoga County loans (refer to note 1(b)2) and Courtyard Fort Myers in the amount of CAD 11 million (see note 1(b)6) loans to current liabilities.

- 2) Hotel Cleveland Autograph loans

Loans of approximately CAD 53.07 million (USD 38.07 million) related to the Hotel Cleveland Autograph ("Autograph Loans") are classified to short term liabilities. See note 1(b)1 of the Company's financial statements as of 31 December 2025 for further information about non-compliance with Debt Service Coverage Ratio ("DSCR") in 2025. the related agreement with the bank and classification of the loans to short term liabilities.

The Company's subsidiary was in compliance with the DSCR requirement as at December 31, 2025, according to the Loan agreements. As of March 31, 2026, the required DSCR according to the loan agreement is 1.40:1.00, calculated on a trailing nine-month annualized basis. The Company's subsidiary did not comply with this requirement, as the DSCR was 0.83:1.00. Under the loan agreement, the Company may cure this failure by making a principal payment sufficient to restore compliance with the required DSCR within the prescribed cure period following delivery of the related compliance certificate. The Company does not currently have sufficient unrestricted cash to make that payment.

Accordingly, once the said compliance certificate is delivered and the contractual cure period expires, the lender will have the right to declare an event of default and exercise available remedies, including acceleration of the indebtedness, imposition of default interest, enforcement of guarantees and security, foreclosure-related remedies, and/or seeking the appointment of a receiver. As of the date of approval of these financial statements, the lender has not delivered a notice of event of default.

In addition, failure to satisfy the DSCR requirement under the Hotel Cleveland Autograph loan will trigger cross-default provisions under the CAD 2.4 million (USD 1.9 million) loan from the Ohio Water Development Authority and the CAD 2.7 million (USD 1.7 million) loan from the County of Cuyahoga, Ohio. In Q1 2026 these loans have been classified as short term. The Company is a guarantor of some of the subsidiary's loans referred to above.

On May 30, 2026, the Company's subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of March 31, 2026 (after the subsidiary had been expected not to meet such ratio for the testing period). In consideration thereof, the subsidiary undertook to maintain an amount of USD 500,000 in a restricted account, and it was also agreed to increase Skyline's liquidity requirement as guarantor to CAD 10 million (instead of CAD 7 million).

The Company is conducting negotiations with another bank for the refinancing of the loan related to the Autograph hotel. If the refinancing is not completed, the Company expects that the subsidiary will not meet the debt coverage ratio in the second quarter of 2026, and if the current bank does not agree to waive the ratio in the second quarter as well, the Company expects that an amount of up to USD 6 million may be required for partial repayment of the loan so that it may cure the breach (if any). The Company's controlling shareholder, Mishorim Real Estate Investments Ltd., undertook to provide the Company with an amount of up to USD 4 million (less any amount made available to the Company by the subsidiary's partner in the asset), solely for the purpose of curing the breach (if any). Any such amount made available by Mishorim, if needed, will be provided by way of a shareholders' loan on terms identical to those of Land Development of Nimrodi Group loan to the Company (namely: 6% interest, principal linked to the Consumer Price Index, and a maturity date no later than December 31, 2027). In addition, the Company currently has available funds of approximately USD 2 million that could be used for this purpose, if required.

The Company is a guarantor under Autograph loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 7 million and minimum equity of CAD 100 million. As at the balance sheet date, liquidity is CAD 13.2 million and the equity balance is CAD 115 million. A breach of such covenants could trigger default events, potentially resulting in the acceleration of outstanding loans and a requirement for immediate repayment in the approximate amount of CAD 58.16 million.

3) Freed VTB

The Company's non-current assets include Freed VTBs which, as of March 31, 2026, amounted to CAD 16.0 million, net of Expected Credit Losses ("ECL") of CAD 43.2 million. These VTBs were expected to be repaid on March 31, 2025, however, as of the reporting date, Freed has not repaid these loans. The Company holds collateral in respect to these loans, subject to the senior lender's priority. On February 9, 2026, the Company provided to Freed's senior lender a Standstill Notice. See Note 11(a) for further information.

4) Canada Revenue Agency (CRA) audit

The Canada Revenue Agency ("CRA") completed its audit of the Company and one of its subsidiaries' corporate income tax returns for the years 2021 to 2023 and, on April 13, 2026, issued proposed adjustments to previously reported income. On an estimated basis, these adjustments could result in additional taxes of approximately CAD 14 million, plus interest.

The Company disagrees with the proposed adjustments and intends to respond to the CRA. Management believes it is more likely than not that the Company's tax treatment will be accepted and, accordingly, no provision has been recognized in these financial statements. If the CRA ultimately does not accept the Company's position, the Company may pursue available appeal rights; however, under the applicable process, the Company may be required to deposit 50% of the assessed amount before proceeding with an appeal

5) Hyatt loan cash trap period

The Hyatt-related financing includes a CAD 33.7 million (USD 24.2 million) real estate loan to Skyline Cleveland Acquisitions, LLC. Under the loan agreement, the Company's subsidiary that holds the hotel is required to maintain a DSCR of at least 1.40:1.00. The subsidiary did not satisfy this requirement for the period ended December 31, 2025 and March 31, 2026. This failure does not constitute an event of default under the applicable loan agreement; however, it triggered a Cash Trap Event Period.

On April 24, 2026, after the reporting period, the lender notified the subsidiary that a Cash Trap Event Period had commenced and requested, among other items, execution of documents to establish the required cash management account, submission of a monthly operating budget for the remainder of calendar 2026, and delivery of financial information. The subsidiary is in the process of providing the requested information and completing the required documentation.

During the Cash Trap Event Period, cash management provisions apply to revenue from the retail portion of the property and to excess cash distributions, if any, made by Hyatt to the subsidiary under the hotel management agreement. Management does not expect these measures to impair normal hotel operations.

Under the loan agreement, the Cash Trap Event Period ends after the borrower achieves a DSCR of at least 1.45:1.00 for one calendar quarter. Management's current projections indicate compliance may be achieved for the quarter ending June 30, 2026, but this outcome depends on the hotel's operating performance.

- 6) The Company has other loans related to the Courtyard Fort Myers in the amount of CAD 11 million (USD 7.9 million). These loans are classified as short-term liabilities as of March 31, 2026 considering it has maturity date on March 2027. On February 6, 2026 the Company entered into agreement to sell the hotel, see details in note 11(b).
- 7) The Company is required to do certain renovations in Courtyard hotels (Courtyard Fort Myers and Courtyard Ithaca) in accordance with the requirements of the franchise agreements in the near future, with the total estimated cost being approximately CAD 6.4 million. On February 6, 2026, the Company entered into separate and independent agreements for the sale of these hotels, subject to completion of closing conditions, the transaction is expected to close during the third quarter of 2026, see details in note 11 (b). In the event these sales do not materialize, management plans to fund these renovations through an existing credit facility of approximately CAD 5.5 million, with the remaining amount of CAD 0.9 million to be covered by the existing reserve. If renovation costs come higher than expected or the Company is unable to obtain extensions of the renovation timelines from the franchisor (if required), the Company may be at risk of defaulting under the franchise agreements. Such a default could also trigger cross-default provisions in related loan agreements in the amount of approximately CAD 18 million.

The Company's management and the Board of Directors have reviewed the Company's cash needs and the alternatives available to it. Based on the actions taken by the Company to reach agreements with the current lender in respect of the Autograph Loans or to refinance those loans, the commitment letter received from the Parent Company, management's assessment that the Company's tax position is likely to be accepted, and the execution of the sales agreements described above, management and the Board of Directors have concluded that the Company will be able to meet its obligations as they fall due for the foreseeable future.

2 Material accounting policies

(a) Basis of presentation

The Company has prepared these condensed 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, 2025.

These condensed consolidated financial statements were approved by the Company's Board of Directors on May 30, 2026.

(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	March 31, 2026	March 31, 2025	December 31, 2025
USD / CAD	1.394	1.438	1.371
CAD / NIS	2.272	2.589	2.328

Exchange rates- Average during the period ended	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
USD / CAD	1.372	1.435	1.398
CAD / NIS	2.276	2.517	2.469

Change in rate- During the period ended	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
USD / CAD	1.7%	(0.1%)	(4.7%)
CAD / NIS	(2.4%)	2.1%	(8.2%)

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, and therefore maintain a balanced level of income throughout the year. 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 March 31, 2026	Fair value as at March 31, 2025	Fair value as at Year ended December 31, 2025	Carrying amount as at March 31, 2026	Carrying amount as at March 31, 2025	Carrying amount as at Year ended December 31, 2025
Financial assets						
Loans to purchasers	38,598	84,869	39,453	40,728	87,075	40,435
Financial liabilities						
Loans and leases payable*	146,382	183,301	143,877	147,218	184,273	144,750

* 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

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
Investment properties movement			
Balance as at the beginning of the period	13,943	14,609	14,609
Expenditures subsequent to acquisition	20	-	15
Net loss from fair value adjustments	-	-	(200)
Foreign exchange translation and other	165	(9)	(481)
Balance as at the end of the period	14,128	14,600	13,943

6 Property, plant and equipment

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
Property, plant and equipment movement			
Property, plant and equipment as at beginning of year	235,113	276,639	276,639
Expenditures subsequent to acquisitions, including payable amounts	543	1,414	5,182
Adjustment to fair value through revaluation surplus	3,368	2,729	(8,598)
Right-of-use assets and lease liabilities	185	-	-
Depreciation	(3,992)	(4,353)	(16,453)
Impairment recovery (loss)	75	145	(8,584)
Disposals	-	(200)	-
Foreign exchange translation	3,941	(31)	(13,073)
Balance as at the end of the period	239,233	276,343	235,113

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, no 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. This approach indicated that value did not have a material change from last quarter for any of the properties.

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 March 31, 2026 are as follows:

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

Discount rates used in applying the DCF method ranged between 10.25% and 12.5%, terminal capitalization rates ranged between 8.50% and 9.00%.

As at March 31, 2026, 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 \$3,345. As at March 31, 2026, 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 \$3,206.

In December 2025, the Company adjusted the carrying amounts of the Courtyard Fort Myers and Courtyard Ithaca hotels under the revaluation model to reflect fair value based on the most recent market evidence, including expected transaction pricing and related terms. Accordingly, the properties were carried at USD 9.25 million (Courtyard Fort Myers) and USD 7.25 million (Courtyard Ithaca).

There was no change in the fair value in Q1 2026 for any of the properties.

7 Loans and leases payable

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
Loans and leases payable properties movement			
Balance as at the beginning of the period	144,750	184,417	184,417
Proceeds from long-term loans	990	1,608	1,666
Repayments of long-term loans	(513)	(270)	(11,335)
Net proceeds (repayment) from short-term loans	(985)	(473)	(21,693)
Proceeds from shareholders loans	-	-	4,029
Right-of-use assets and lease liabilities	185	-	-
Transfers to (from) other non-current assets and other	-	(454)	(30,105)
Linkage differences and exchange rate differences on loans from shareholders	319	(1,337)	4,230
Amortization of deferred financing charges	319	543	1,617
Transfers to disposal group classified as held for sale	-	-	16,470
Foreign exchange translation	2,153	239	(4,546)
Balance as at the end of the period	147,218	184,273	144,750

8 Income from hotels and resorts

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
For the period ended,			
Room revenue	12,424	11,081	54,686
Food & beverage revenue	3,319	4,281	20,390
Other revenue	1,542	1,517	6,656
	17,285	16,879	81,732

9 Financial expense

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
For the period ended,			
Provision for credit losses	-	(5,782)	(47,287)
Other financial expenses			
Interest on loans and leases	(2,377)	(3,170)	(12,651)
Interest on shareholder loans*	(523)	922	(6,522)
Amortization of deferred financing charges	(319)	(543)	(1,617)
Bank charges	(61)	(54)	(305)
Other financial expenses	(3,280)	(2,845)	(21,095)
Total Financial expenses	(3,280)	(8,627)	(68,382)

* Includes income (expenses) from exchange rate differences and CPI index adjustment related to shareholders' loans, and for Q1 2026 it only includes the amounts related to ILDC loan as the Mishorim loan has been classified to equity in December 2025.

10 Income taxes

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

	Three months ended March 31, 2026	Three months ended March 31, 2025	Year ended December 31, 2025
For the period ended,			
Current income tax expense	3	(66)	390
Prior year income tax recovery (expense)	-	-	(539)
Deferred income tax recovery (expense)	18	1,498	(4,262)*
Income tax recovery (expense)	21	1,432	(4,411)

* 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

- In connection with Freed's VTB, on February 9, 2026, the Company provided a Standstill Notice to Freed's senior lender in accordance with the provisions of the agreement between the Company and the senior lender. Pursuant to the Standstill Notice, the Company reserves its right to call the entire indebtedness for immediate repayment as well as its right to initiate enforcement action upon the expiration of the standstill period up to 150 days. Given that the Standstill period has not yet expired as of the reporting date, the Company has not yet commenced enforcement proceedings for the repayment of the loans, and holds collaterals (subject to the senior lender's priority).
- On February 6, 2026, the Company entered into separate and independent agreements for the sale of the following properties: the sale of Courtyard Ithaca for a consideration of USD 7.25 million, and the sale of Courtyard Ft. Myers for a consideration of USD 9.25 million with each agreement including non-refundable deposit of USD 0.165 million that was received on February 5, 2026. Based on second amendment entered on April 23, 2026, the parties have agreed to extend the timelines for completion of the agreements in order to facilitate the submission of the franchise documents required by Marriott. An additional deposit of USD 0.125 million per property was placed in escrow on April 1, 2026 to meet the obligation related to Marriott franchise application fee. USD 0.100 million was received on May 18, 2026 towards full settlement of the franchise application fee. The buyer has exercised the extension option set forth in the agreement, such that the closing date is deferred by an additional 45 days and an extension deposit of USD 0.075 million per property was received on May 18, 2026, with the remaining amount of USD 0.090 million per property received on May 19, 2026. Accordingly, the closing of the agreements is expected to occur during the third quarter of 2026. The estimated net cash proceeds will be finalized after consideration of transaction costs, debt repayment, and working capital adjustments. As at March 31, 2026, the aggregate outstanding loan balance related to the properties is USD 13 million.
- On February 9, 2026, the Company repurchased 200,000 of its shares from a private company owned by the Company's former CEO, which had been issued to him in consideration for an interest-bearing loan. As the loan had not been repaid, the repurchase was made against the loan balance (principal and interest) and the shares were subsequently cancelled.
- With respect to the Company's Courtyard hotel in Ithaca, Marriott delivered a Notice of Red Zone 3 Default dated February

27, 2026. Under Marriott's policies, a Red Zone 5 or higher triggers default in the franchise agreement, therefore consideration of a forbearance agreement is not initiated until a property reaches Red Zone 5 Default status or higher.

- e) With respect to the Hyatt loan, the Hotel needs to perform a quarterly assessment of DSCR, to not be less than 1.4:1. The Hotel did not comply with this requirement since the second quarter of 2025. Failure to comply with this ratio does not constitute an event of default, but rather results in the commencement of a lender cash management period. On April 24, 2026, the Company was notified by its lender of the enforcement of cash management provisions. As long as the hotel is managed by Hyatt, the cash management provisions apply only to: (1) revenues from the retail portion of the property; and (2) distributions of surplus cash, if any, from the Hyatt hotel, to the Company. Accordingly, the Company does not expect the implementation of the cash management period to adversely affect the Hotel's ongoing operations. See Note 1(b)(3) for further details.
- f) With respect to the loan related to the Autograph hotel, a DSCR requirement of 1.4 was agreed to be calculated based on a nine and twelve-month consecutive measurement period as of March 31, 2026 and June 30, 2026, respectively. The subsidiary did not comply with the DSCR requirement as at March 31, 2026, with a DSCR of 0.83. Refer to note 1(b)(2) for further details.
- g) In February 2026, one of the Company's subsidiaries entered into an agreement with a bank to settle its existing revolving line of credit and replace it with a non-revolving term loan. The new loan has a principal amount of CAD 990, a term of 36 months, and bears fixed interest at 4.39% for the first year.

12 Claims

The Company has been served several claims 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.

Included in the above is a claim for commissions owing under an agreement related to sale of properties with an exposure of CAD 0.5 million. The Company has filed a defence denying the allegations and the amount remains in dispute and the matter is at early stage and not yet proceeded to trial.

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, the 2 Hotels branded Marriott Courtyard located in different states. The results in March 31, 2025 and December 31, 2025 include 3 Marriott Courtyards (of which Tucson Courtyard was sold on January 22, 2025); and the results in March 31, 2026 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 three months ended March 31, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	17,278	7	-	17,285
Costs and expenses	(16,693)	(1)	(7)	(16,701)
	585	6	(7)	584

SKYLINE INVESTMENTS INC.

Condensed consolidated financial statements for the period ended March 31, 2026 (Unaudited)

Notes to condensed consolidated financial statements

(in thousands of Canadian Dollars except where otherwise stated)

For the three months ended March 31, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Administrative and general expenses				(1,143)
Impairment recovery of real estate properties				75
Depreciation				(3,992)
Other income, net				667*
Financial expense				(3,280)
Financial income				296
Loss before income taxes				(6,793)

(*)Other income includes CAD 881 from the Autograph tax credit that was transferred to income, partially offset by the write off of historical receivable balance at corporate level.

For the three months ended March 31, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	16,859	20	-	16,879
Costs and expenses	(17,869)	(1)	(14)	(17,884)
	(1,010)	19	(14)	(1,005)
Administrative and general expenses				(1,292)
Impairment recovery of real estate properties				145
Depreciation				(4,353)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net				977*
Financial expense				(8,627)
Financial income				1,463
Loss before income taxes				(12,756)

(*) Other income includes CAD 853 from the Autograph tax credit that was transferred to income.

For the year ended December 31, 2025	US hotels and resorts	Canadian hotels and resorts	Development	Total
Revenue	81,706	26	1	81,733
Costs and expenses	(72,021)	(3)	(76)	(72,100)
	9,685	23	(75)	9,633
Administrative and general expenses				(4,917)
Impairment loss of real estate properties				(8,584)
Depreciation				(16,453)
Loss from fair value adjustments of investment properties				(200)
Derecognition of investment costs and other capital losses, net				(64)
Other income, net (*)				2,033
Financial expense (**)				(68,382)
Financial income				5,724
Loss before income taxes				(81,210)

(*) Other income includes CAD 3.5 million from the Autograph tax credit that was transferred to income (refer to Note 12(f)) to the consolidated financial statements as of December 31, 2025, and CAD 0.54 million other income related to the reversal of Bear Valley accruals. This was partially offset by CAD 1.7 million loss related to deferred consideration settlement for Bear Valley VTB based on

amended agreement and CAD 0.49 million reversal of previously accrued interest income related to the loan provided to the former CEO upon expiration of eligibility period.

(**) Interest income on the Port VTB and the Freed VTB were calculated based on the net basis after deducting the provision for expected credit losses.

As at March 31, 2026 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets ^a	282,077	24,486	22,283	328,846
Liabilities	(161,942)	(18,488)	(5,358)	(185,788)
	120,135	5,998	16,925	143,058

As at March 31, 2025 (Unaudited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets ^a	336,636 ^b	51,287	37,213	425,136 ^b
Liabilities	(180,466) ^b	(40,276)	(6,854)	(227,596) ^b
	156,170 ^b	11,011	30,359	197,540 ^b

As at December 31, 2025(Audited)	US hotels and resorts	Canadian hotels and resorts	Development	Total
Assets ^a	278,805 ^b	24,194	22,580	325,579 ^b
Liabilities	(156,686) ^b	(18,373)	(5,572)	(180,631) ^b
	122,119 ^b	5,821	17,008	144,948 ^b

^a Includes loans to Freed.

^b Comparative figures have been adjusted to reflect the correction of non-material misstatements identified during the current period in respect of prior periods

14 Subsequent events

- On April 1, 2026, the Company's subsidiary that holds the hotel entered into a management five-year management agreement with Coury Hospitality, LLC for the management of the Company's Hotel Cleveland Autograph hotel. After the initial term, the agreement is automatically extended for one additional 60-month period (another 5 years), unless either party gives written notice at least 60 days before the end of the initial term to terminate. Coury shall be entitled to a monthly management fee based on a percentage of gross receipts (ranging from 2% to 2.5%), subject to a minimum payment of USD 0.015 thousand per month, and an annual incentive fee contingent on achieving specified performance metrics. The terms of the agreement are not materially different from the prior hotel management agreement.
- The Canada Revenue Agency ("CRA") completed its audit of the Company and one of its subsidiaries' corporate income tax returns for the years 2021 to 2023 and, on April 13, 2026, issued proposed adjustments to previously reported income. The Company disagrees with the proposed adjustments and intends to respond to the CRA. Management believes it is more likely than not that the Company's tax treatment will be accepted and, accordingly, no provision has been recognized in these financial statements. On an estimated basis, these adjustments could result in additional taxes of approximately CAD 14 million, plus interest. If the CRA ultimately does not accept the Company's position, the Company may pursue available appeal rights; however, under the applicable process, the Company may be required to deposit 50% of the assessed amount before proceeding with an appeal, which could place additional pressure on liquidity.
- On April 23, 2026, the Company signed the second amendment to the purchase and sale agreement related to the Courtyard Ft. Myers and Ithaca properties. An additional deposit of USD 0.125 million per property was placed in escrow on April 1, 2026 to meet the obligation related to Marriott franchise application fee. USD 0.100 million was received on May 18, 2026 towards full settlement of the franchise application fee. The buyer has exercised the extension option set forth in the agreement, such that the closing date is deferred by up to an additional 45 days and an extension deposit of USD 0.075 million per property was received on May 18, 2026, with the remaining amount of USD 0.090 million per property received on May 19, 2026. Accordingly, the closing of the agreements is expected to occur during the third quarter of 2026. The estimated net cash

proceeds will be finalized after consideration of transaction costs, debt repayment, and working capital adjustments. As at March 31, 2026, the aggregate outstanding loan balance related to the properties is USD 13 million.

- d) The Hotel Cleveland Autograph loan required a DSCR of 1.40:1.00, calculated on a trailing nine-month annualized basis. The Company's subsidiary that holds the hotel did not comply with this requirement, as the DSCR obtained was 0.83:1.00. Under the loan agreement, the subsidiary may cure this failure by making a principal payment sufficient to restore compliance with the required DSCR within the prescribed cure period following delivery of the related compliance certificate to the lender. The Company does not currently have sufficient unrestricted cash to make that payment.

Accordingly, once the said compliance certificate is delivered and the contractual cure period expires, the lender may have the right to declare an event of default and exercise available remedies, including acceleration of the indebtedness, imposition of default interest, enforcement of guarantees and security, foreclosure-related remedies, and/or seeking the appointment of a receiver. As of the date of approval of these financial statements, the lender has not delivered a notice of event of default.

In addition, failure to satisfy the DSCR requirement under the Hotel Cleveland Autograph loan may trigger cross-default provisions under the CAD 2.4 million (USD 1.9 million) loan from the Ohio Water Development Authority and the CAD 2.7 million (USD 1.7 million) loan from the County of Cuyahoga, Ohio. In Q1 2026 these loans have been classified as short term. The Company is a guarantor of some of the subsidiary's loans referred to above.

On May 30, 2026, the Company's subsidiary holding the Autograph Hotel in Cleveland received a waiver letter from the lender with respect to compliance with the DSCR required as of March 31, 2026 (after the subsidiary had been expected not to meet such ratio for the testing period). In consideration thereof, the subsidiary undertook to maintain an amount of USD 500,000 in a restricted account, and it was also agreed to increase Skyline's liquidity requirement as guarantor to CAD 10 million (instead of CAD 7 million). The Company is conducting negotiations with another bank for the refinancing of the loan related to the Autograph hotel. If the refinancing is not completed, the Company expects that the subsidiary will not meet the debt coverage ratio in the second quarter of 2026, and if the current bank does not agree to waive the ratio in the second quarter as well, the Company expects that an amount of up to USD 6 million may be required for partial repayment of the loan so that it may cure the breach (if any). The Company's controlling shareholder, Mishorim Real Estate Investments Ltd., undertook to provide the Company with an amount of up to USD 4 million (less any amount made available to the Company by the subsidiary's partner in the asset), solely for the purpose of curing the breach (if any). Any such amount made available by Mishorim, if needed, will be provided by way of a shareholders' loan on terms identical to those of Land Development of Nimrodi Group loan to the Company (namely: 6% interest, principal linked to the Consumer Price Index, and a maturity date no later than December 31, 2027). In addition, the Company currently has available funds of approximately USD 2 million that could be used for this purpose, if required.

- e) On April 24, 2026, after the reporting period, the lender related to the Hyatt hotel notified the Company's subsidiary that holds the hotel that a Cash Trap Event Period had commenced and requested, among other items, execution of documents to establish the required cash management account, submission of a monthly operating budget for the remainder of calendar 2026, and delivery of financial information. The subsidiary is in the process of providing the requested information and completing the required documentation.

During the Cash Trap Event Period, cash management provisions apply to revenue from the retail portion of the property and to excess cash distributions, if any, made by Hyatt to the subsidiary under the hotel management agreement. Management does not expect these measures to impair normal hotel operations.

Under the loan agreement, the Cash Trap Event Period ends after the borrower achieves a DSCR of at least 1.45:1.00 for one calendar quarter. Management's current projections indicate compliance may be achieved for the quarter ending June 30, 2026, but this outcome depends on the hotel's operating performance.

- f) On May 6, 2026, the Company announced the change in the number of issued securities and in the register of the Company's securities (including rights to purchase) as a result of the cancellation of the treasury shares. Following the cancellation, the Company's issued and paid-up capital decreased by 44,747 shares.