SKYLINE
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Management's Discussion and Analysis

For the three and six months ended June 30, 2026

August 25, 2026

Introduction

This Management's Discussion and Analysis (this "MD&A") of the operating results and financial condition of Skyline Investments Inc. ("Skyline", "the Company", "we", "us" or "our") constitutes management's ("Management") review of the factors that affected the Company's operating performance for the three and six months ended June 30, 2026 and its financial position as at June 30, 2026. This MD&A is dated and has been prepared with information available as of June 30, 2026.

This MD&A should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2026 and 2025 and accompanying notes (the "Financial Statements").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards, using accounting policies adopted by the Company. These accounting policies are based on the International Accounting Standards, International Financial Reporting Standards and IFRS Interpretations Committee interpretations (collectively, "IFRS") that are applicable to the Company. Amounts discussed below are based on our consolidated financial statements for the three and six months ended June 30, 2026 and are presented in thousands of Canadian dollars, unless otherwise stated.

Additional information relating to the Company is available under our SEDAR+ profile at www.sedarplus.com.

Except as expressly provided herein, none of the information on the SEDAR+ website is incorporated by reference into this document by this or any other reference.

Forward-Looking Information

Certain statements contained in this MD&A constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the Company's future outlook and anticipated events or results and may include statements regarding the future financial position, business strategy, budgets, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Company. In particular, statements regarding the Company's future operating results and economic performance are forward-looking statements. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue" or other similar expressions concerning matters that are not historical facts. Examples of such statements include the statements with respect to the Company's strategy, objectives and intentions disclosed in the section entitled "*Overview*",", "*Liquidity and Financial Position*" and "*The Company's Properties*", including: the Company's intention to complete future acquisitions and/or dispositions, and the expected benefits from any such acquisitions or dispositions; and the introduction of value-added leasing and operational revenue streams and increased management efficiencies.

Forward-looking information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what the Company currently expects. These factors include the ability of the Company to complete future acquisitions, obtain necessary equity and debt financing and grow its business; overall indebtedness levels, which could be impacted by the level of acquisition activity Skyline is able to achieve and future financing opportunities; general economic and market conditions and factors; local real estate conditions; competition; interest rates; changes in government regulation; and reliance on key personnel. For more information on these risks and uncertainties readers should refer to the risks disclosed in the Annual Information Form of the Company dated March 13, 2026, which are available under the Company's profile on SEDAR+ at www.sedarplus.com.

Forward-looking information contained in this MD&A is based on the Company's current estimates, expectations and projections, which the Company believes are reasonable as of the date hereof. Readers should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time except as may be required by applicable securities laws.

Under Israeli law the Company is obligated to disclose an unconsolidated stand-alone financial statement of the parent public entity. These statements are unconsolidated and as a result have none of the operating activity or cash flow that takes place in the Company's subsidiaries. The parent public entity has minimal revenue but does have head office expenses and interest from the unsecured debt (which is funded from operating activity in the Company's subsidiaries). This document contains references to certain Israeli securities laws and publications; all the Company's public filings are available both on the Israeli stock exchange site, and on SEDAR+. In section Cash Flows from Operating Activities a translation of this disclosure under Israeli law is presented, and if not for the dual reporting requirements would not be included in this MD&A.

Non-IFRS Performance Measures

All financial information has been prepared in accordance with IFRS. However, Skyline uses certain non-IFRS measures as key performance indicators, including net operating income ("NOI"), funds from operations ("FFO"), FFO per share, and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

These are key measures commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO and Adjusted EBITDA may differ from similar measures as reported by other companies in similar or different industries. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Please see "*Performance Measures that are not based on IFRS*" for the reconciliations of these non-IFRS performance measures.

Skyline also uses certain supplementary financial measures as key performance indicators, including same asset NOI. Supplementary financial measures are financial measures that are intended to be disclosed on a periodic basis to depict the historical or expected future financial performance, financial position, or cash flow, that are not disclosed directly in the financial statements and are not non-IFRS measures.

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Overview

Skyline is a Canadian investment company listed on the Tel-Aviv Stock Exchange under the symbol SKLN and is a reporting issuer in Canada.

The Company is a reporting issuer in the Province of Ontario, Canada (following the filing and receipt of a non-offering long form prospectus in 2014) but, as of June 30, 2026, does not have any of its securities listed or quoted on any marketplace in Canada.

Unless otherwise expressly stated, all data set forth herein is presented in thousands of Canadian dollars and refers to the Company's consolidated information.

1. General

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

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

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

2. The Company's Properties

As at June 30, 2026, Skyline owned 4 income producing properties that include 1,040 rooms and 7,919 sqm. of commercial space.

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

*Select service hotels assets and associated liabilities were classified as held for sale in Q2 2026.

In addition to the above, the Company no longer holds any development projects, but has investment properties in Canada that are generating rental income.

The following table summarizes the Company's expected net cash flows from its vendor take-back ("**VTB**") loans[2], and Equity Notes Receivable:

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

[2] For details regarding expected credit losses (ECLs) related to VTB and receivables from the Freed Transaction and VTB from Port McNicoll, see Note 1(b)3 and 12 (l) to the financial statements and Section 15 below.

VTB Loans, and Notes Receivable	Q3-Q4 2026	2027	Total
Port McNicoll VTB	27,912	-	27,912
Golf Cottages	-	7,018	7,011
Total – Development VTBs	**27,912**	**7,018**	**34,930**
Freed Corp. ("**Freed**") VTBs	24,955	-	24,955
Debt Note Receivable (against the sale of the rights in the Partnership)	39,436	-	39,436
Total – Freed [3]	**64,392**	**-**	**64,392**
Total Inflows	**92,304**	**7,018**	**99,322**

The table below provides comparable data on the Company's operating segments for the three and six months ended June 30, 2026, and 2025:

TOTAL INFORMATION

Three Months Ended June 30,	2026	2025
Number of rooms	1,040	1,040
Number of hotel properties	4	4
Occupancy rate	69%	56%
Average daily room rate (in CAD dollars)	266.30	245.84
Revenue per available room (in CAD dollars)	184.68	137.59

Six Months Ended June 30,	2026	2025
Number of rooms	1,040	1,040
Number of hotel properties	4	4
Occupancy rate	63%	52%
Average daily room rate (in CAD dollars)	257.05	237.81
Revenue per available room (in CAD dollars)	160.96	122.84

[3] Out of the $64.39 million expected cash flows from Freed, $13.52 million pertains to Skyline Blue Mountain Inc.'s (a subsidiary of the Company) share. Skyline Blue Mountain's partner will receive a share of $4.33 million.

HOSPITALITY

Three Months Ended June 30,	2026	2025
Revenue	25,006	19,074
Net Operating Income [4]	5,333	2,021

Six Months Ended June 30,	2026	2025
Revenue	42,291	35,953
Net Operating Income [4]	5,924	1,030

DEVELOPMENT

Three Months Ended June 30,	2026	2025
Revenue	-	1
Net Operating Income (NOI) [4]	7	(5)

Six Months Ended June 30,	2026	2025
Revenue	-	1
Net Operating Income (NOI) [4]	-	(19)

CONSOLIDATED

Three Months Ended June 30,	2026	2025
Same Asset NOI [5]	5,356	2,203
Adjusted EBITDA [5]	4,119	794

Six Months Ended June 30,	2026	2025
Same Asset NOI [5]	5,966	2,258
Adjusted EBITDA [5]	3,560	(1,503)

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

FUNDS FROM OPERATIONS (FFO) [5]

Three Months Ended June 30,	2026	2025
Funds from operations	640	(1,109)
FFO per share (in CAD dollars)	0.04	(0.07)

Six Months Ended June 30,	2026	2025
Funds from operations	(1,514)	(3,715)
FFO per share (in CAD dollars)	(0.09)	(0.23)

CAPITALIZATION AND LEVERAGE

As at June 30,	2026	2025
Equity to Total Assets	42%	43%
Unrestricted Cash	12,838	16,079
Net Debt to Net Cap[6]	46%	50%
Loan to Value (only Hospitality)	48%	53%
Weighted average debt face interest rate	6.84%	7.31%
Weighted average debt term to maturity (in years)	5.44	4.45

The Company is a reporting issuer in accordance with the securities laws of Ontario, Canada, and therefore its Management Discussion and Analysis (MD&A) Report, is prepared in accordance with the applicable laws of Ontario, Canada, and for convenience is also reported separately in Israel. The Company also publishes its financial statements on Canada's SEDAR + system. The Company's set of reports is available on www.sedarplus.com.

The Company examines, on a regular basis, business opportunities in its operating segments and conducts various negotiations relating thereto, according to its needs, inter alia in connection with the expansion or sale of its property portfolio. Within the framework of the negotiations for the sale and/or purchase of property, it is generally customary to sign letters of intent (LOI) that include, inter alia, customary provisions relating to confidentiality, due diligence, no-shop period, deposit of small amounts in trust (which, under certain circumstances, are non-recoverable), determination of the period for conducting negotiations and signing a binding agreement, the cases where the Company may withdraw from the transaction, conditions precedent, etc.

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

3. Material Events that Occurred during the Period ended June 30, 2026, and After the Balance Sheet Date

For information about events that occurred prior to the date of the report for the first quarter of 2026, see the Company's report for the first quarter of 2026, as published on May 31, 2026 (Reference No.: 2026-01-051366) ("Q1 2026 Report"). Listed below are material events that occurred during the second quarter of 2026 and material events that occurred after the balance sheet date:

3.1. 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 million (CAD 0.021 million) 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.

3.2. 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 has responded to the CRA. Management, supported by its legal advisors, 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. As of the date of this Report, the CRA has not yet responded to the Company's response letter.

3.3. 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. The franchise fees were fully settled, with Marriott acknowledging the receipt on May 27, 2026. The buyer has exercised the extension option set forth in this agreement, such that the closing date is deferred by up to an additional 45 days, to July 3, 2026. Total deposit received USD 1.01 million (CAD 1.44 million), including the franchise deposit.

The parties agreed to revise the net sales price was revised to USD 7.05 million (CAD 10.02 million) for Ithaca (see note 15(a)) of the Company's consolidated financial statements and USD 9.05 million (CAD 12.86 million) for Ft. Myers (see note 15(b) of the Company's consolidated financial statements). The assets and liabilities forming the disposal group related to the Courtyards are classified as held for sale as at June 30, 2026. Refer to Note 4 of the Company's consolidated financial statements for further details regarding the classification of the Disposal group as held for sale. For additional information refer to Note 15(a) and (b) to the financial statements.

3.4. On April 24, 2026, the lender related to the Hyatt hotel notified the Company's subsidiary that holds the hotel that a Cash Trap Event Period had commenced. 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. As of June 30, 2026, this covenant requirement was met, with a DSCR of 1.49:1.00. Accordingly, the Cash Trap Event Period ended upon compliance.

3.5. 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.

3.6. As of March 31, 2026, the Company's subsidiary holding the Autograph Hotel in Cleveland did not comply with a debt service coverage ratio ("DSCR") requirement of 1.40:1:00, calculated on a trailing nine-month annualized basis as the DSCR was 0.83:1.00.

On May 30, 2026, the Company's subsidiary received a waiver letter from the lender with respect to the DSCR covenant. In consideration thereof, the subsidiary has maintained an amount of USD 0.5 million (CAD 0.71 million) in a restricted account, and increased Skyline's liquidity requirement as guarantor to CAD 10 million (instead of CAD 7 million).

As of June 30, 2026, the actual DSCR was 1.09:1:00 (below the required threshold of 1.40:1:00) calculated on a trailing twelve-month annualized basis. Accordingly, the Company's subsidiary did not meet the DSCR requirement. 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 June 30, 2026.

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. 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.

On August 14, 2026, after the reporting period, the Company's subsidiary entered into a term sheet with a financing entity specializing in real estate lending (which is not binding on the financing party) for refinancing at primary loan at Hotel Cleveland. Refer to section 15(d) of the Company's consolidated financial statements for further details. If the refinancing is not completed, and should the Company's subsidiary require additional funding with a DSCR shortfall in the third quarter of 2026, subject to the bank granting a waiver of the applicable ratio, the Company's controlling shareholder, Mishorim Real Estate Investments Ltd., has undertaken to provide the Company with funding, less any amount made available to the Company by the subsidiary's partner in the asset, solely for the purpose of addressing such shortfall.

In addition, failure to satisfy the DSCR requirement under the Hotel Cleveland Autograph loan will trigger cross-default provisions under the CAD 2.39 million (USD 1.68 million) loan from the Ohio Water Development Authority and the CAD 2.68 million (USD 1.89 million) loan from the County of Cuyahoga, Ohio. In Q2 2026 these loans have been classified as short term. The Company is a guarantor of some of the subsidiary's loans referred to above.

The Company is a guarantor under Autograph loan agreements and as of the reporting date, it must maintain a minimum liquidity of CAD 10 million and minimum equity of CAD 100 million. As at the balance sheet date, liquidity is CAD 12.8 million and the equity balance is CAD 109 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 58.92 million.

3.7. On May 30, 2026, the Company's Board of Directors and Audit Committee approved the receipt of an irrevocable undertaking letter from Mishorim Real Estate Investments Ltd., the controlling shareholder of the Company ("Mishorim"), pursuant to which, if by the end of 2026: (a) Skyline does not complete the refinancing of the Cleveland Autograph Hotel's current loan; (b) Skyline fails to comply with the debt service coverage ratio under the existing Autograph Hotel loan and the current lender requires the breach to be cured by way of a partial repayment of the loan; and (c) Skyline does not have sufficient funds from its own sources to cure the breach, then Mishorim shall provide the Company with a shareholder loan of up to USD 4 million (CAD 5.68 million), solely for the purpose of curing such breach vis-à-vis the current lender (such amount shall be reduced by any amount provided to the subsidiary by the Company's partner in the hotel (49.5%)). Such amounts shall be advanced by Mishorim by way of a shareholder loan on the same terms as the loan granted to the Company by Land Development of Nimrodi Group Ltd. ("ILDC") (namely: 6% interest, principal linked to the Consumer Price Index, and a maturity date no later than December 31, 2027). The decision to draw such shareholder loan from Mishorim shall be made by the Company's external directors. See the immediate report dated May 31, 2026 (Reference No.: 2026-01-051396).

3.8. In connection with Freed's VTB, 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, which was for a period of up to 150 days. The standstill period ended on July 9, 2026. Following the expiration of the standstill period, if the Company elects to exercise its rights to call the indebtedness and enforce collection, it is required to provide the borrower with 10 days' prior notice before commencing enforcement proceedings. During this 10-day notice period, if the senior lender elects to enforce its rights, any enforcement process would be led and managed by the senior lender, rather than by the Company, in accordance with the senior lender's priority rights. As of the date of the approval of the financial statements, while the borrower evaluates potential funding opportunities, neither the Company nor the senior lender, has commenced enforcement proceedings in respect of the repayment of the loans and the Company continues to hold the related collaterals (subject to the senior lender's priority).

3.9. On August 13, 2026, 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, 2026.

It should be emphasized that the information provided above is forward-looking information, as defined in the Securities Law, 5728-1968, which is based on information available to the Company at that time and includes data provided to the Company, as well as on the Company's forecasts and estimates. Such assessments may not be realized or materially different from what is expected, as a result of factors that are independent and not the Company's control and due to the risk factors, that the Company faces and which derive from its activities, as mentioned in the Annual Information Form.

4. Attention in the review report of the external auditor

It should be noted that, without qualifying the Auditor's conclusion, attention was drawn in the Company's Auditor's Review Report as of the date of the report, to Note 1(b) of the condensed consolidated financial statements, including to the negative working capital as of June 30, 2026, breach of financial covenant related to Autograph loan for which the Company received a waiver for the current quarter and term sheet signed entered by the Company for refinancing of the loan, the tax audit of the Canada Revenue Agency (CRA), and the plans of management and the Board of Directors. Based on the 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.

5. Operating Results

Key Performance Evaluation Indicators

The Company uses several key performance indicators ("**KPIs**") to measure its business activity. One of the key performance indicators in the hotel industry is Revenue Per Available Room ("**RevPAR**"). RevPAR is a function of both occupancy rate and average daily room rate ("**ADR**"). The Company monitors all three above indicators for all of its hotel properties.

In the second quarter of 2026, the Company's U.S. select-service hotels experienced year-over-year increases in RevPAR and occupancy compared to the same period in the prior year. U.S. full-service hotels similarly, recorded improvements in all key indicators RevPAR, ADR, and occupancy due growth in transient and group demand and improved rate positioning relative to the competitive set.

The Company has not experienced material impacts from inflation. During the reporting period, there was a decrease in interest rates and the Company's interest expenses. The Company has financial strategies available to protect against rising interest rates and other inflationary pressures, if any, including entering into interest rate swaps, interest rate caps and other hedging measures.

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

US select service Hotels in USD[7]	Q3-2025	Q3-2024	Q4-2025	Q4-2024	Q1-2026	Q1-2025	Q2-2026*	Q2-2025
RevPAR	79.44	67.27	71.76	87.08	98.01	103.04	85.45	76.74
ADR	150.69	114.15	119.39	120.65	148.82	157.03	143.18	149.17
Occ.	52.7%	59%	60.1%	72%	65.9%	66%	59.7%	51%

US full-service Hotels in USD	Q3-2025	Q3-2024	Q4-2025	Q4-2024	Q1-2026	Q1-2025	Q2-2026	Q2-2025
RevPAR	153.03	126.13	102.46	85.61	95.88	70.72	144.50	108.73
ADR	210.16	209.31	186.47	194.68	182.50	173.78	199.29	189.26
Occ.	72.8%	60%	54.9%	44%	52.5%	41%	72.5%	57%

*Select service hotels assets and associated liabilities were classified as held for sale in Q2 2026

<u>Non-IFRS Performance Indicators</u>

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

<u>Same Asset Analysis</u>

Same Asset Revenue for Three Months Ended June 30,	2026	2025
USA	25,020	19,017
Canada	8	21
Total	**25,028**	**19,038**

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

Same Asset Revenue for Six Months Ended June 30,	2026	2025
USA	42,299	35,379
Canada	15	41
Total	**42,314**	**35,420**

Same Asset NOI for Three Months Ended June 30,	2026	2025
USA	5,349	2,183
Canada	7	20
Total	**5,356**	**2,203**

Same Asset NOI for Six Months Ended June 30,	2026	2025
USA	5,953	2,219
Canada	13	39
Total	**5,966**	**2,258**

The same asset analysis includes results of operations of assets owned by the Company for at least the two full years ending June 30, 2026, namely: Courtyard Ft. Myers and Courtyard Ithaca, as well as Autograph and Hyatt hotels in Cleveland.

Results related to the Courtyard Tucson hotel that was sold in January 2025, have not been included in said analysis. The increase in same-asset revenues and NOI resulted from the increased RevPAR, ADR and occupancy at the US full-service hotels.

During the three and six months ended June 30, 2026, same asset NOI was $5,356 and $5,966 respectively, compared to $2,203 and $2,258 for the three and six months ended June 30, 2025. The increase in same asset NOI was primarily attributable to improved performance of all four properties.

6. Fair Value

The Company recognizes the fair value of certain real estate assets on its balance sheet. These assets represent 71.5% of the total assets of Skyline as at June 30, 2026. The Company receives independent, third-party appraisals of all its hotels and resorts on an annual basis. The appraisals include a comprehensive analysis of market conditions, including any impacts of changes in market interest rates, risk premiums, economic uncertainties and comparable transactions, among other factors. As for its total assets (including fixed assets), the Company takes certain actions on a quarterly basis, to determine if there was any change in value, including discussions with independent, third-party experts, referencing market transactions and non-binding purchase offers, as well as review of internal forecasts. The Company then uses these inputs in a discounted cash flow analysis over ten years to determine if there is any required revaluation at each reporting date. For details regarding decreases in the fair value of the

Company's properties, see Note 7 to the financial statements. The following table summarizes the Company's investment properties and property, plant and equipment ("PP&E") for the year ended December 31, 2025, and the period of six months ended June 30, 2026 (data in CAD thousand):

	Six months ended June 30, 2026	Twelve Months Ended December 31, 2025
Balance as at January 1	**249,056**	**291,248**
Capital expenditures and acquisitions	1,119	5,197
Depreciation and value decrease	(9,671)	(25,037)
Dispositions, including transfers to disposal group	(21,706)	-
Allocations of right of use of asset and lease liability	185	-
Changes in fair value	9,713	(8,798)
Foreign exchange rates	8,849	(13,554)
Balance, end of period	**237,545**	**249,056**

Net Asset Value

The Company, as most real estate companies do, measures value creation for its shareholders through growth in Net Asset Value ("NAV"), which is equivalent to Equity as presented in the Company's condensed consolidated statement of financial position). An increase in net asset value is primarily achieved by:

- Using strict acquisition criteria, with the intent of acquiring assets at or below replacement cost;
- Generating operational efficiencies; and
- Taking advantage of value-add opportunities

Each of these items may lead to valuation increases in its assets and, as a result, the Company's NAV. The Company calculates its NAV using fair values as disclosed on its balance sheet. Increases in the fair value of the Company's real estate assets is the primary driver of NAV growth.

The Company's NAV is summarized as follows (in thousands CAD):

As at June 30, 2026	Balance Sheet Value	Outstanding Secured Liabilities[8]	LTV[9]	Net Asset Value
US select service hotels*	-	-	-	-
US full-service hotels	233,044	111,036	48%	122,008
Development lands	4,275	-	-	4,275
Disposal group classified as held for sale*	21,706	19,971	92%	1,735
Total real estate and other	**259,025**	**131,007**	**51%**	**128,018**

[8] Includes secured capital leases.
[9] Loan to Value ratio.

As at June 30, 2026	Balance Sheet Value	Outstanding Secured Liabilities[8]	LTV[9]	Net Asset Value
Cash	12,838			
Other assets	57,937			
Total assets	**329,800**			
Total debt	130,654			
Disposal group classified as held for sale*	19,971			
Other liabilities	39,342			
Total liabilities	**189,967**			
Non-controlling interest	31,092			
Total NAV	**139,833**			
NAV per share[10] (CAD)	4.48			
NAV per share [10] (NIS)	9.38			

* US Select service hotels assets and associated liabilities were classified as held for sale in Q2 2026

Real estate inventory: as of June 30, 2026, the Company had no development projects and its real estate inventory was zero.

7. The Company's Financial Position

For details regarding the financial position of the Company, see Note 1(b) to the Consolidated Interim Financial Statements for the six months ended June 30, 2026.

8. Liquidity

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

Three Months Ended June 30,	2026	2025
Net income (loss) for the period	(11,089)	(19,427)
Net cash provided by (used for) operating activities	1,442	(4,236)
Net cash provided by (used for) investing activities	(1,263)	(344)
Net cash provided by (used by) financing activities	(815)	2,437
Impact of foreign activity balance translation on cash balances	268	603
Increase (decrease) in cash and cash equivalents	(368)	(1,540)

[10] Excluding non-controlling interest.

Three Months Ended June 30,	2026	2025
Cash and cash equivalents, beginning of the period	13,206	17,619
Cash and cash equivalents, end of the period	**12,838**	**16,079**

Six Months Ended June 30,	2026	2025
Net income (loss) for the period	(17,861)	(30,751)
Net cash provided by (used for) operating activities	770	(11,640)
Net cash provided by (used for) investing activities	(665)	15,878
Net cash provided by (used by) financing activities	(1,323)	(13,168)
Impact of foreign activity balance translation on cash balances	340	387
Increase (decrease) in cash and cash equivalents	**(878)**	**(8,543)**
Cash and cash equivalents, beginning of the period	$13,716	24,622
Cash and cash equivalents, end of the period	**12,838**	**16,079**

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

Three Months Ended June 30,	**2026**	**2025**
Financing expenses	11,352	10,954
Cash Interest paid	2,702	2,993

Six Months Ended June 30,	**2026**	**2025**
Financing expenses	14,632	19,581
Cash Interest paid	4,906	5,816

Debts – The Company's long-term debts (loans, mortgages and debentures) principal repayments as of June 30, 2026 are as follows:

As at June 30, 2026	Principal Amount (loans) (In CAD thousands)	% of the total principal amount (excluding non-capitalized financing costs)
By June 30, 2026	64,398	48.01

As at June 30, 2026	Principal Amount (loans) (In CAD thousands)	% of the total principal amount (excluding non-capitalized financing costs)
By June 30, 2027	51,752	38.58
By June 30, 2028	608	0.45
By June 30, 2029 and thereafter	17,379	12.96
Deferred financing costs	(3,483)	-
Total	130,654	100

Loans and mortgages have fixed rates that range from 3.76% to 10.75%. The variable rate loans and mortgages range from 6.45% to 7.125%. Maturity dates range from March 2027 to May 2048.

The information contained herein is forward-looking information, as defined in the Securities Law, 5728-1968, which is beyond the full control of the Company and whose actual realization is uncertain. The information is based on information available to the Company as of the date of publication of the Report and includes the Company's estimates and plans that may not materialize or may differ materially from the Company's plans, as a result of various factors beyond the Company's control, including adverse changes in the economy and/or the real estate market in general, and particularly in the jurisdictions where the Company operates, as well as realization of all or part of the risk factors set out in the Annual Information Form.

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

9.1. Financial Position – in CAD thousands

Assets	06.30.2026	12.31.2025	Increase (Decrease)	%	Explanation
Cash and cash equivalents	12,838	13,716	(878)	(6.40%)	The decrease in cash is primarily attributable to lower cash generated by the two Courtyard properties and construction-related payments on a previously sold development project.
Trade receivables and other receivables	6,522	4,856	1,666	34.31%	The increase is primarily due to the reclassification of net customer deposits to other payables at the Autograph property, an increase in receivables at both the Hyatt and Autograph properties in line with the revenue growth, and an increase in Hyatt's insurance prepayments and the prepayment on the Autograph loan.
Real Estate Inventory and Inventories	372	366	6	1.64%	Immaterial difference.
Loans to purchasers (short and long-term)	34,142	40,435	(6,293)	(15.56%)	The decrease is primarily due to the additional provision for credit losses against the Freed equity notes and VTBs in the period, partially offset by the increase of the accrued interest on VTBs.
Bank deposits with limited use (short and long-term)	11,801	11,877	(76)	(0.64%)	The change is primarily driven by property tax payments and property improvement plan expenditures at Courtyard Fort Myers, and capital expenditures at Courtyard Ithaca, offset by an increase in restricted cash held at the Autograph.
Investment properties	14,335	13,943	392	2.81%	Immaterial variance due to foreign exchange translation.
Property Plant and Equipment	223,210	235,113	(11,903)	(5.06%)	The decrease is related to Courtyards reclassification to Disposal group classified as held for sale, partially offset by the increase in the Autograph valuation and the effects of foreign exchange translation.

Assets	06.30.2026	12.31.2025	Increase (Decrease)	%	Explanation
Disposal group classified as held for sale	21,706	-	21,706	100%	Represents the assets and liabilities of CY Fort Myers and Ithaca, reflecting the anticipated sale, which is expected to close in Q3 2026.
Other non-current assets	242	452	(210)	(46.46%)	Variance due to historical balance write off at corporate level.
Deferred Tax Asset	4,632	4,821	(189)	(3.92%)	Variance due to FX.
Total Assets	**329,800**	**325,579**	**4,221**	**1.30%**	**The increase in total assets is a result of the above changes.**

Liabilities and Equity	06.30.2026	12.31.2025	Increase (Decrease)	%	Explanation
Loans	130,654	144,750	(14,096)	(9.74%)	The decrease in loans is due to the monthly loan principal payments and the classification of the Courtyard loans as Disposal group classified as held for sale, partially offset by foreign exchange differences and deferred financing cost amortization.
Suppliers, deferred income and other payables	39,342	35,881	3,461	9.65%	The increase primarily reflects higher accounts payable at the Autograph and Hyatt hotels, and increased customer deposits, accrued property taxes, and employee payroll-related accruals at the Autograph, partially offset by a reduction in payables at the other hotels and lower hotel renovation costs.
Disposal group classified as held for sale	19,971	-	19,971	100%	Represents the assets and liabilities of CY Fort Myers and Ithaca, reflecting the anticipated sale, which is expected to close in Q3 2026.
Equity	139,833	144,948	(5,115)	(3.53%)	The decrease in equity is attributable mainly to the net loss attributable during the period.
Total Liabilities and Equity	**329,800**	**325,579**	**4,221**	**1.30%**	**The increase in total liabilities and equity is a result of the above changes.**

The Company’s shareholders’ equity, excluding minority interests and equity related to shareholder loan was $4.48 per share (9.38 NIS based on the NIS/CAD exchange rate as at June 30, 2026). The Company’s Common Shares closed on June 30, 2026 at 2.28 NIS per share, a discount per share of 48% of the Company’s shareholders’ equity less equity related to shareholder loan.

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

The Company's revenue is generated by three operating segments: US hotels and resorts, Canadian hotels and resorts, and Development. Hospitality operations include hotel operations and other businesses including food and beverage, spa, retail and rental operations, and other related or ancillary activities. The US Hotels and resorts segment contributed approximately 100% of revenue to the Company's hospitality operations during the three and six months ended June 30, 2026. Development revenue includes the sale of serviced lots and condominiums.

Revenue from the hotels and resorts segments depends on the volume of customers and their spending, as well as competitive pricing. The number of customers is impacted by a number of factors, including the customer experience, economic conditions, geo-political factors, weather and accessibility of the hotels and resorts. As of the date of this Report, the Company has no development projects, hence there was no revenue from development segment in Q2 2026. The selected financial information set out below is based on and derived from the Financial Statements:

Income Statement	06.30.2026	06.30.2025	Change	%	Explanation
Revenue	42,291	35,954	6,337	17.63%	The increase in room revenue was primarily driven by growth in RevPAR, ADR, and occupancy at both the Autograph and Hyatt properties. Food and beverage revenue also increased notably at both hotels. These gains were partially offset by softer performance at the Courtyard properties, where ADR declined relative to the comparable period.
Expense and Costs	(36,367)	(34,943)	(1,424)	4.08%	Consistent with the increase in revenue, room department expenses increased at both the Autograph and Hyatt Arcade properties. Cost of food and beverages at the Autograph increased in line with the corresponding revenue growth. Overall hotel expenses, including property taxes, marketing and sales, management fees, and general and administrative expenses, also increased.
Administrative and General and Marketing expenses	(2,364)	(2,514)	150	5.97%	The decrease is primarily due to lower salaries, partially offset by higher legal, audit and consulting expenses.
Depreciation and Impairment	(9,671)	(8,814)	(857)	(9.72%)	The increase in the current period is primarily attributable to impairment losses recognized at both Courtyards properties.

Income Statement	06.30.2026	06.30.2025	Change	%	Explanation
Capital gain (losses), net, and other income (expenses), net	1,778	1,751	27	1.54%	Immaterial variance
Net Financial Income (Expense)	(13,995)	(16,427)	2,432	(14.80%)	The decrease in net financial expenses is due to a lower provision for credit losses related to the Freed VTBs, a decrease in interest expense following the repayment of the Courtyard Tucson bank loan, and the partial repayment of the Autograph loan.
Income Tax Recovery (Expense)	467	(5,758)	6,225	(108.11%)	The net deferred tax recovery is due to improved operating results at the Company's properties, partially offset by a true-up adjustment on corporate taxes.
Profit (loss) for the year	**(17,861)**	**(30,751)**	**12,890**	**(41.92%)**	**The change in the net results is due to the reasons mentioned above.**
Net income (loss) (after tax) per share (basic and diluted)	**(0.91)**	**(1.57)**	**(0.70)**	**44.59%**	
Weighted avg. shares outstanding	**16,540,816**	**16,500,480**			

9.3. Operating Segments – in CAD thousands

9.3.1. Hotels and Resorts in the United States

	06.30.2026	06.30.2025	Change	%	Explanation
Revenue	42,276	35,912	6,364	17.72%	The increase in room revenue was primarily driven by growth in RevPAR, ADR, and occupancy at the Company's U.S. full-service hotels. Food and beverage revenue also increased notably at these properties. These gains were partially offset by softer performance at the Courtyard properties, where ADR declined relative to the comparable period.
Cost of revenue (excluding depreciation)	(36,365)	(34,921)	(1,444)	4.14%	Consistent with the increase in revenue, room department expenses increased at the Company's U.S. full-service hotels. Cost of food and beverages at the Autograph property increased in line with the corresponding revenue growth. Overall hotel expenses, including property taxes, marketing and sales, management fees, and general and administrative expenses, also increased.
Segment Results	**5,911**	**991**	**4,920**	**496.47%**	**Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

9.3.2. Development Property

	06.30.2026	06.30.2025	Increase (Decrease)	%	Explanation
Revenue	-	1	(1)	(100.00%)	The Company currently has no active development project.
Cost of revenue (excluding depreciation)	-	(20)	20	(100.00%)	The Company currently has no active development project.
Segment Results	**-**	**(19)**	**19**	**(100.00%)**	**Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

9.3.3. Same Asset Analysis

	06.30.2026	06.30.2025	Increase (Decrease)	%	Explanation
Revenue	42,314	35,420	6,894	19.46%	The increase in room revenue was primarily driven by growth in RevPAR, ADR, and occupancy at the Company's U.S. full-service hotels. Food and beverage revenue also increased notably at these properties. These gains were partially offset by softer performance at the Courtyard properties, where ADR declined relative to the comparable period.
Cost of revenue (excluding depreciation)	(36,348)	(33,162)	(3,816)	9.61%	Consistent with the increase in revenue, room department expenses increased at the Company's U.S. full-service hotels. Cost of food and beverages at the Autograph property increased in line with the corresponding revenue growth. Overall hotel expenses, including property taxes, marketing and sales, management fees, and general and administrative expenses, also increased.
NOI	**5,966**	**2,258**	**3,708**	**164.22%**	**Net results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**
NOI Profitability rate	**14.10%**	**6.37%**	**7.72%**	**121.17%**	**NOI Profitability has decreased as a result of the above.**

Same-asset analysis includes results of operations of assets owned by the Company for at least the two full years ending June 30, 2026. These assets include the Company's hotels in the US (Autograph and Hyatt) and two Courtyard hotels (Ft. Myers and Ithaca).

10. Performance Measures that are not based on IFRS

All financial information has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, Skyline uses certain non-IFRS measures as key performance indicators including net operating income ("**NOI**"), funds from operations ("**FFO**"), and adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**"). Skyline believes these non-IFRS measures provide useful supplemental information to both Management and investors in measuring the financial performance of the Company.

Certain key measures are commonly used by entities in our industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded real estate entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

10.1. NOI

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

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

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

i) Segmented results from Development Segment;

ii) Selling and Marketing expenses;

iii) Administrative and General expenses.

Alternatively, the same result is arrived at by adding segmented results (per Note 13 to the Consolidated Interim Financial Statements for the six months ended June 30, 2026) of the Company's hotels and resorts.

NOI for the Three Months Ended June 30,	2026	2025
Operating income before depreciation, valuation adjustments and other income	4,119	794
Segmented results from Development Segment	(7)	5
Administrative and General Expenses	1,221	1,222
NOI from income producing assets	**5,333**	**2,021**

NOI for the Three Months Ended June 30,	2026	2025
Income from hotels and resorts	25,006	19,074
Operating expenses of income producing assets	(19,673)	(17,053)
NOI from income producing assets	5,333	2,021
Change in % compared to corresponding period	163.88%	

NOI for the Six Months Ended June 30,	2025	2024
Operating income before depreciation, valuation adjustments and other income	3,560	(1,503)
Segmented results from Development Segment	-	19
Administrative and General Expenses	2,364	2,514
NOI from income producing assets	5,924	1,030
Income from hotels and resorts	42,291	35,953
Operating expenses of income producing assets	(36,367)	(34,923)
NOI from income producing assets	5,924	1,030
Change in % compared to corresponding period	475.15%	

10.2. <u>FFO</u>

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO is not an alternative to net income determined in accordance with IFRS. Skyline calculates the financial measure in accordance with the guidelines of Israel Securities Authority. The use of FFO, combined with the data required under IFRS, has been included for the purpose of improving the understanding of the operating results of Skyline.

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

It should be emphasized that the method of calculation of this indicator by the Company may differ from the method of calculation applied by other companies.

FFO for the Three Months Ended June 30,	2026	2025
Net income (loss)	(11,089)	(19,427)
Attributable to non-controlling interest	(783)	(1,747)
Net income (loss) net of minority interests	(10,306)	(17,680)
(Gain) loss from fair value adjustments	1,283	2,891
Depreciation and impairment	4,052	2,949
Deferred tax	(743)	6,516
Derecognition of investment costs and other capital losses (gains)	-	-
Provision for credit loss	6,354	4,215
FFO per ISA Guidance	**640**	**(1,109)**

FFO for the Six Months Ended June 30,	2026	2025
Net income (loss)	(17,861)	(30,751)
Attributable to non-controlling interest	(2,832)	(4,802)
Net income (loss) net of minority interests	(15,029)	(25,949)
(Gain) loss from fair value adjustments	1,613	2,247
Depreciation and impairment	6,309	5,402
Deferred tax	(761)	5,018
Derecognition of investment costs and other capital losses (gains)	-	64
Provision for credit loss	6,354	9,503
FFO per ISA Guidance	**(1,514)**	**(3,715)**

FFO according to the Israel Securities Authority's approach for the three and six months ended June 30, 2026 was $640 and ($1,514), respectively, compared to ($1,109) and ($3,715) for the three and six months ended June 30, 2025. The increase for both periods is primarily due to increase in hospitality NOI compared to the prior year.

10.3. Adjusted EBITDA

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

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

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

Less:

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

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of profit and loss for the three and six months ended June 30, 2026 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA for the Three Months Ended June 30,	2026	2025
ADJUSTED EBITDA from operations	4,119	794
Change in % compared to corresponding period	418.77%	

Adjusted EBITDA for the Six Months Ended June 30,	2026	2025
ADJUSTED EBITDA from operations	3,560	(1,503)
Change in % compared to corresponding period*	-	

*Not meaningful due to the negative base in the prior period.

NOI, FFO, and Adjusted EBITDA are not measures defined by IFRS, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. NOI, FFO, and Adjusted EBITDA, as computed by the Company, may differ from similar measures as reported by other companies in similar or different industries.

10.4. Linkage Base Report as of June 30, 2026 (in CAD thousands)

Assets	Financial items CAD	Financial items USD	Financial items NIS	Non-financial items CAD	Non-financial items USD	Non-financial items NIS	Total
Cash and cash equivalents	116	12,216	506	-	-	-	12,838
Customers and receivables	67	4,025	-	301	2,129	-	6,522
Loans to purchasers	34,142	-	-	-	-	-	34,142
Inventory	-	-	-	-	372	-	372
Disposal group classified as held for sale	-	-	-	-	21,706	-	21,706
Investment real estate	-	-	-	4,275	10,060	-	14,335
Fixed assets	-	-	-	225	222,985	-	223,210
Other assets	-	-	-	-	242	-	242
Restricted deposits	961	10,840	-	-	-	-	11,801
Deferred tax	-	-	-	(737)	5,369	-	4,632
Total	**35,286**	**27,081**	**506**	**4,064**	**262,863**	**-**	**329,800**

Liabilities	Financial items CAD	Financial items USD	Financial items NIS	Non-financial items CAD	Non-financial items USD	Non-financial items NIS	Total
Loans	4,398	111,037	15,219	-	-	-	130,654
Disposal group classified as held for sale	-	19,971	-	-	-	-	19,971
Suppliers	270	8,288	-	-	-	-	8,558

Liabilities	Financial items CAD	Financial items USD	Financial items NIS	Non-financial items CAD	Non-financial items USD	Non-financial items NIS	Total
Payables and credit balances	3,603	18,716	1,743	-	6,722	-	30,784
Total	8,271	158,012	16,962	-	6,722	-	189,967
Excess (Shortage) of assets over liabilities	27,015	(130,931)	(16,456)	4,064	256,141	-	139,833

11. Cash Flows

11.1. Cash Flows from Operating Activities

During the three and six months ended June 30, 2026, the Company had a positive consolidated cash flow from operating activities of $1,442 and $770 respectively. This compares to a (negative) cash flow from operating activities of ($4,236) and ($11,640), for the corresponding periods of the previous year. For further details, see the statement of cash flow for the period ended June 30, 2026.

11.2. Working Capital

As at June 30, 2026, the Company had a negative working capital of ($64,774) in its consolidated statements, compared to a negative working capital ($71,503) for the corresponding period of the previous year. The increase in working capital compared to prior period was primarily due to the reclassification of both Courtyard properties to a disposal group classified as held for sale, the reclassification of the ILDC shareholder loan and Golf Cottages loan from current liability as of Q2 2025 to long term liability as of Q2 2026, and reclassification of Mishorim loan from short term loan payables as of Q2 2025 to equity as of Q2 2026, based on amendments to the loan agreement. The increases were partially offset by the reclassification of Courtyard loans to liabilities held for sale under current liabilities, the reclassification of the Freed VTBs from current non-current assets to current assets, and the release of restricted deposits.

11.3. Cash Flows Used for Investment Activities

For the three and six months ended June 30, 2026, the Company had a negative cash flow from investing activities of approximately ($1,263) and ($665), respectively. The negative cash flow for the three months ended June 30, 2026 is primarily due to increase in restricted deposits and capital additions. The negative cash flow for the six months ended June 30, 2026 was primarily due to capital additions.

In the corresponding period of last year, the Company recorded a (negative) positive cash flow of approximately ($344) and $15,878, respectively. The negative cash flow for the three months ended June 30, 2025 was primarily due to capital additions in line with hotel renovations, while the positive cash flow for the six months ended June 30, 2025 was primarily due to proceeds from the sale of the Courtyard Tucson hotel and the release of restricted deposits.

11.4. Cash Flows Used for Financing Activities

During the three and six months ended June 30, 2026, the Company had a negative cash flow from financing activities of approximately ($815) and ($1,323), respectively. During the corresponding period of the previous year, the Company had a positive (negative) cash flow from financing activities of approximately $2,437 and ($13,168). The cash outflow from financing activities for both the three and six months ended June 30, 2026 was driven primarily by the repayment of loans principal.

12. <u>Financing Sources</u>

12.1. For details of the loans within the operations segments of the Company, see section 9 above and Sections 7.3.1 through 7.3.5 of Part A of the Annual Report, as well as Note 8 to the Consolidated Interim Financial Statements for the six months ended June 30, 2026.

12.2. Trade receivables, other receivables and prepaid expenses as of June 30, 2026, stood at approximately $6,522, compared to approximately $4,856 as of December 31, 2025.

12.3. Trade payables balance as of June 30, 2026 amounted to approximately $8,558, compared to approximately $6,426 as December 31, 2025.

12.4. For information on agreements for shareholder loans totaling NIS 92 million from Mishorim and ILDC, see Note 12 (j) of the consolidated financial statements as of December 31, 2025. For information regarding Mishorim's and the partner in the Company's subsidiary's undertaking to cure a breach under the Autograph loan agreement, in an amount of up to USD 4 million, see Note 12 (k) to the financial statements.

13. <u>Report of Liabilities by Repayment Dates</u>

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

14. <u>Compliance with Financial Covenants</u>

As of the date of publication of the Report, the Company and its subsidiaries comply with the financial covenants undertaken towards banking corporations with the exception of the Autograph loan.

Set out below is information regarding the Company's compliance with financial covenants undertaken by the Company and its subsidiaries under material loan agreements to which it is a party (which are valid as of the date of the report):

14.1. The terms of the credit facility that is backed by a lien on Ft. Myers Hotel do not include financial covenants. See Section 7.3.4 of Part A of the Annual report.

14.2. With respect to the loan related to the Autograph Cleveland Hotel (see also Section 7.3.2 of part A of the Annual Report), as of June 30, 2026, the Hotel Cleveland Autograph loan required a DSCR of 1.40:1.00, calculated on a trailing twelve-month annualized basis. The Company did not comply with this DSCR requirement. For more details on this covenant non compliance and receipt of a waiver for the second quarter of 2026, see note 1(b) (2) of the consolidated financial statements.

14.2.1. The guarantor (the Company) must hold, in its own name, liquid assets with a value not less than $10,000. As of June 30, 2026, total liquid assets amounted to $12,838.

14.2.2. The guarantor (the Company) must have a net equity of not less than $100,000. As of June 30, 2026, the Company's net equity amounted to $108,741.

14.2.3. With respect to the loan taken by a subsidiary of the Company in 2023 in connection with financing and renovation of the hotel (OWDA Loan), Skyline shall maintain a net worth in the aggregate of at least USD 4,000 and liquid assets in the aggregate of at least USD 2,000. As of June 30, 2026 Skyline net worth is CAD $108,741 and the liquid assets in the aggregate are CAD $12,838.

14.3 With respect to the loan for the Courtyard Ithaca property in Ithaca, NY (see Section 7.3.5 of Part A of the Annual Report), Skyline shall maintain a tangible net worth of no lower than $100,000 CAD, as of June 30, 2026 the amount is $108,741. Beginning the first day of Borrower's fiscal year 2023, Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. This covenant is tested annually as of the last day of each fiscal year. The DSCR based on the 12 months ending December 31, 2025 was 1.41.

14.4 With respect to a loan taken by a subsidiary of the Company on April 20, 2023 in connection with the financing and renovation of the Hyatt Regency Arcade Hotel in Cleveland, as described in Section 7.3.2 of Part A of the Annual Report, the terms of the loan do not include defaulting financial covenants. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("**DSCR**"), to not be less than 1.4:1, which the hotel met in Q2 2026.

15. <u>Equity</u>

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. A detailed description of the rights, privileges, restrictions and conditions attached to the common shares is included in our Annual

Information Form. As of June 30, 2026 (and the date of this MD&A), the Company had 16,500,480 common shares issued and outstanding.

The Company's capital resources include amounts raised from the sale of its common shares. The Company's common shares are listed for trading on the Tel Aviv Stock Exchange.

	As at June 30, 2026
Total outstanding at the beginning of the period[1]	16,700,480
Shares cancelled during the period	(200,000)
Total outstanding at the end of the period	**16,500,480**

16. Factors Affecting Performance

The Company's performance is affected by a number of industry and economic factors as well as exposure to certain environmental factors and risks.

Our hospitality operations and financial results are subject to various risks and uncertainties that could adversely affect our prospects, financial results, financial condition and cash flow. There are certain risks inherent in an investment in the securities of Skyline and in the activities of Skyline, including our hospitality operations, and those set out in Skyline's materials filed with Israeli and Canadian securities regulatory authorities from time to time, which are available under the Company's profile on MAGNA at www.magna.isa.gov.il and/or SEDAR+ at www.sedarplus.com. Current and prospective holders of securities of Skyline should carefully consider such risk factors. If any of the risks presented in Annual Information Form or other risks occurs, Skyline's business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of the securities of Skyline could decline and investors could lose all or part of their investment in such securities, and the future ability of Skyline to make distributions to shareholders could be adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described in the Annual Information Form, or other unforeseen risks.

17. Financial Instruments and Off-Balance Sheet Arrangements

There are no financial instruments or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

Company Distributions

The Company does not currently have a dividend distribution policy.

18. Contingencies and lawsuits

When estimating the lawsuits filed against the Company and its subsidiaries, the Company relies on the opinion of its legal advisors. The opinions of legal counsel are based on best professional judgment, taking into account the

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

stage of the proceedings and legal experience gained in various matters. The outcome of the claims adjudged by the courts, could differ from these estimates.

The Company has been served with several claims. In agreement with the Company's legal advisors, Management concludes that it is not possible, at this stage to estimate the Company's chances of success or the likely amount of settlement, if any.

19. Internal Control over Financial Reporting and Disclosure Controls and Procedures

Our Chief Executive Officer and VP Finance are responsible for establishing and maintaining the Company's internal control over financial reporting and other financial disclosure and our disclosure controls and procedures. The Company could be adversely impacted if there are deficiencies in disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While Management continues to review the design and effectiveness of our disclosure controls and procedures and internal control over financial reporting, the Company cannot assure the reader that the disclosure controls and procedures or internal control over financial reporting will be effective in accomplishing all control objectives all of the time.

Deficiencies, particularly material weaknesses, in internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our share price, or otherwise materially adversely affect our business, reputation, results of operation, financial condition or liquidity.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of Management and directors of the Company; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements. Internal control over other financial disclosure is a process designed to ensure that other financial information included in this MD&A, fairly represents in all material respects the financial condition, results of operations and cash flows of the Company for the periods presented in this MD&A.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to Management by others, particularly during the period in which the filings are being prepared and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's Management, as appropriate to allow timely decisions regarding required disclosure.

Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

For the three and six months ended June 30, 2026, there has been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Management has concluded that there are no material weaknesses in the Company's internal controls over financial reporting as at June 30, 2026.

For further information about the Company, please visit the Company's website at www.skylineinvestments.com or SEDAR+ at www.sedarplus.com or Israeli Securities regulators www.magna.isa.gov.il.

August 25, 2026