SKYLINE
INVESTMENTS

Management's Discussion and Analysis

For the year ended December 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 13, 2025

Introduction

This Management's Discussion and Analysis (this "MD&A") of the operating results and financial condition of Skyline Investments Inc. ("Skyline", "the Company", "we", "us" or "our") constitutes management's ("Management") review of the factors that affected the Company's operating performance for the year ended December 31, 2024 and its financial position as at December 31, 2024. This MD&A is dated and has been prepared with information available as of December 31, 2024.

This MD&A should be read in conjunction with the Company's condensed consolidated financial statements for the year ended December 31, 2024 and 2023 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 year ended December 31, 2024 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 Skyline's materials filed with Canadian securities regulatory authorities from time to time, including the Annual Information Form of the Company dated March 13, 2025, which are available under the Company's profile on SEDAR+ at www.sedarplus.com.

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

Under Israeli law the Company is obligated to disclose an unconsolidated stand-alone financial statement of the parent public entity. These statements are unconsolidated and as a result have none of the operating activity or cash flow that takes place in the Company's subsidiaries. The parent public entity has minimal revenue but does have head office expenses and interest from the unsecured debt (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 December 31, 2024, 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 operates in three operating segments: (1) hotels and resorts in the United States; (2) hotels and resorts in Canada; (3) development. For further information on the Company's operating segments, see Sections 7 to 9 of Part A of the Report, "The Company's Operations and Description of the Development of the Company's Business".

As of the date of this Report, the Company does not own hotels or resorts in Canada[1], but only development property of insignificant value. See Section 8 of Part A of the Report, "The Company's Operations and Description of the Development of the Company's Business".

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

2. The Company's Properties:

As of December 31, 2024 the Company owned 5[2] income producing properties with 1,189 rooms, and 7,919 square meters of commercial areas.

Property	Location	Number of Rooms	Commercial Space in Square Meters
Courtyard Marriott	Tucson, AZ	149	
Courtyard Marriott	Fort Myers, FL	149	
Courtyard Marriott	Ithaca, NY	107	
Total Select Service Hotels		***405***	
Hyatt Hotel	Cleveland, Ohio	293	5,054
Renaissance Hotel	Cleveland, Ohio	491	2,865
Total Full-Service Hotels		***784***	***7,919***
Total		***1,189***	***7,919***

In addition to the above, the Company owns an insignificant number of properties within the real estate development segment.

Listed below are completed development projects in which last condos or lots, as applicable, were sold in 2024:

Condominium Projects	Location	Lots	Lots Sold	Units Occupied	Revenue Recognized in 2024[3]
Golf Cottages	Ontario, Canada	56	56	-	9,501

[1] On November 24, 2023, the Company completed a transaction for the sale of its interest in the partnership (which owns resorts and development land in Canada (including properties that were sold to the Partnership by the Company in December 2021)) to affiliates of Freed Corp. ("**Freed**"), and for changing the terms of the VTB loans. For details, see Notes 4 and 12 to the consolidated financial statements of the Company

[2] Pursuant to the immediate reports of May 22, 2024, July 14, 2024, August 21, 2024 and October 1, 2024 (References: 2024-01-085770, 2024-01- 072093, 2024-01-050389 and 2024-01-607365 respectively), on September 30, 2024, agreements for the sale of the Company's 11 Courtyard Hotels to third parties for US $101 million were completed. On January 22,2025, the Company has completed the sale of the Courtyard Tucson airport hotel.

[3] Please refer to Note 12 in the Company's Consolidated Financial Statements as of December 31, 2024.

The following table summarizes the Company's expected net cash flows from its VTBs: [4]

VTB Loan, Bridge Loan and Notes Receivable	2025	2026	2027 and thereafter	Total
Port McNicoll	4,900	19,835	-	24,735
Golf Cottages	-	-	7,788	7,788
Total – Development VTBs	**4,900**	**19,835**	**7,788**	**32,523**
Freed VTBs	20,542	-	-	20,542
Debt Notes Receivable (against the sale of the rights in the Partnership)	32,409	-	-	32,409
Total – Freed [5]	**52,951**	-	-	**52,951**
Bear Valley Notes Receivable	**-**	**9,949**	-	**9,949**
Total inflows	**57,851**	**29,784**	**7,788**	**95,423**

The table below provides comparable data on the Company's operating segments for the year ended December 31, 2022, 2023 and 2024.

	December 31, 2024	December 31, 2023	December 31, 2022
	In CAD thousand		
TOTAL PORTFOLIO INFORMATION			
Number of rooms	1,189	2,804	2,856
Number of hotel properties	5	16	17
Occupancy rate	53.1%	51.8%	58.07%
Average daily room rate	$199.41	$169.32	$166.36
Revenue per available room	$105.81	$87.63	$96.61
HOSPITALITY			
Revenues	111,889	121,335	132,130
Net Operating Income (NOI) [6]	14,988	14,057	27,535
DEVELOPMENT			
Revenues	9,502	4	1,570
Net Operating Income (NOI) [58]	(2,968)	(24)	537
CONSOLIDATED			
Same Asset NOI[7]	10,658	7,219	16,642
Adjusted EBITDA[58]	3,867	4,998	19,727
FUNDS FROM OPERATIONS (FFO)			
Funds from operations [58, 8]	(10,253)	(8,323)	8,261
FFO per share [58]	(0.62)	(0.50)	0.50
CAPITALIZATION AND LEVERAGE			
Equity to Total Assets	45%	42%	52%
Unrestricted Cash	24,622	57,139	19,503
Net Debt to Net Cap[9]	43%	49%	41%
Loan to Value (only Hospitality)	50%	56%	51%
Weighted average debt face interest rate	7.45%	8.68%	4.41%
Weighted average debt term to maturity	5.56	4.19	1.15

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, prepared in accordance with the applicable laws of Ontario, Canada, is attached hereto for purposes of convenience. 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. 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-

[4] For details regarding expected credit losses (ECLs) related to Port McNicoll VTB and receivables from the Freed Transaction, see Notes 2(k), 4 and 12 to the financial statements.

[5] Out of the $55.19 million expected cash flows from Freed, $43.41 million pertains to SII's share while the remaining amount of $11.78 million pertains to SBMD's (a subsidiary of the Company) share. The partner in SBMD will receive a share of $3.77 million out of the $11.78 million in accordance with the agreements.

[6] NOI, FFO and EBITDA are non-IFRS performance measures. For further information, see "NON-IFRS Performance Measures".

[7] Same asset NOI includes the results related to the Company's US hotels following the sale of 11 Courtyard hotels, i.e., Hyatt, Autograph, Ft. Meyers, Tucson (which was sold at the beginning of 2025) and Ithaca hotels

[8] FFO in this table is shown per Israel Securities Authority's guideline.

[9] 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.

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*.

3. <u>Material Events that Occurred During the Year Ended December 31, 2024 and after the Balance Sheet Date:</u>

For information on material events that occurred during previous quarters of the reporting year, see the first quarter report as of March 31, 2024, the second quarter report as of June 30, 2024 and the third quarter report as of September 30, 2024 (Reference Nos. 2024-01-053452, 2024-01-092902 and 2024-01-617860, respectively), which are incorporated herein by reference.

Below are material events that occurred after publication of the 2024 third quarter report as of and after the balance sheet date:

(a) As of December 31, 2024 the Company has a provision for Expected Credit Losses ("ECL") for a total of $3.2 million from Port McNicoll VTB (of which $1.5 million had been previously recognized in Q4-2023; and was increased to $2.3 million as of Q2 2024). The buyer of Port McNicoll is in default with the last payment received for November 2023. The Company has provided notice to the borrower in July 2024 and commenced the power of sale process due to the loan being in default in November 2024. For more details, see Note 12 to the Company's consolidated annual financial statements.

(b) There was an external appraisal performed for Ft. Myers in Q2 2024. The company performed an internal analysis in Q4 2024 resulting in a $3.3M impairment, which takes into account the latest industry outlook for the Ft. Myers market, the property's performance and consultation with appraisers.

(c) In 2024, ECL related to the Freed loans of CAD 2.2 million were recorded. This is supported by the following consideration: the credit profile of the borrower deteriorated since the previous valuation, and in management's opinion, it is in risk of default. For more details, see Note 4 at the company's consolidated annual financial statements.

(d) On January 15, 2025, the company reported that Mr. Blake Lyon, the Company's CEO, had submitted his resignation, and his employment as the Company's CEO will be terminated effective March 31, 2025 (Reference No. 2025-01-004626).

(e) On January 22, 2025, the company reported that further to the Company's immediate report dated November 7, 2024 (Reference No. 2024-01-614559), an agreement was completed for the sale of the Courtyard Tucson Airport Hotel to a third party for a total of approximately USD 14.9 million (Reference No. 2025-01-006332). Refer to Note 30 (b) to the Consolidated financial statements as of December 31, 2024 for further details.

(f) On March 13, 2025, the Company signed an addendum to the loan agreement with Mishorim Real Estate Investments Ltd. to extend the payment date of the loan from April 1, 2025 to January 5, 2026. On the same date, the Company signed an addendum to the loan agreement with The Israel Land Development Company LTD. to extend the payment date of the loan from April 1, 2025 to the earlier of: January 5, 2026 or 7 days after the Company receives the full principal and interest accrued in respect of the VTB loans in the Freed Transaction (see Note 4 to the Company's annual consolidated financial statements for further details). In case the Company receives partial payment from Freed before January 5, 2026, the Company will use the amounts received from Freed, after considering transaction fees and any amounts related to non-controlling interests, to repay the balance of ILDC loan (principal amount together with the interest and indexation accrued thereon) or part of it. The other terms of the loan remain the same (see Note 15j to the Company's annual consolidated financial statements for further details).

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 of the not under the Company's control and due to the risk factors, that the Company faces and which derive from its activities, as mentioned in Annual Information Form.

4. <u>Attention in the audit report of the external auditor</u>

It should be noted that in the Audit Report of the Company's External Auditor, without qualifying their conclusion, as of the date of the report, attention was drawn to Note 1(b) to the Company's Consolidated Financial Statements regarding the Company's financial position including its obligations, and management and board's plan. Based on the analysis of debt repayment dates made by the Company, the alternatives and available sources, the Company's board of directors and management are of the opinion that the Company will repay its liabilities when they come due.

5. Operating Results

Key Performance 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.

Q4 2024 saw a year over year increase in all three key indicators, across all of the Company's properties. The overall increase in US full-service hotels is primarily due to reopening and rebranding of the Autograph hotel (formerly Renaissance hotel) following its extensive renovations[10]. The Autograph hotel RevPAR in Q4 2024 was $74.70 (Q4 2023: $16.56), and the occupancy was 38% in Q4 2024 (Q4 2023: 10%). Select service hotels increase in Q4 over prior year, due to the sale of 11 of its Courtyard hotels, as Q4 2024 it is showing the KPIs in the remaining 3 Courtyard hotels, and Q4 2023 presented the KPIs of all 14 Courtyard hotels.

The Company has not experienced material impacts from inflation, and in 2024, the Company has experienced decreases in interest expense resulting from reductions in interest rates in both Canada and USA. The Company has financial strategies to protect against future rising interest rates and 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.

		Q1-2024	Q1-2023	Q2 2024	Q2 2023	Q3 2024	Q3 2023	Q4-2024	Q4-2023
US select service Hotels and a California Ski Resort (Bear Valley resort, which was sold in November 2023, and 11 Courtyard hotels, which were sold in September 2024) (in USD)	RevPAR	$60.34	$69.54	$70.33	$77.95	$67.27	$72.51	$87.08	$55.54
	ADR	$118.75	$129.94	$117.21	$117.33	$114.15	$114.58	$120.65	$109.71
	Occ.	51%	54%	60%	66%	59%	63%	72%	51%
US full-service Hotels (in USD)	RevPAR	$41.63	$48.60	$91.59	$69.90	$126.13	$63.96	$85.61	$54.44
	ADR	$170.58	$157.64	197.87	$172	$209.31	$184.36	$194.68	$182.92
	Occ.	24%	31%	46%	41%	60%	35%	44%	30%

Non-IFRS Performance Indicators

The Company uses certain non-IFRS performance indicators as KPIs. These indicators include NOI, adjusted EBITDA and FFO. For the definitions of these indicators and the tabular discloser, see hereinafter in this report.

[10] It should be noted that the renovation of the Renaissance Hotel began in December 2022 and was completed in July 2024. The hotel was operating during the renovation, but at a significantly lower capacity. At the peak of the renovation process, the number of rooms declined from 491 to 88 rooms. Group and conference bookings decreased as conference facilities and meetings rooms were unavailable for the greater part of 2023, and only reopened around December 2023. The hotel underwent full renovation of all rooms, the meeting space, lobby and common areas. The Company invested approx. USD 82,000 thousand in the renovation.

Same Asset Analysis

Same Asset Analysis		For the Year Ended December 31,	
		2024	**2023**
Same Asset Revenue	USA	$74,429	$56,499
	Canada	$80	$80
	Total	**$74,509**	**$56,579**
Same Asset NOI	USA	$10,581	$7,153
	Canada	$77	$66
	Total	**$10,658**	**$7,219**

The same asset analysis incorporates results of operations of assets that the Company has held for at least two full years ending December 31, 2024. Results related to the Bear Valley ski resort that was sold in November 2023 and the 11 Courtyard hotels that were sold during the third quarter of 2024 have not been included in said analysis.

The revenue from same assets in the Hotels and Resorts Segment (USA and Canada) recorded for the year ended December 31, 2024 was $74,509, compared to $56,579 during the year ended December 31, 2023. The increase is a result of the effect of the reopening of the Autograph hotel after its extensive renovations.

During the year ended December 31, 2024, same asset NOI was $10,658 compared to $7,219 for the year ended December 31, 2023. The increase is mainly due to the reopening of the Autograph hotel after its extensive renovations.

6. Fair Value

The Company recognizes the fair value of certain assets on its Balance Sheet. These assets represent 63.29% of the total assets of Skyline as at December 31, 2024. The Company receives independent, third-party appraisals on all of 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 discussion with independent, third-party experts, referencing market transactions and non-binding purchase offers, and 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. The following table summarizes the Company's investment properties and property, plant and equipment (PP&E) as of December 31, 2024 and 2023 (in CAD thousand): [11]

	12 months ended December 31, 2024	12 months ended December 31, 2023
Balance, beginning of year	450,647	414,552
Capital expenditure and acquisitions	24,383	98,488
Depreciation and Value decrease	(23,592)	(14,813)
Dispositions	(169,206)	(30,016)
Allocation of right of use asset and liability	368	149
Changes in fair value	(20,604)	(7,982)
Foreign exchange and other	29,251	(9,582)
Balance, end of year	**291,248**	**450,647**

During year ended December 31, 2024, the Company recorded a decrease in the fair value of its investment properties and PP&E in the amount of $(20,604). This decrease resulted from a decrease in the fair value of the PP&E. There was no change in the fair value of the Investment properties. Below is a breakdown of this change (in CAD thousand):

[11] As noted, the property in Bear Valley was sold in November 2023, and 11 Courtyard hotels were sold during the third quarter of 2024.

	YTD Fair Value Change	Tax Impact	Net Change – OCI	Net Change – Net Income
Property, Plant & Equipment				
Courtyard by Marriott hotels	(21,367)	4,659	(16,708)	-
Renaissance	1,519	(173)	1,346	-
Hyatt Arcade	(756)	181	(575)	-
Total Change – PP&E	**(20,604)**	**4,667**	**(15,937)**	**-**

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 a cost equal to 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 December 31, 2024	Balance Sheet Value	Outstanding Secured Liabilities [12]	LTV	Net Asset Value
US select service hotels	41,440	20,455	49%	20,985
US full-service hotels	245,030	121,789	50%	123,241
Development lands	4,475	3,809	85%	666
Disposal group classified as held for sale	20,755	16,470	79%	4,285
Total real estate	**311,700**	**162,523**	**52%**	**149,177**
Cash	24,622			
Other assets	122,453			
Total assets	**458,775**			**458,775**
Total debt	184,417			
Disposal group classified as held for sale	19,534			
Other liabilities	47,004			
Total liabilities	**250,955**	**162,523**	**65%**	**250,955**
Non-controlling interest	27,804			
Total NAV	**207,820**			**209,203**
NAV per share [13] (CAD)	**10.78**			
NAV per share [13] (NIS)	**27.33**			

Real Estate Inventory

As at December 31, 2024, the Company has no development projects; the balance of its real estate inventory is zero.

7. The Company's Financial Position

For details regarding the financial position of the Company, see Note 1(b) to the consolidated financial statements.

8. Liquidity

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

	Year ended December 31, 2024	Year ended December 31, 2023
Net income for the period	(58,536)	(48,294)
Net cash provided by operating activities	(3,214)	(7,450)
Net cash provided (used) by investing activities	104,479	(44,046)
Net cash provided (used) by financing activities	(134,052)	89,093
Foreign Exchange translation of cash balances	270	39
Increase (Decrease) in cash and cash equivalents	(32,517)	37,636

[12] Includes secured capital leases.

[13] Excluding non-controlling interest.

	Year ended December 31, 2024	Year ended December 31, 2023
Cash and cash equivalents, beginning of the period	57,139	19,503
Cash and cash equivalents, end of the period	24,622	**57,139**

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

	Year ended December 31, 2024	Year ended December 31, 2023
Financial expenses	40,393	38,695
Cash Interest paid	19,924	19,523

Debts – The Company's long-term debts (loans and mortgages) principal repayments as of December 31, 2024 are as follows (in thousands CAD):

As at December 31, 2024	Principal Amount (loans and bonds)	% of Total Principal (excluding unamortized financing costs)
By December 31, 2025	56,470	29.7%
By December 31, 2026	3,231	1.7%
By December 31, 2027	9,942	5.2%
By December 31, 2028 and thereafter	120,623	63.4%
Unamortized financing transaction costs	(5,849)	
Total	184,417	100%

Loans and mortgages bear fixed interest at rates ranging from 1% to 10.75%. Variable interest on loans and mortgages are at rates ranging from 6.95% to 9.90%. Repayment dates occur between April 2025 and 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 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

Consolidated statement of financial position	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Assets					
Cash and cash equivalents	24,622	57,139	(32,517)	(56.91)	The decrease is primarily attributable to the Bond B repayment in June 2024 and capital expenditures. This is partially offset by the proceeds from the shareholders’ loan and proceeds from the sale of 11 Courtyard hotels.
Trade receivables and other receivables	8,002	8,633	(631)	(7.31)	The decrease was mainly due to the receipt of the insurance proceeds in Bear Valley resort for the property damage that occurred in 2023, partially offset by increase in the Autograph hotel receivable as a result of the hotel reopening in 2024.
Real Estate Inventory and Inventories	491	10,391	(9,900)	95.27	The decrease is mainly due to the sale of all the 56 Golf Cottages in 2024.
Loans to purchasers (short and long-term)	91,423	82,983	8,440	10.17	The increase is primarily due to the VTBs given to the purchasers of the Golf Cottages lots totalling $7.5 million and the increase in accrued interests from the VTBs and notes receivable. The increase was offset by the increase in the provision for credit losses against the Port McNicoll VTB and Freed VTBs.
Bank deposits with limited use (short and long-term)	15,050	25,868	(10,818)	(41.82)	The change is primarily due to decrease of debt service reserve in connection with the Renaissance bank loan, release of the restricted cash related to the Courtyard loan, and decrease of the restricted cash held in trust in relation to the sale of the Golf Cottages lots. This was offset by the increase in reserve in relation to the new Courtyard loan.
Financial derivative	-	2,435	(2,435)	(100.0)	The change is due to the expiration of the 2-year interest rate cap on the Courtyards loan that was repaid in September 2024.
Investment properties	14,609	13,769	840	6.10	The change is primarily due to the improvements in the properties and increase in revaluation of the leased properties.
Fixed Assets	276,639	436,878	(160,239)	(36.68)	The decrease is primarily due to the sale of the 11 Courtyards, the reclassification from fixed assets to disposal group classified as held for sale of the Courtyard Tucson property, and increase in the accumulated amortization. The decrease was offset by the additions to PP&E as a result of renovations at the Autograph.
Disposal group classified as held for sale	20,755	-	20,755	100.00	This is due to the reclassification of the Courtyard Tucson to disposal group classified as held for sale.
Other non-current assets	466	2,801	(2,355)	(83.36)	The decrease is primary due to the decrease in long-term deposits from Marriott franchise fees in line with the sale of the 11 Courtyard hotels.
Deferred Tax Asset	6,718	-	(6,718)	100.00	The increase in deferred tax asset is due to the downward revaluation of the Company’s PPE.
Total Assets	**458,775**	**640,897**	(182,122)	(28.42)	**The decrease in total assets is a result of the above changes.**
Liabilities and Equity					
Bonds	-	52,037	(52,037)	(100.00)	The decrease is attributable to the Bond B repayment in June 2024.
Loans	184,417	258,791	(74,374)	(28.74)	The significant decrease in loans payable is due to the payment of the MetLife loan and Deerfield line of credit following the sale of the 11 Courtyards, and partially repayment of the Bridge loan (US $7M). The increase is primarily due to the additional Bank construction loan draw (US $10M), OWDA loan (US$ 1.8M), and the Cuyahoga County loan (US$ 2M), for the renovation of the Autograph hotel, loan from shareholders (CAD 33 M), Bank credit facility (US$ 20M less US $11.4M classified as held for sale), and an impact from FX translation of US loan balances.

Suppliers, deferred income and other payables	46,997	51,822	(4,825)	(9.31)	The decrease is primarily due to payment of liabilities in relation to the renovation costs at the Autograph and the sale of 11 Courtyard hotels. This was offset by the increase in deferred revenue from Marriott Key Money as per Marriott agreement, and the Autograph tax credit payment from the tax credit buyer that will be transferred to income over the next 5 years.
Disposal group classified as held for sale	19,534	-	19,534	100.00	This is due to the reclassification of the Courtyard Tucson to disposal group classified as held for sale.
Income taxes payable	7	1,793	(1,786)	(99.61)	The decrease is due to the losses during the year.
Deferred tax Liability	-	9,759	(9,759)	(100.00)	The decrease is due to the downward revaluation of the Company's PPE.
Equity	207,820	266,695	(58,875)	(22.08)	The decrease in equity is attributable mainly to the net loss attributable during the period.
Total Liabilities and Equity	**458,775**	**640,897**	(182,122)	(28.42)	**The decrease in total liabilities and equity is a result of the above changes.**

The Company's shareholders' equity, excluding minority interest, is $180,016 or $10.78 per share (NIS 27.33 based on the NIS/Dollar exchange rate as of December 31, 2024). The closing price of the Company's ordinary shares as of December 31, 2024, is NIS 20.13 per share, representing a discount of 26.34% on the equity attributable to the Company's shareholders.

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

The Company's revenue is generated from 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 majority of the Company's hospitality revenue (approximately 95%) was generated from the US hotels and resorts segment. Development revenue includes the sale of serviced lots.

Revenue from the hotels and resorts segments depends on the number of customers and their spending, as well as competitive pricing. The number of customers is impacted by a number of factors, including customer experience, economic conditions, geo-political factors, weather and accessibility of the hotels and resorts. Revenue from the development segment is variable. Project timing and revenue recognition can vary from quarter to quarter as a result of the circumstances surrounding individual projects. As of the date of this Report, the Company has no development projects. The selected financial information set out below is based on and derived from the Financial Statements:

Profit and Loss	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Revenue	121,391	121,339	52	0.04	Hospitality income has decreased mainly from the sale of 11 Courtyard hotels, partially offset by the increase in Autograph revenue after the hotel rebranding and reopening. The decrease in hospitality income was offset by an increase in revenue from residential real estate from the sale of Golf Cottages lots.
Expense and Costs	(109,371)	(107,306)	(2,065)	1.92	The increase is mainly due to increase in cost of sale of residential real estate from the sale of Golf Cottages lots, and a write off of real estate inventory to net realisable value of 1.4M. This increase was partially offset by a decrease in operating expenses in line with the decrease of hospitality income.
Administrative and General expenses	(8,153)	(9,035)	882	(9.76)	Decrease is due to several expenses such as consulting, insurance expenses and executive's share-based payment compensation.
Impairment of real estate properties	(2,201)	(234)	(1,967)	840.60	The increase is primarily due to the impairment loss at Courtyard Ithaca.
Depreciation	(20,457)	(14,579)	(5,878)	40.32	The increase is primarily due to the increase in PPE balances following the renovations at the Autograph and the Courtyards, partially offset by the decrease in PPE balances from the sale of the Bear Valley resort in Q4 2023.
Gain (loss) from change in fair value	-	(5,935)	5,935	(100.00)	The loss is due to the change in value of Skyline's investment in RCLP. As part of the Freed transaction in Q4 2023, the company has sold its holdings in RCLP.
Gain (loss) on sale and other capital gains (losses), net	(18,048)	(282)	(17,766)	6,300.00	The loss during the year was due to the sale of the 11 Courtyards.

Profit and Loss	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Net Financial Expense	(34,604)	(33,623)	(981)	2.92	The increase is due to the increase in interest expense from the new loans in 2024, and by the foreign exchange revaluation of bonds, which it was a gain of $0.9 million in 2023, compared to a loss of ($2.2 million) in 2024; similarly, there was a loss of ($2.3 million) in 2024 from the foreign exchange revaluation of shareholders loans. This was partially offset by the lower provision for credit losses recognized in 2024 ($3.9 million), compared to last year when the company recognized $11 million of credit losses from the Freed transaction and $1.5 million from Port McNicoll VTB
Other Income (Expense)	453	(3,141)	3,594	(114.42)	The 2024 other income consists mainly of the true-up of the Keewatin donation accrual made in 2023 for $1 million, to $0.64 million as per new agreement, and the 2023 other expense was due to the derecognition of $4 million of the Keewatin, due to its donation and the accrual for $1 million donation expense related to the Keewatin. The expense was partially offset by the recapturing of remaining cost reserves from several completed development projects into income in 2023.
Income Tax Recovery (Expense)	12,454	4,502	7,952	176.63	The increase in income tax recovery is due to the income tax losses and the increase in deferred tax assets from the downward revaluation of the Company's assets.
Profit (loss) for the year	**(58,536)**	**(48,294)**	(10,242)	21.21	**The change in the net results is due to the reasons mentioned above.**

9.3. Operating Segments – in CAD thousands

A. Hotels and Resorts in the United States

	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Revenue	111,809	121,256	(9,447)	(7.79)	The decrease is a result of lower revenue from hotels and resorts due to the sale of 11 Courtyard hotels in September 2024, partially offset by an increase in Autograph revenues after its rebranding and reopening in 2024.
Cost of revenue (excluding depreciation)	(96,898)	(107,264)	10,366	(9.66)	The decrease in costs is attributable to the sale of 11 Courtyard hotels in September 2024, partially offset by an increase in Autograph expenses after its rebranding and reopening in 2024
Segment Results	14,911	**13,992**	919	6.57	**Net segment results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

B. Development Property

	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Revenue	9,502	4	9,498	237,450	The increase in revenue is due to the sale of Golf Cottages lots
Cost of revenue (excluding depreciation)	(12,470)	(28)	(12,442)	44,435.71	Same as above.
Segment Results	(2,968)	**(24)**	(2,944)	12,266.67	**Net segment results decreased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.**

C. Same Asset Analysis

	31.12.2024	31.12.2023	Increase (Decrease)	%	Explanation
Revenue	74,509	56,579	17,930	31.69	The increase is a result of reopening of the Autograph hotel after its extensive renovation.
Cost of revenue (excluding depreciation)	(63,851)	(49,360)	(14,491)	29.36	Same as above
NOI	10,658	**7,219**	3,439	47.65	Net results increased compared to the corresponding period of the previous year due to a combination of the changes mentioned above.
NOI Profitability rate	0.143	**0.128**	0.15	12	**NOI Profitability has increased as a result of the above.**

The above analysis includes operating results of rental properties owned by the Company for 2 full years ending December 31, 2024. These properties include the Company's hotels in Cleveland, U.S.A. (Renaissance and Hyatt), and 3 Courtyard hotels (Ft. Meyers, Tucson and Ithaca).

9.4. Quarterly Profit and Loss Data

Statement ofIncome	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenue	25,389	36,427	37,693	21,882	24,769	29,719	32,370	34,481
Expenses and costs	(24,198)	(31,427)	(31,911)	(21,835)	(25,078)	(25,728)	(27,840)	(28,660)
Net Operating Income	**1,191**	**5,000**	**5,782**	**47**	**(309)**	**3,991**	**4,530**	**5,821**
Real estate selling and marketing expenses	-	-	-	-	-	-	-	-
Administrative and general expenses	(1,270)	(3,375)	(1,564)	(1,944)	(2,359)	(2,260)	(2,414)	(2,002)
Adjusted EBITDA	**(79)**	**1,625**	**4,218**	**(1,897)**	**(2,668)**	**1,731**	**2,116**	**3,819**
Impairment of real estate properties	(964)	(1,237)	-	-	-	666	(900)	-
Depreciation	(5,576)	(8,128)	(3,341)	(3,412)	(3,299)	(3,682)	(3,767)	(3,831)
Gain (loss) from fair value adjustments of investment properties	-	-	-	-	-	(68)	983	30
Gain (loss) from fair value of financial instruments	-	-	-	-	-	(2,700)	(4,180)	-
Derecognition of investment costs and other capital gains (losses)	(684)	(17,364)	-	-	(282)	-	-	-
Other income (expenses)	359	39	199	(144)	(1,058)	1,057	390	(3,530)
Net income (loss) from operations	**(6,944)**	**(25,065)**	**1,076**	**(5,453)**	**(7,307)**	**(2,996)**	**(5,358)**	**(3,512)**
Financial expense	(10,512)	(11,220)	(10,026)	(8,635)	(10,354)	(13,435)	(8,783)	(6,123)
Financial income	1,318	1,261	1,466	1,744	1,501	1,192	1,180	1,199
Net income (loss) before income taxes	**(16,138)**	**(35,024)**	**(7,484)**	**(12,344)**	**(16,160)**	**(15,239)**	**(12,961)**	**(8,436)**
Income tax recovery (expense)	7,468	1,653	1,048	2,285	(1,033)	3,494	639	1,402
Net income (loss)	**(8,670)**	**(33,371)**	**(6,436)**	**(10,059)**	**(17,193)**	**(11,745)**	**(12,322)**	**(7,034)**
Attributable to:								
Shareholders of the Company	(5,950)	(30,922)	(5,334)	(7,658)	(14,685)	(9,588)	(10,574)	(5,456)
Non-controlling interest	(2,720)	(2,449)	(1,102)	(2,401)	(2,508)	(2,157)	(1,748)	(1,578)
Total net income (loss)	**(8,670)**	**(33,371)**	**(6,436)**	**(10,059)**	**(17,193)**	**(11,745)**	**(12,322)**	**(7,034)**
Net income (loss) per share:								
Basic and diluted	(0.36)	(1.87)	(0.33)	(0.46)	(0.89)	(0.58)	(0.64)	(0.33)

Performance Indicators not based on IFRS

The financial information is prepared in accordance with International Financial Reporting Standards ("**IFRS**"). However, the Company uses certain measures not in accordance with IFRS as key indicators of performance, including net operating income ("**NOI**"), cash flow from operating activities ("**FFO**") and adjusted profit before interest, depreciation and amortization ("**Adjusted EBITDA**"). Skyline believes these non-IFRS measures provide useful supplementary information to both Company's management investors for the purpose of 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 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.

NOI

Skyline defines NOI as property revenues less property operating expenses. Management believes that NOI is a useful key indicator of performance on an unlevered basis as it represents a measure over which Management of property operations has control. NOI is also a key input 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 for seasonality in 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:

1. Segmented results from the Development Segment;
2. Selling and Marketing expenses;
3. Administrative and General expenses.

Alternatively, the same result is arrived at by adding segmented results (per note 28 in the consolidated financial statements) of the Company's hotels and resorts.

The Company calculates NOI based on operating profit and adjustments

NOI (In thousands CAD)			
For the year ended December 31			
	2024	2023	2022
Operating income before depreciation, valuation adjustments and other income	3,867	4,998	19,727
Segmented results from Development Segment	2,968	24	(537)
Selling and Marketing expenses	-	-	80

Administrative and General Expenses	8,153	9,035	8,265
NOI from income producing assets	**14,988**	**14,057**	**27,535**
Revenue from hotels and resorts	111,889	121,335	132,130
Operating expenses of income producing assets	(96,901)	(107,278)	(104,595)
NOI from income producing assets	14,988	**14,057**	**27,535**

FFO

FFO is a non-IFRS financial measure of operating performance widely used by the real estate industry, particularly by those publicly traded entities that own and operate income-producing properties. FFO is not an alternative for net income determined in accordance with IFRS. Skyline calculates the measure in accordance with the guidelines of the Israel Security Authority. The use of FFO, combined with the data required by 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, 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 no 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 of recurring capital expenditures necessary to maintain the existing revenue stream.

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

Funds from Operations (FFO) (In thousands CAD)			
	For the year ended December 31		
	2024	**2023**	**2022**
Net income (loss)	(58,536)	(48,294)	(2,025)
Attributable to non-controlling interest	(8,672)	(7,991)	(476)
Net income (loss) net of minority interests	(49,864)	(40,303)	(1,549)
Loss (gain) from fair value adjustments	6,413	6,679	(4,688)
Depreciation	15,908	12,955	12,775
Deferred tax	(11,932)	(5,287)	(409)
Derecognition of investment costs and other capital losses (gains)	18,047	4,246	310
Write down of real estate to net realizable value	6,376	234	-
Provision for credit loss	3,723	11,561	-
Tax on gain of disposal of a property	1,076	1,592	1,822
FFO per ISA Guidance	**(10,253)**	**(8,323)**	**8,261**

Adjusted EBITDA

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

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

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

Less:

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

Adjusted EBITDA does not include fair value gains, gains on sale or other expenses, and is presented in the Company's consolidated statement of income for the year ended December 31, 2024 as operating income before depreciation, valuation adjustments and other income.

Adjusted EBITDA from Operations Adjusted EBITDA from Operations combines performance of income producing and development activities: (In thousands CAD)			
	For the year ended December 31		
	2024	**2023**	**2024**
ADJUSTED EBITDA from operations	**3,867**	**4,998**	**19,727**

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. **Cash Flows**

10.1. Cash Flows from Operating Activities

For the year ended December 31, 2024, the Company had a negative (consolidated) cash flow from operating activities of (3,214), compared to a negative cash flow of approximately (7,450) for the corresponding period of the previous year. The increase in cash flow from operating activities is mainly due to receipt of the Autograph tax credit payment from the tax credit buyer, offset by the payments of liabilities.

In light of the Company's upcoming debt maturities in the coming year, the Company performed an examination of its financial condition, operating results, liquidity, financial strength and flexibility, and its ability to meet its liabilities, including loans provided to it, and it believes that, as of the date of the Report, it has sufficient liquidity to meet its liabilities as they become due.

The foregoing constitutes forward-looking information. The Company's estimates and assumptions relating to the projected cash flow and sources for repayment of the Company's current and expected liabilities are based on data and work plans available to the Company as of the date of publication of this Report, and assuming its continued operations in the ordinary course of business. There is no certainty that these assumptions and estimates will fully or partially materialize, as they depend on external and macro-economic factors over which the Company has little or no influence.

10.2. Working Capital

In its consolidated financial statements, the Company recorded positive working capital of approximately $7,480 as of December 31, 2024, compared to negative working capital of approx. ($19,101) as of December 31, 2023. The increase in working capital was mainly due to reclassification of the remaining Freed VTB balance from long term to short term, reclassification of the equity investment in RCLP from financial instruments to short term note receivable, reclass of Courtyard Tucson PP&E to disposal group held for sale, repayment of Bonds, and partially offset by a new short-term loan of $20M USD used for paying out MetLife's long-term loan to Courtyard, and the shareholder loans of $33M CAD. In addition, the Company has around $20 thousand in available undrawn lines of credit. Management believes that it has sufficient working capital to meet its obligations as they come due. For further details regarding the Company's working capital, see Note 1(b) to the consolidated financial statements.

10.3. Cash Flows from Investing Activities

During the reporting period, the Company had a positive cash flow from investing activities totaling approximately 104,479, mainly due to the proceeds from the sale of the 11 Courtyard hotels and release of restricted deposits, partially offset by the capital additions in line with the hotel renovations and income taxes payments. In the corresponding period of the previous year, the Company recorded negative cash flow from investing activities totaling CAD (44,046) thousand, mainly due to capital additions in line with hotels renovations, partially offset by proceeds from Bear Valley ski resort sale and Freed VTBs.

10.4. Cash Flows Used for Financing Activities

During the Reporting period, the Company had a negative cash flow from financing activities totaling approximately (134,052), primarily driven by the full repayment of Series Bonds B and the repayment of the Courtyard loans which were secured against the 11 Courtyard hotels and repaid from the proceeds of the completion of the sale. This was offset by the proceeds from the shareholder loans.

During the previous year, the Company had a positive cash flow from financing activities totaling CAD 89,093 thousand, primarily due to proceeds from long term loans and contributions from non-controlling interests, partially offset by repayments on long term loans and bonds.

11. Financing Resources

11.1. For details of financing agreements within the operations segments of the Company, see Sections 9.3 and 7.3.2 to 7.3.5 of Part A of the Report - "The Company Operations and Description of the General Development of the Company's Business". See also Note 15 to the consolidated financial statements.

11.2. Trade receivables, other receivables and prepaid expenses as of December 31, 2024, stood at approximately 8,002, compared to approximately 8,633 as of December 31, 2023.

11.3. Trade payables balance as of December 31, 2024 amounted to approximately 7,779, compared to approximately 6,620 as of December 31, 2023.

11.4. As of December 31, 2024, the Company has unused credit facilities of approximately $20 thousand and has no assets without financial liabilities.

11.5. For information on agreements for loans totaling NIS 82 million from Mishorim and ILDC, see Note 15(j) to the Company's consolidated financial statements.

12. **Critical Accounting Policies and Estimates**

The presentation of financial statements involves estimates and assumptions that may affect the data presented therein. Any changes in such estimates may affect the reported data. Refer to Note 3 to the annual consolidated financial statements as of December 31, 2024, for details regarding critical accounting estimates.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Estimates are based upon historical experience and on various other assumptions that are reasonable under the circumstances. The result of ongoing evaluation of these estimates forms the basis for applying judgment with regards to the carrying values of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from estimates. For details regarding significant accounting policies, see Note 2 to the annual consolidated financial statements as of December 31, 2024.

13. **Market Risk Exposure and Management**

13.1. The individuals responsible for market risk management are the Company’s CEO and CFO. For information about them, see Regulation 26A of Part D of the Report.

13.2. Description of Market Risks

The Group companies are subject to certain risks and uncertainties, mainly associated with the development of future assets, competition, real estate markets, general and regional economic conditions, the availability and cost of financing, changes in interest rates due to uncertainty in the world markets including Israel, the United States and Canada, and exchange rates fluctuations.

The Company does not hold nor issue financial derivatives instruments for transaction purposes.

The Group companies are exposed to the following risks that are related to financial assets and liabilities, as follows:

13.2.1. Interest Rate Risk

The Group companies have minimized their risks of negative changes in interest rates by guaranteeing that loans will be spread over several years. The Company has loans that may expose it to interest rates fluctuations in the short term. Interest rate risks are mitigated by obtaining financing to cover debts at fixed exchange rates, which are spread over a number of years. For more details on interest rate risk and sensitivity analysis, see Note 27(a) to the Consolidated Financial Statements.

13.2.2. Credit Risks

The Group companies are exposed to credit risks that may arise from financial difficulties of customers and be unable to meet their liabilities under real estate acquisition agreements, purchaser loans and hosting agreements. This risk is mitigated by registering liens and caveats on real estate properties and collecting deposits form buyers. The Company mitigates credit risks for its customers in the hotel sector by receiving advance deposits from groups and accepting cash and credit card payments from retail customers. For more details on credit risks, see Note 27(b) to the Consolidated Financial Statements.

13.2.3. Liquidity Risk

For more details on liquidity risk, see Note 27(c) to the Consolidated Financial Statements.

13.2.4. Exchange Rate Risk

The Group companies are exposed to exchange rate fluctuations on loans denominated in US dollars, in relation to the Canadian operating currency. Management holds regular discussions on the exposure to various market risks, including changes in exchange rates. The Company's policy is to maintain a correlation between the currency in which the assets are acquired and the currency of the loans the Company takes to finance those assets, in order to maintain equity in that currency. The Company does not purchase financial instruments that hedge the USD/CAD currency rate risk. Exchange rate risk is minimized by borrowing in US dollars for properties in the United States. For more details on exchange rate risk and sensitivity analysis, see Note 27(d) to the Consolidated Financial Statements.

13.3. Qualitative and Quantitative Reporting on Currency Risk Exposure

13.3.1. Currency Risks

Currency exposure – the Company's assets and liabilities are denominated in different foreign currencies. In view of the fact that the total foreign currency denominated liabilities are not always equal in value to the total foreign currency denominated assets, the Company is exposed to potential changes in foreign currencies' exchange rates.

13.3.2. The following table presents the impact of changes in the US dollar on the operating segment results:

Description of Operating Segment	December 31, 2024				
	Profit (loss) from changes in the US dollar		Segment results in CAD thousands	Profit (loss) from changes in the US Dollar	
	6%	3%		-3%	-6%
Hotels and hospitality in the US	895	447	14,911	(447)	(895)
Total	**895**	**447**	**14,911**	**(447)**	**895)**

13.3.3. The following table presents the impact of changes in the US dollar rates on the financial assets and liabilities of the companies in the US:

	December 31, 2024				
	Increase (decrease) in equity from changes in US dollar rates		CAD thousands	Increase (decrease) in equity from changes in the US Dollar rates	
	6%	3%		-3%	-6%
Current assets	3,331	1,666	55,522	(1,666)	(3,331)
Non-current assets	18,590	9,295	309,836	(9,295)	(18,590)
Current liabilities	(3,426)	(1,713)	(57,105)	1,713	3,426
Long-term liabilities	(8,560)	(4,280)	(142,665)	4,280	8,560
Total	**9,935**	**4,968**	**165,588**	**(4,968)**	**(9,935)**

13.4. Currency Risk Management Methods:

Generally, the Company finances its international investments by obtaining loans from overseas banks in the same currency as the investment currency, as well as by means of equity from its own resources.

13.5. Qualitative and Qualitative Reporting on Exposure to Interest Rate Risks

13.5.1. Interest Rate Risks

Some of the Company's loans bear a fixed interest rate, and therefore changes in market interest rates have no impact on financing costs arising from such loans. However, the Company has loans bearing a variable interest rate linked to the Prime rate (in Canada) and to the SOFR/WJS (in the US).

The following table presents the impact of changes in the Prime, SOFR and WJS interest rates on the interest costs of the loans:

Period	Interest rates	Interest costs	Changes in interest rates			
Variable interest			0.5%	1%	-0.5%	-1%
2024	8.87%	7,302	412	824	(436)	(872)
2023	9.65%	15,138	198	396	(871)	(1,743)

13.5.2. Interest Rate Risk Management Methods:

The Company has exposure to changes in interest rates on financing resources for investments in real estate, which include acquisition of land and construction of buildings for sale. The Company's policy regarding its development projects is to finance such activities through construction loan or line of credit.

The Company is exposed to changes in interest rates on long-term financing sources for the purpose of financing its investments in some of its hotels. The Company's policy in such situations is to mitigate the exposure through contracts of up to 5-7 years and by minimizing penalties should refinancing be needed.

13.6. The Company’s Market Risk Management Policy.

The Company holds regular discussions on the exposure to market risks, including changes in foreign currencies' exchange rates, and the Board of Directors reviews from time to time the risks and the Company’s policy addressing such risks. The Company's policy is to maintain, to the extent possible, a high correlation between the currency in which the assets were acquired and the currency in which the liabilities for the acquisition of such assets are denominated, with the intention of holding its equity in the currencies of the various markets in which it operates, with exchange rates similar to those of assets denominated in the various currencies out of total assets. As of December 31, 2024, the Company's share of the principal balance from translation differences as presented in Consolidated statements of changes in equity, was approximately $20,691, compared to $9,238 for the corresponding period of the previous year, an increase of approximately $11,453.

13.7. Means of Policy Supervision and Implementation

The risks set out below are managed through long-term and ongoing risk management by the Company's management, which monitors such risks from time to time.

Variable interest – the Company has short and long-term credit bearing variable interest dependent on the amount of the Canadian Prime and US WSJ/SOFR (for 30 days). An increase in Prime rates will adversely affect the Company's financing expenses.

Linkage base – the Company has long-term credit bearing a fixed interest rate denominated in the same currency as the functional currency of the financed property. For details regarding the NIS exchange rate in relation to the CAD exchange rate, see Note 2(d) to the consolidated financial statements as of December 31, 2024.

13.8. Linkage Basis Report

For details regarding the distribution of the Company's assets and liabilities by linkage bases in 2024 and 2023, see Note 27(d) to the Company's financial statements attached hereto. For details regarding the classification of financial instruments, see Note 2(k) to the Company’s financial statements.

14. **The Company's Internal Auditor**

Below is information about the Company's Internal Auditor in accordance with Regulation 10(b)(11) of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

14.1. Details of the internal auditor (relevant to the reporting year):

- **Auditor's name**: Mr. Oren Grupi.
- **Date of commencement of office**: March 25, 2024.
- To the best of the Company's knowledge, as of the date of his appointment, the Internal Auditor complies with the provisions of Section 146(b) of the Companies Law, the terms and conditions stipulated in Section 3(a) and the provisions of Section 8 of the Internal Audit Law, 5752-1992.
- To the best of the Company's knowledge, the Internal Auditor (as well as the external body on behalf of which he is acting, i.e., KPMG) does not own securities of the Company or any of its affiliates.
- To the best of the Company's knowledge, the Internal Auditor (as well as the external body on behalf of which he is acting) has no material business or other relations with the Company or any of its affiliates.
- The Internal Auditor (as well as the external body on behalf of which he is acting) does not hold any other position in or outside the Company, other than its position as Internal Auditor.

Manner of appointment:

The appointment of the Internal Auditor was approved at the meeting of the Board of Directors held on March 25, 2024, following the Audit Committee's recommendation dated March 19, 2024, and after being interviewed by the Audit Committee and found competent for his position due to his experience. The Internal Auditor is a Certified Public Accountant with a Bachelor's in Business Administration and Accounting (BBA) and a Master's in Law (LLM), and is also a Certified Internal Auditor (CIA) from the Israeli Institute of Internal Auditors. The Internal Auditor is also a partner and Head of the Internal Audit and Risk Management Department at KPMG.

The Board of Directors of the Company approved the appointment of the Internal Auditor (following the recommendation of the Audit Committee), effective March 25, 2024, taking into account his experience and skills as described above, and in consideration, *inter alia*, of the type of the Company, its size, scope and complexity of its activities.

14.2. Identity of the Organizational Supervisor of the Internal Auditor

The organizational supervisor of the Internal Auditor is the Chairman of the Company's Board of Directors.

14.3. Professional Standards Guiding the Internal Audit Work

To the best of the Company's knowledge, the Internal Auditor has performed his audit in accordance with the acceptable professional standards set out in Section 4(b) of the Internal Audit Law, the provisions of the Companies Law and professional directives and briefings published by the Israel Institute of Internal Auditors (Israel IIA) and the International Institute of Internal Auditors (IIA).

In addition, audit reports were discussed at the Audit Committee's meeting, in which the Auditor informs the Committee of the manner in which he performs the audit work and the implementation of the audit reports and his findings.

14.4. Access to Information

The Company has provided the Internal Auditor with such documents and information as set out in Section 9 of the Internal Audit Law, as well as constant, direct access to the Company's and its subsidiaries' IT systems.

14.5. Work Plan

The Internal Auditor's work plan is a two-year plan submitted for approval on an annual basis. The plan was prepared following a risk survey conducted in 2024. All predefined topics were approved by the Audit Committee. In addition, the Audit Committee instructs the Auditor to carry out controls according to the current circumstances, from time to time.

The considerations in establishing the Company's annual audit plan are set forth below:

The audit plan is established and approved by the Audit Committee and the Company's Management, in consultation with the Internal Auditor's proposals, and mainly includes current issues and issues relating to material risks that the Company may face, and as necessary, as well as audits in subsidiaries that have no internal auditor. In addition, the Internal Auditor performs a periodic audit of previously audited issues, inter alia, issues related to the internal enforcement.

The Internal Auditor has discretion to deviate from the work plan in consultation with the members of the Audit committee and subject to their approval.

14.6. Dates on which the findings of the internal auditor were submitted to the Organizational Supervisor and dates on which discussions on the Internal Auditor's findings were held by the Audit Committee:

Prior to the date of filing the financial statements, the Internal Auditor of the Company performed several audit assignments. Meetings of the audit committee in which the audit plan and the audit topics and reports were discussed took place on March 25, 2024, April 15, 2024 and August 19, 2024.

Scope, Nature and Continuity of the Internal Auditor's Activities and Work Plan

Scope of Employment:

The scope of the Internal Auditor's employment for 2024 was determined as follows: about 860 audit hours in accordance with the 2024 audit plan, and 70 working hours for ad hoc audits. This scope was determined in consultation with the Internal Auditor and in accordance with scheduled audit items.

The Internal Auditor is paid a fee based on the hours budget agreed with him for audits according to the various audit topics, subject to an agreed hourly rate. The internal Auditor's fee for 2024 amounted to approximately USD 45 thousand. It should be noted that the Internal Auditor is not compensated with securities issued by the Company or any of its affiliates.

The Board of Directors of the Company is of the opinion that the remuneration determined for the Internal Auditor was reasonable and had no impact on the Internal Auditor's professional judgment.

14.7. The Board's Assessment of the Internal Auditor's Activity

The Board of Directors is of the opinion that the scope, nature and continuity of the Internal Auditor's activities were reasonable under the circumstances, but were not sufficient to accomplish the goals of the internal audit in the Company.

15. **Donation Policy of the Company**

The Company has not established a policy on donations.

16. **Events After the Reporting period**

For further events, see Note 30 to the consolidated financial statements attached hereto.

17. **Directors with Accounting and Financial Expertise**

Pursuant to Section 92(a)(12) of the Companies Law, the Company's Board of Directors determined that the minimum number of directors with accounting and financial expertise, who are fit to serve on the Company's Board of Directors, is one. This determination took into account the nature of accounting and financial issues raised and the preparation of the Company's financial statements, as well as the composition of the Board members and their business, managerial and professional experience that allow them to cope with tasks relating to the Company management, including reporting objectives. The Company is of the opinion that the appropriate minimum number determined as aforesaid will allow the Board of Directors to meet the duties imposed thereon by applicable law and the Company's incorporation documents, and in particular with regard to its obligation to review the Company's financial condition, prepare the financial statements and approve them. As of the date of the Report, six directors who are regarded by the Company as having accounting and financial expertise are serving on the Company’s Board of Directors: Mr. Amir Tamari (Chairman of the Board), Mr. Shimshon Marfogel, Mr. Oded Setter, Mr. Moshe Shachaf (Outside Director), Mr. Amit Mochtar (Outside Director) and Mr. Alon Waxman. The Articles of Association of the Company does not prescribe the percentage of independent directors. For further information regarding directors with accounting and financial expertise, see Regulation 26 in the Chapter "*Additional Information on the Corporation*" (Chapter D of the Report).

18. **Internal Enforcement Program**

The Company has adopted an Internal Enforcement Program that was approved by the Board of Directors in March 2015 and updated from time to time, and includes procedures in accordance with the Efficiency of Enforcement Procedures in the Securities Authority (Legislative Correction) Act of 2011.

19. **Summary Report of Liabilities by Repayment Dates**

For information regarding the Company's liabilities by repayment dates, see the Company's immediate report published shortly prior to the publication of the Report, which is incorporated herein by reference.

20. **Accountant-Auditor**

On June 22, 2017, the accounting firm of Brightman, Almagor, Zohar & Co. was appointed as the Company's Auditor. Below are details of the fee paid to the Company's Auditor for 2024 and 2023:

	Auditing and Related Services, and Tax Services	**Other Services**	**Total**
2024			
Area	CAD Thousand	CAD Thousand	CAD Thousand
Israel and Canada	589	46	635
2023			
Area	CAD Thousand	CAD Thousand	CAD Thousand
Israel and Canada	737	-	737

"Other services" include the fee paid to the Auditors for due diligence and consulting services. Other than the service listed above, the Auditors did not provide other services to the Company for which they were entitled to any fee.

The Auditor's fee was determined in negotiations between management and the Auditor, and the Company is of the opinion that such fee is reasonable and acceptable given the nature and scope of the Company's operations. The fee was approved by the Board. The Company's financial statements Committee was satisfied that the fee paid to the Auditor for its services, based on the scope and complexity of the operations being audited, is reasonable, proportionate and compatible with the scope of the Company's operations, and that the scope of the Auditor's work as part of the audit services are reasonable, acceptable and appropriate for proper audit work.

21. **Compliance with Financial Covenants**

As of the date of publication of the Report, the Company and its subsidiaries comply with the financial covenants undertaken towards the banks.

It should be noted that on June 13, 2024, the Company's Series B Bonds were redeemed in a full and final early redemption.

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):

21.1. The terms of the credit facility that is backed by liens on Ft. Myers hotel do not include financial covenants. See Section 7.3.4 of Part A of the Annual Report.

21.2. With respect to the loan related to the Autograph Cleveland Hotel (See Section 7.3.3 of Part A hereof), the Company and the Subsidiary received from the bank a waiver of the minimum DSCR requirement for the two quarters ending September 30, 2024 and December 31, 2024.

a. The guarantor (Skyline Investments Inc.) shall own, in its own name, Liquid Assets having a value of not less than $12,500, as of December 31, 2024 the amount is $24,642.

b. The guarantor (Skyline Investments Inc.) shall have a net equity of not less than $100,000, as of December 31, 2024 the Company's net equity is $180,016.

c. With respect to the loan taken by a subsidiary of the Company on November in connection with financing and renovation of the hotel (OWDA Loan), the guarantor (*i.e.*, the Company) shall maintain an equity of not less than USD 4,000 thousand and liquid assets in the aggregate of at least USD 2,000 thousand. As of December 31, 2024 the Company has an equity of CAD 180,016 thousand, and liquid assets in the aggregate of CAD 24,642 thousand.

21.3. 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 thousand CAD. As of December 31, 2024 the amount is $180,016 thousand. The Borrower shall maintain a Debt Service Coverage Ratio of 1.30:1. The DSCR based on the 12 months ending December 31, 2024 was 1.73.

21.4. 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 hotel in Cleveland, as described in Section 7.3.2 of the Annual Report, do not include defaulting financial covenants. The subsidiary needs to perform a quarterly assessment of debt service coverage ratio ("DSCR"), to be not be less than 1.4:1. Violations of this financial obligation would result in the lender controlling the cash from the Hotel's operation to ensure all operating costs are paid including debt service until the ratio was back above 1.45:1. The DSCR ratio based on the 12 months ending December 31, 2024, was 1.75.

22. Equity

Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares. A detailed description of the rights, privileges, restrictions and conditions attached to the common shares is included in our Annual Information Form. As of December 31, 2024 (and the date of this MD&A), the Company had 16,700,480 common shares issued and outstanding.

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

	As at December 31, 2024
Total outstanding at the beginning of the period[1]	16,700,480
Shares issued (repurchased) during the period	-
Total outstanding at the end of the period	**16,700,480**

Other Issued Securities

The Company has also issued Stock Options as outlined in the table below.

Changes in number of stock options for the year ended December 31,	**2024**	**2023**
Outstanding at beginning of year	100,000	200,000
Cancelled (see Note 18 (c) (3) in the consolidated financial statements	-	(100,000)
	100,000	**100,000**

Weighted average exercise price (CAD) as at December 31,

2024	**2023**	**2022**
9.47	8.76	10.53

23. Factors Affecting Performance

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. If any of the risks described in the 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 below described or other unforeseen risks. For details on the Company's risk factors see the Annual Information Form.

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.

March 13, 2025

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