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## OPTIBASE LTD. ANNOUNCES FOURTH QUARTER RESULTS

**HERZLIYA, Israel, April 1, 2016 – Optibase Ltd. (NASDAQ: OBAS)** today announced financial results for the fourth quarter ended December 31, 2015.

Revenues from fixed income real estate totaled \$4.1 million for the quarter ended December 31, 2015, compared to revenues of \$3.3 million for the fourth quarter of 2014.

Net income attributable to Optibase Ltd shareholders for the quarter ended December 31, 2015 was \$114,000 or \$0.02 per basic and diluted share, compared to a net income of \$2.8 million or \$0.54 per basic and diluted share for the fourth quarter of 2014.

For the year ended December 31, 2015, revenues totaled \$15.3 million compared with \$13.9 million for the year ended December 31, 2014. For the year ended December 31, 2015, loss attributable to Optibase Ltd shareholders was \$1.1 million or \$0.21 per basic and diluted share, mainly attributed to acquisition related costs of \$2.4 million related to the acquisition of the twenty-seven (27) supermarkets in Bavaria, Germany, compared to a net income of \$3.3 million or \$0.65 per basic and diluted share for the year ended December 31, 2014.

Weighted average shares outstanding used in the calculation for the periods were approximately 5.1 million basic and diluted shares for each period.

As of December 31, 2015, we had cash and cash equivalents of \$23.8 million, and shareholders' equity of \$75.6 million, compared with \$22.9 million, and \$77.1 million, respectively, as of December 31, 2014.

During the fourth quarter the Company has successfully completed an investment of \$12.9 million and acquired a 30% interest in 300 River Holdings, LLC which beneficially owns the rights to a 23-story Class A office building located at 300 South Riverside Plaza in Chicago. In addition to the purchase price, the Company incurred acquisition costs of approximately \$242,000. For more information on this transaction, please refer to our 6K report filed with the SEC on December 29, 2015.

Amir Philips, Chief Executive Officer of Optibase commented on the quarter and years' results and recent business developments: "The fourth quarter is our first quarter that fully embeds our investment in the Edeka supermarkets portfolio in Germany. As such we are pleased with the portfolio performance and are working diligently for maintaining and improving its future results. However, our net income for the quarter was affected mainly due to an increase in our financial expenses. Our yearly results are showing a net loss that is attributed mainly to a one time acquisition costs charge associated with the purchase of the Edeka supermarkets portfolio in Germany as well as an increase in our financial expenses. During the fourth quarter we have completed an investment of \$12.9 million in a Chicago prime asset. This investment further diversifies and strengthens our real estate portfolio. For 2015, our NOI increased to \$12.3 million or by 10% compared to NOI of \$11.2 Million for 2014. The increase in NOI is primarily attributed to the increase in rental income from the Edeka supermarkets portfolio and other contractual rent increases. In addition, for 2015, our Recurring FFO increased to \$3.8 million, or by 23% compared to Recurring FFO of \$3.1 million for 2014. The increase in FFO is due primarily to an increase in cash generated from the Edeka supermarkets portfolio, partially offset by increase in financial expenses associated with a long term loan in Miami and bonds issuance transactions in 2015. We look forward to 2016 and the challenges it holds for us and will continue working diligently on diversifying and strengthening our real estate portfolio."

## **OPTIBASE REPORTS/2**

### **ACCOUNTING AND OTHER DISCLOSURES**

Net Operating Income, or NOI, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is operating income, which, to calculate NOI, is adjusted to add back real estate depreciation and amortization and general and administrative expenses less gain on sale of operating properties. We use NOI internally as a performance measure and believe that NOI (when combined with the primary GAAP presentations) provides useful information to investors regarding our financial condition and results of operations because it reflects only those income and expense item that are incurred at the property level.

We consider the NOI to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, to understand the core property operations prior to depreciation and amortization expenses and general and administrative costs. In addition, because prospective buyers of real estate have different overhead structures, with varying marginal impact to overhead by acquiring real estate, we consider the NOI to be a useful measure for determining the value of a real estate asset or groups of assets.

The metric NOI should only be considered as supplemental to the metric operating income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions. NOI should also not be used as a supplement to, or substitute for, cash flow from operating activities (computed in accordance with generally accepted accounting principles in the United States).

Funds from operation, or FFO, is a non-GAAP financial measure. The most directly comparable GAAP financial measure is net income, which, to calculate FFO, is adjusted to add back depreciation and amortization and after adjustments for unconsolidated associates. We make certain adjustments to FFO, which it refers to as recurring FFO, to account for items we do not believe are representative of ongoing operating results, including transaction costs associated with acquisitions. We use FFO internally as a performance measure and we believe FFO (when combined with the primary GAAP presentations) is a useful, supplemental measure of our operating performance as it's a recognized metric used extensively by the real estate industry. We also believe that Recurring FFO is a useful, supplemental measure of our core operating performance. The company believes that financial analysts, investors and shareholders are better served by the presentation of operating results generated from its FFO and Recurring FFO measures.

We consider the FFO and Recurring FFO to be an appropriate supplemental non-GAAP measure to operating income because it assists management, and thereby investors, in analyzing our operating performance.

The metric's FFO and Recurring FFO should only be considered as supplemental to the metric net income as a measure of our performance. FFO (i) does not represent cash flow from operations as defined by GAAP, (ii) is not indicative of cash available to fund all cash flow needs, including the ability to make distributions, (iii) is not an alternative to cash flow as a measure of liquidity, and (iv) should not be considered as an alternative to net income (which is determined in accordance with GAAP) for purposes of evaluating our operating performance.

#### **About Optibase**

Optibase invests in the fixed-income real estate field and currently holds properties in Switzerland in Germany and in Miami, Texas and Philadelphia, USA and is currently looking for additional real estate investment opportunities. Optibase was previously engaged in the field of digital video technologies until the sale of its video solutions business to Optibase Technologies Ltd., a wholly owned subsidiary of VITEC Multimedia ("Vitec") in July 2010. For further information, please visit [www.optibase-holdings.com](http://www.optibase-holdings.com).

*This press release contains forward-looking statements concerning our marketing and operations plans. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. All forward-looking statements in this press release are made based on management's current expectations which involve risks, uncertainties and other factors that could cause results to differ materially from those expressed in forward-looking statements. These statements involve a number of risks and uncertainties including, but not limited to, difficulties in finding suitable real-estate properties for investment, availability of financing for the acquisition of real-estate, difficulties in leasing of real-estate properties, insolvency of tenants, difficulties in the disposition of real-estate projects, risk relating to collaborative arrangements with our partners relating to our real-estate properties, risks relating to the full consummation of the transaction for the sale of our video solutions business, general economic conditions and other risk factors. For a more detailed discussion of these and other risks that may cause actual results to differ from the forward looking statements in this press release, please refer to Optibase's most recent annual report on Form 20-F. The Company does not undertake any obligation to update forward-looking statements made herein.*

**Optibase Ltd.**  
**Condensed Consolidated Statement of Operations**  
**For the Year Ended December 31, 2015**

|   | Year ended                   |                              | Three months ended             |                                |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
|   | December 31                  | December 31                  | December 31                    | December 31                    |
|   | 2015<br>\$<br><u>Audited</u> | 2014<br>\$<br><u>Audited</u> | 2015<br>\$<br><u>Unaudited</u> | 2014<br>\$<br><u>Unaudited</u> |
| Fixed income real estate rent                         | 15,273                       | 13,938                       | 4,087                          | 3,325                          |
| Cost and expenses:                                    |                              |                              |                                |                                |
| Cost of real estate operation                         | 2,958                        | 2,777                        | 921                            | 608                            |
| Real estate depreciation and amortization             | 3,925                        | 3,813                        | 1,093                          | 859                            |
| General and administrative                            | 1,849                        | 2,167                        | 429                            | 512                            |
| Other operating costs                                 | 2,352                        | -                            | 35                             | -                              |
| Total cost and expenses                               | 11,084                       | 8,757                        | 2,478                          | 1,979                          |
| Gain on sale of operating properties                  | -                            | 2,709                        | -                              | 2,709                          |
| Operating income                                      | 4,189                        | 7,890                        | 1,609                          | 4,055                          |
| Other Income  | 429                          | 394                          | 95                             | 95                             |
| Financial expenses, net                               | (1,807)                      | (1,151)                      | (732)                          | (326)                          |
| Income before taxes on income                         | 2,811                        | 7,133                        | 972                            | 3,824                          |
| Taxes on income                                       | (1,609)                      | (1,502)                      | (381)                          | (418)                          |
| Equity share in income (losses) of associates, net    | (31)                         | (186)                        | 28                             | (52)                           |
| Net income  | 1,171                        | 5,445                        | 619                            | 3,354                          |
| Net income attributable to non-controlling interests  | 2,239                        | 2,106                        | 505                            | 590                            |
| Net income (loss) attributable to Optibase LTD        | (1,068)                      | 3,339                        | 114                            | 2,757                          |
| Net income (loss) per share :                         |                              |                              |                                |                                |
| Basic and Diluted                                     | (\$0.21)                     | \$0.65                       | \$0.02                         | \$0.54                         |
| Number of shares used in computing Earnings per share |                              |                              |                                |                                |
| Basic   | 5,133                        | 5,127                        | 5,133                          | 5,127                          |
| Diluted   | 5,133                        | 5,131                        | 5,142                          | 5,135                          |

Amounts in thousands

Condensed Consolidated Balance Sheets

|   | December 31,<br>2015<br><u>Audited</u> | December 31,<br>2014<br><u>Audited</u> |
|---|--|--|
| <b><u>Assets</u></b>                                    |  |  |
| Current Assets:   |  |  |
| Cash and cash equivalents                               | 23,806                                 | 22,902                                 |
| Trade receivables                                       | 177                                    | 286                                    |
| Other accounts receivables and prepaid expenses         | 318                                    | 1,396                                  |
| Total current assets                                    | 24,301                                 | 24,584                                 |
| Long term deposit                                       | 2,670                                  | 54                                     |
| Investments in companies and associates                 | 20,663                                 | 7,553                                  |
| Long term investments                                   | 23,333                                 | 7,607                                  |
| Real estate properties                                  | 214,840                                | 185,204                                |
| Other assets, net                                       | 470                                    | 609                                    |
| Total property equipment and other assets               | 215,310                                | 185,813                                |
| Total assets  | 262,944                                | 218,004                                |
| <b><u>Liabilities and shareholders' equity</u></b>      |  |  |
| Current Liabilities:                                    |  |  |
| Current maturities of long term loans and bonds         | 8,535                                  | 2,401                                  |
| Accounts payable and accrued expenses                   | 3,297                                  | 4,991                                  |
| Other short term liabilities                            | -                                      | 539                                    |
| Total liabilities attributed to discontinued operations | 2,109                                  | 2,153                                  |
| Total current liabilities                               | 13,941                                 | 10,084                                 |
| Long term liabilities:                                  |  |  |
| Deferred tax liabilities                                | 14,178                                 | 14,237                                 |
| Land lease liability, net                               | 6,412                                  | 6,528                                  |
| Other long-term liabilities                             | 264                                    | -                                      |
| Long term loans, net of current maturities              | 140,082                                | 110,080                                |
| Long term bonds, net of current maturities              | 12,483                                 | -                                      |
| Total long term liabilities                             | 173,419                                | 130,845                                |
| Total shareholders' equity of Optibase Ltd              | 55,784                                 | 57,439                                 |
| Non-controlling interests                               | 19,800                                 | 19,636                                 |
| Total shareholders' equity                              | 75,584                                 | 77,075                                 |
| Total liabilities and shareholders' equity              | 262,944                                | 218,004                                |

Amounts in thousands