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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, August 30, 2017 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the second quarter ended June 30, 2017.

Revenues from fixed income real estate totaled \$4.1 million for the quarter ended June 30, 2017, compared to revenues of \$4.2 million for the second quarter of 2016.

Net loss attributable to Optibase Ltd shareholders for the quarter ended June 30, 2017 was \$35,000 or \$0.01 per basic and diluted share compared to net income of \$933,000 or \$0.18 per basic and diluted share for the second quarter of 2016.

For the six months ended June 30, 2017 and June 30, 2016, revenues totaled \$8.2 million, Net loss attributable to Optibase Ltd Shareholders for the period was \$550,000 or \$0.11 per basic and diluted share, compared to a net income of \$1.7 million or \$0.32 per basic and diluted share for the six months ended June 30, 2016.

Weighted average shares outstanding used in the calculation for the periods were approximately 5.2 million basic and diluted shares for each period.

As of June 30, 2017, we had cash and cash equivalents of \$18 million, and shareholders' equity of \$77 million, compared with \$16 million, and \$74.1 million, respectively, as of December 31, 2016.

Amir Philips, Chief Executive Officer of Optibase commented on the second quarter results "This quarter results are stable compared to the second quarter of 2016 in our fixed income real estate rent and operating income, while our net income has decreased mostly in Other income and Equity share in income (losses) of associates, net. For the second quarter of 2017 we generated NOI of \$3.3 million representing a slight decrease compared to the same period in 2016. In addition, for the second quarter of 2017, our Recurring FFO decreased to \$806,000 compared to \$2 million in the second quarter of 2016. The decrease in our Recurring FFO is due to a decrease in our Equity share in income (losses) of associates, net, related to our investment in 300 River Holdings, LLC and a decrease in Other income from our investment in Texas." Mr. Philips concluded: "We will continue to work to maintain our operating results and to increase our financial stability."

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ACCOUNTING AND OTHER DISCLOSURES

Non-GAAP 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, general and administrative expenses and other operation 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).

Non-GAAP 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 Non-GAAP recurring FFO or 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.

Reconciliation of GAAP to Non-GAAP (Unaudited) Supplemental Financial Data

A reconciliation of operating income to NOI is as follows:

	Six months ended		Three months ended	
	June 30 2017 \$ <u>Unaudited</u>	June 30 2016 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>	June 30 2016 \$ <u>Unaudited</u>
GAAP Operating income	3,328	3,286	1,685	1,715
Adjustments:				
Real estate depreciation and amortization	2,099	2,129	1,061	1,078
General and administrative	1,224	1,203	598	606
Non-GAAP Net Operating Income NOI	6,651	6,618	3,344	3,399

A reconciliation of net income to FFO and Recurring FFO is as follows:

	Six months ended		Three months ended	
	June 30 2017 \$ <u>Unaudited</u>	June 30 2016 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>	June 30 2016 \$ <u>Unaudited</u>
GAAP Net income (loss) attributable to Optibase LTD	(550)	1,651	(35)	933
Adjustments :				
Real estate depreciation and amortization	2,099	2,129	1,061	1,078
Prorata share of real estate depreciation and amortization from unconsolidated associates	123	728	63	281
Non controlling interests share in the above adjustments	(562)	(572)	(283)	(290)
Non-GAAP Fund From Operation (FFO))	1,110	3,936	806	2,002
Non-GAAP Recurring Fund From Operation (Recurring FFO)	1,110	3,936	806	2,002

Amounts in thousands

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About Optibase

Optibase invests in the fixed-income real estate field and currently holds properties and beneficial interest in real-estate assets and projects in Switzerland, Germany and in Texas, Philadelphia, PA and Miami, FL, Chicago, IL, 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 in July 2010. For further information, please visit 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 Period Ended June 30, 2017

	Six months ended		Three months ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
	\$	\$	\$	\$
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Fixed income real estate rent	8,176	8,215	4,149	4,172
Cost and expenses:				
Cost of real estate operation	1,525	1,597	805	773
Real estate depreciation and amortization	2,099	2,129	1,061	1,078
General and administrative	1,224	1,203	598	606
Total cost and expenses	4,848	4,929	2,464	2,457
Operating income	3,328	3,286	1,685	1,715
Other Income	308	848	147	619
Financial expenses, net	(1,546)	(1,508)	(656)	(867)
Income before taxes on income	2,090	2,626	1,176	1,467
Taxes on income	(827)	(808)	(412)	(416)
Equity share in income (losses) of associates, net	(734)	882	(242)	422
Net income	529	2,700	522	1,473
Net income attributable to non-controlling interests	1,079	1,049	557	540
Net income (loss) attributable to Optibase LTD	(550)	1,651	(35)	933
Net income (loss) per share :				
Basic and Diluted	\$(0.11)	\$0.32	\$(0.01)	\$0.18
Number of shares used in computing earnings losses per share				
Basic	5,180	5,141	5,172	5,141
Diluted	5,180	5,141	5,172	5,141

Amounts in thousands

Condensed Consolidated Balance Sheets

	June 30, 2017	December 31, 2016
	<u>Unaudited</u>	<u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	18,054	16,024
Trade receivables	512	220
Other accounts receivables and prepaid expenses	634	528
Total current assets	19,200	16,772
Long term investments:		
Other long term deposits and receivables	4,358	2,785
Investments in companies and associates	21,828	22,892
Total Long term investments	26,186	25,677
Property and other assets, net:		
Real estate properties, net	219,364	207,690
Other assets, net	153	245
Total property and other assets	219,517	207,935
Total assets	264,903	250,384
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	8,312	10,360
Accounts payable and accrued expenses	5,369	4,254
Total liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	15,742	16,675
Long term liabilities:		
Deferred tax liabilities	14,398	13,620
Land lease liability, net	6,470	6,133
Other long-term liabilities	316	407
Long term loans, net of current maturities	141,168	129,261
Long term bonds, net of current maturities	9,795	10,160
Total long term liabilities	172,147	159,581
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	57,836	55,134
Non-controlling interests	19,178	18,994
Total shareholders' equity	77,014	74,128
Total liabilities and shareholders' equity	264,903	250,384

Amounts in thousands