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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, August 30, 2018 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the second quarter ended June 30, 2018.

Revenues from fixed income real estate for the quarter ended June 30, 2018 and June 30, 2017 totaled \$4.1 million.

Net loss attributable to Optibase Ltd shareholders for the quarter ended June 30, 2018 was \$1.1 million or \$0.21 per basic and diluted share compared to net loss of \$35,000 or \$0.01 per basic and diluted share for the second quarter of 2017.

For the six months ended June 30, 2018 revenues totaled \$8.4 million compared to revenues of \$8.2 million for the six months ended June 30, 2017. Net loss attributable to Optibase Ltd Shareholders for the period was \$1.8 million or \$0.34 per basic and diluted share, compared to a net loss of \$550,000 or \$0.11 per basic and diluted share for the six months ended June 30, 2017.

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, 2018, we had cash and cash equivalents of \$16.9 million, and shareholders' equity of \$75.3 million, compared with \$20.3 million, and \$77.1 million, respectively, as of December 31, 2017.

Amir Philips, Chief Executive Officer of Optibase commented on the second quarter results: "This quarter our fixed income real estate rent are stable compared to the second quarter of 2017 while our net loss has increased significantly compared to the second quarter of 2017 mostly due to increased Equity share in losses of associates, net and due to increase in our general and administrative expenses. For the second quarter of 2018, we generated NOI of \$3.3 million representing stability compared to the same period in 2017. In addition, for the second quarter of 2018, our Recurring FFO decreased to \$348,000 compared to Recurring FFO of \$806,000 for the second quarter of 2017. The decrease in our Recurring FFO is due to an increase in our Equity share in losses of associates, net, related to our investment in 300 River Holdings, LLC and an increase in our general and administrative expenses." Mr. Philips concluded: "We are working to maintain our basic parameters and to increase our financial stability as we progress through 2018."

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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 2018 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>	June 30 2018 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>
GAAP Operating income	2,905	3,328	1,242	1,685
Adjustments:				
Real estate depreciation and amortization	2,152	2,099	1,055	1,061
General and administrative	1,826	1,224	1,050	598
Non-GAAP Net Operating Income NOI	6,883	6,651	3,347	3,344

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

	Six months ended		Three months ended	
	June 30 2018 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>	June 30 2018 \$ <u>Unaudited</u>	June 30 2017 \$ <u>Unaudited</u>
GAAP Net income (loss) attributable to Optibase LTD	(1,758)	(550)	(1,086)	(35)
Adjustments :				
Real estate depreciation and amortization	2,152	2,099	1,055	1,061
Pro-rata share of real estate depreciation and amortization from unconsolidated associates	1,252	123	650	63
Non-controlling interests share in the above adjustments	(558)	(562)	(271)	(283)
Non-GAAP Fund From Operation (FFO)	1,088	1,110	348	806
Non-GAAP Recurring Fund From Operation (Recurring FFO)	1,088	1,110	348	806

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, 2018

	Six months ended		Three months ended	
	June 30 2018	June 30 2017	June 30 2018	June 30 2017
	\$ <u>Unaudited</u>	\$ <u>Unaudited</u>	\$ <u>Unaudited</u>	\$ <u>Unaudited</u>
Fixed income real estate rent	8,417	8,176	4,111	4,149
Cost and expenses:				
Cost of real estate operation	1,534	1,525	764	805
Real estate depreciation and amortization	2,152	2,099	1,055	1,061
General and administrative	1,826	1,224	1,050	598
Total cost and expenses	5,512	4,848	2,869	2,464
Operating income	2,905	3,328	1,242	1,685
Other Income	310	308	149	147
Financial expenses, net	(1,503)	(1,546)	(776)	(656)
Income before taxes on income	1,712	2,090	615	1,176
Taxes on income	(740)	(827)	(358)	(412)
Equity share in losses of associates, net	(1,662)	(734)	(842)	(242)
Net income (loss)	(690)	529	(585)	522
Net income attributable to non-controlling interests	1,068	1,079	501	557
Net loss attributable to Optibase LTD	(1,758)	(550)	(1,086)	(35)
Net loss per share :				
Basic and Diluted	\$(0.34)	\$(0.11)	\$(0.21)	\$(0.01)
Number of shares used in computing earnings losses per share				
Basic	5,184	5,180	5,186	5,172
Diluted	5,184	5,180	5,186	5,172

Amounts in thousands

Condensed Consolidated Balance Sheets

	June 30, 2018	December 31, 2017
	<u>Unaudited</u>	<u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	16,888	20,268
Restricted cash	51	292
Trade receivables, net	376	332
Other accounts receivables and prepaid expenses	505	506
Total current assets	17,820	21,398
Long term investments:		
Other long term deposits	2,894	3,483
Investments in companies and associates	15,712	17,556
Total Long term investments	18,606	21,039
Property and other assets, net:		
Real estate properties, net	211,704	216,726
Other assets, net	137	140
Total property and other assets	211,841	216,866
Total assets	248,267	259,303
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	6,854	6,048
Accounts payable and accrued expenses	3,991	4,362
Liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	12,906	12,471
Long term liabilities:		
Deferred tax liabilities	13,701	14,042
Land lease liability, net	6,133	6,295
Other long term liabilities	268	294
Loan from controlling shareholder	2,429	4,886
Long term loans, net of current maturities	130,826	135,774
Long term bonds, net of current maturities	6,713	8,473
Total long term liabilities	160,070	169,764
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	54,565	57,037
Non-controlling interests	20,726	20,031
Total shareholders' equity	75,291	77,068
Total liabilities and shareholders' equity	248,267	259,303

Amounts in thousands