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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, August 27, 2020 – Optibase Ltd. (NASDAQ: OBAS) (the "Company") today announces financial results for the second quarter ended June 30, 2020.

Revenues from fixed income real estate totaled \$3.8 million for the quarter ended June 30, 2020 compared to revenues of \$4 million for the second quarter of 2019.

Net Income attributable to Optibase Ltd shareholders for the quarter ended June 30, 2020 was \$1.8 million or \$0.34 per basic and diluted share compared to loss of \$188,000 or \$0.04 per basic and diluted share for the second quarter of 2019.

For the six months ended June 30, 2020 revenues totaled \$7.9 million compared to revenues of \$8.1 million for the six months ended June 30, 2019. Net income attributable to Optibase Ltd Shareholders for the period was \$1.9 million or \$0.37 per basic and diluted share, compared to a loss of \$379,000 million or \$0.07 per basic and diluted share for the six months ended June 30, 2019.

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, 2020, we had cash and cash equivalents of \$27.4 million, and shareholders' equity of \$76.5 million, compared with \$12.6 million, and \$71.8 million, respectively, as of December 31, 2019.

On July 9, 2020, we announced the successful closing of a transaction to sell the Company's portfolio in Germany comprised of twenty seven (27) separate commercial properties, located mostly in Bavaria, Germany, for a total consideration of EUR 35 million (app. \$38.9 million). For the quarter ended June 30, 2020 the Company recorded a net gain of approximately \$2.3 million resulting from the closing of the first 6 properties and is expected to record an additional net gain of approximately \$5.5 million in the third quarter of 2020 with the closing of the sale of the remaining 21 properties. For further details on the Transaction, see the Company's report on Form 6-K as filed with the Securities and Exchange Commission on July 9, 2020.

Amir Philips, Chief Executive Officer of Optibase commented on the second quarter results: "This quarter our fixed income real estate rent remained stable with a slight decrease compared to the second quarter of 2019. This quarter we generated net income of \$1.8 million mainly attributed to the gain on sale of operating properties related to our German portfolio sale transaction, compared to net loss of \$188,000 for the second quarter of 2019. For the second quarter of 2020, we generated NOI of \$3.1 million compared to \$3.3 million for the second quarter of 2019. For the second quarter of 2020, our Recurring FFO decreased to \$862,000 compared to Recurring FFO of \$1.3 million for the second quarter of 2019. The decrease in our Recurring FFO is mainly due to a decrease in our fixed income real estate rent due to our German portfolio sale transaction and due to an increase in our equity share in losses of associates, net, related to our investment in 300 River Holdings, LLC. Mr. Philips concluded: "We are pleased with this quarter and year to date results as we continue showing stability in our operating results. Furthermore, the recent sale of our German portfolio provides evidence of our ability to produce accretive returns on our investments."

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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 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>
GAAP Operating income	5,498	3,098	3,789	1,559
Adjustments:				
Real estate depreciation and amortization	1,759	2,151	888	1,073
General and administrative	1,512	1,339	712	646
Gain on sale of operating properties	(2,317)	-	(2,317)	-
Non-GAAP Net Operating Income NOI	6,452	6,588	3,072	3,278

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

	Six months ended		Three months ended	
	June 30 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>
GAAP Net income (loss) attributable to Optibase LTD	1,894	(379)	1,777	(188)
Adjustments :				
Real estate depreciation and amortization	1,759	2,151	888	1,073
Pro-rata share of real estate depreciation and amortization from unconsolidated associates	1,644	1,457	817	750
Non-controlling interests share in the above adjustments	(598)	(577)	(303)	(287)
Non-GAAP Fund From Operation (FFO)	4,699	2,652	3,179	1,348
Gain on sale of operating properties	(2,317)	-	(2,317)	-
Non-GAAP Recurring Fund From Operation (Recurring FFO)	2,382	2,652	862	1,348

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, Texas, Philadelphia, PA, Miami, FL, and in 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, 2020

	Six months ended		Three months ended	
	June 30 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2019 \$ <u>Unaudited</u>
Fixed income real estate rent	7,895	8,107	3,788	4,027
Cost and expenses:				
Cost of real estate operation	1,443	1,519	716	749
Real estate depreciation and amortization	1,759	2,151	888	1,073
General and administrative	1,512	1,339	712	646
Total cost and expenses	4,714	5,009	2,316	2,468
Gain on sale of operating properties	2,317	-	2,317	-
Operating income	5,498	3,098	3,789	1,559
Other Income	148	448	148	128
Financial expenses, net	1,164	1,366	563	661
Income before taxes on income	4,482	2,180	3,374	1,026
Taxes on income	105	768	447	425
Equity share in losses of associates, net	942	707	535	246
Net income	3,435	705	2,392	355
Net income attributable to non-controlling interests	1,541	1,084	615	543
Net income (loss) attributable to Optibase LTD	1,894	(379)	1,777	(188)
Net income (loss) per share :				
Basic and Diluted	\$0.37	\$(0.07)	\$0.34	\$(0.04)
Number of shares used in computing earnings losses per share				
Basic	5,186	5,186	5,186	5,186
Diluted	5,186	5,186	5,186	5,186

Amounts in thousands.

Condensed Consolidated Balance Sheets

	June 30, 2020 \$ <u>Unaudited</u>	December 31, 2019 \$ <u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	27,423	12,564
Restricted cash	990	32
Trade receivables, net	468	536
Other accounts receivables and prepaid expenses	1,062	628
Property held for sale	14,865	29,727
Total current assets	44,808	43,487
Long term investments:		
Other long term deposits and other assets	2,472	2,678
Right-of-use assets	315	376
Investments in companies and associates	10,566	11,657
Total Long term investments	13,353	14,711
Real estate properties, net	181,482	181,109
Total assets	239,643	239,307
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	7,982	28,803
Other accounts payable and accrued expenses	24,463	5,170
Liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	34,506	36,034
Long term liabilities:		
Deferred tax liabilities	13,533	13,801
Land lease liability, net	6,199	6,110
Operating lease liabilities	192	257
Long term loans, net of current maturities	107,293	108,406
Long term bonds, net of current maturities	1,415	2,845
Total long term liabilities	128,632	131,419
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	54,453	51,844
Non-controlling interests	22,052	20,010
Total shareholders' equity	76,505	71,854
Total liabilities and shareholders' equity	239,643	239,307

Amounts in thousands