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OPTIBASE LTD. ANNOUNCES FOURTH QUARTER RESULTS

HERZLIYA, Israel, April 1, 2020 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the fourth quarter ended December 31, 2019.

Revenues from fixed income real estate totaled \$4 million for the quarter ended December 31, 2019 compared to revenues of \$4.1 million for the fourth quarter of 2018.

Net loss attributable to Optibase Ltd shareholders for the quarter ended December 31, 2019 was \$1.1 million or \$0.21 per basic and diluted share compared to net loss of \$804,000 million or \$0.16 per basic and diluted share for the fourth quarter of 2018.

For the year ended December 31, 2019 revenues totaled \$16.1 million compared to revenues of \$16.6 million for the year ended December 31, 2018. Net loss attributable to Optibase Ltd Shareholders for the year ended December 31, 2019 was \$2 or \$0.38 per basic and diluted share, compared to a net loss of \$2.8 million or \$0.54 per basic and diluted share for the year ended December 31, 2018.

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 December 31, 2019, we had cash and cash equivalents of \$12.6 million, and shareholders' equity of \$71.8 million, compared with \$13.8 million, and \$73.4 million, respectively, as of December 31, 2018.

Amir Philips, Chief Executive Officer of Optibase commented on the fourth quarter results: "This quarter our fixed income real estate rent stayed stable compared to the fourth quarter of 2018 and our net loss has increased compared to the fourth quarter of 2018. The increase in our net loss is mostly attributed to an increase in our Equity share in losses of associates, net, related to our investment in 300 River Holdings, LLC. For the fourth quarter of 2019, we generated NOI of \$3.3 million representing a slight decrease compared to the fourth quarter of 2018 due to a slight increase in our general and administrative expenses. For the year ended December 31, 2019, we generated NOI of \$13.2 million representing a slight decrease compared to the year ended December 31, 2018. In addition, for the year ended December 31, 2019, our Recurring FFO increased to \$4.2 million compared to Recurring FFO of \$3 million for the year ended December 31, 2018. The increase in our Recurring FFO is due to a decrease in our general and administrative expenses, decrease in our financial expenses and a decrease in our Equity share in losses of associates, net, related to our investment in 300 River Holdings, LLC. Mr. Philips concluded: "We continue our work to maintain our basic parameters and to increase our financial stability as we progress through 2020."

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:

	Year ended		Three months ended	
	December 31	December 31	December 31	December 31
	2019	2018	2019	2018
	\$	\$	\$	\$
	<u>Audited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Unaudited</u>
GAAP Operating income	5,828	5,800	1,199	1,378
Adjustments:				
Real estate depreciation and amortization	4,321	4,317	1,083	1,084
General and administrative	3,047	3,500	1,037	932
Non-GAAP Net Operating Income NOI	13,196	13,617	3,319	3,394

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

	Nine months ended		Three months ended	
	December 31	December 31	December 31	December 31
	2019	2018	2019	2018
	\$	\$	\$	\$
	<u>Audited</u>	<u>Audited</u>	<u>Unaudited</u>	<u>Unaudited</u>
GAAP Net income (loss) attributable to Optibase LTD	(1,993)	(2,781)	(1,118)	(804)
Adjustments :				
Real estate depreciation and amortization	4,321	4,317	1,083	1,084
Pro-rata share of real estate depreciation and amortization from unconsolidated associates	3,085	2,609	851	684
Non-controlling interests share in the above adjustments	(1,162)	(1,137)	(292)	(292)
Non-GAAP Fund From Operation (FFO)	4,251	3,008	524	672
Non-GAAP Recurring Fund From Operation (Recurring FFO)	4,251	3,008	524	672

OPTIBASE REPORTS/4

Amounts in thousands

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, 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 Year Ended December 31, 2019

	Year ended		Three months ended	
	December 31 2019	December 31 2018	December 31 2019	December 31 2018
	\$ <u>Audited</u>	\$ <u>Audited</u>	\$ <u>Unaudited</u>	\$ <u>Unaudited</u>
Fixed income real estate rent	16,144	16,608	4,050	4,101
Cost and expenses:				
Cost of real estate operation	2,948	2,991	731	707
Real estate depreciation and amortization	4,321	4,317	1,083	1,084
General and administrative	3,047	3,500	1,037	932
Total cost and expenses	10,316	10,808	2,851	2,723
Operating income	5,828	5,800	1,199	1,378
Other Income	722	607	144	149
Financial expenses, net	(2,630)	(2,882)	(594)	(674)
Income before taxes on income	3,920	3,525	749	853
Taxes on income	(1,472)	(1,464)	(330)	(334)
Equity share in losses of associates, net	(2,321)	(2,765)	(1,051)	(846)
Net income (loss)	127	(704)	(632)	(327)
Net income attributable to non-controlling interests	2,120	2,077	486	477
Net loss attributable to Optibase LTD	(1,993)	(2,781)	(1,118)	(804)
Net loss per share :				
Basic and Diluted	\$(0.38)	\$(0.54)	\$(0.21)	\$(0.16)
Number of shares used in computing earnings losses per share				
Basic	5,186	5,185	5,186	5,186
Diluted	5,186	5,185	5,186	5,186

Amounts in thousands

Condensed Consolidated Balance Sheets

	December 31, 2019 <u>Audited</u>	December 31, 2018 <u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	12,564	13,836
Restricted cash	32	31
Trade receivables, net	536	427
Other accounts receivables and prepaid expenses	628	320
Property held for sale	29,727	-
Total current assets	43,487	14,614
Long term investments:		
Other long term deposits and other assets	2,678	2,477
Right-of-use assets	376	-
Investments in companies and associates	11,657	14,377
Total Long term investments	14,711	16,854
Property and other assets, net:		
Real estate properties, net	181,109	212,349
Other assets, net	-	141
Total property and other assets	181,109	212,490
Total assets	239,307	243,958
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	28,803	5,788
Accounts payable and accrued expenses and other	5,170	4,103
Liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	36,034	11,952
Long term liabilities:		
Deferred tax liabilities	13,801	13,752
Land lease liability, net	6,110	6,134
Lease liabilities	257	-
Other long term liabilities	-	206
Loan from controlling shareholder	-	2,476
Long term loans, net of current maturities	108,406	130,806
Long term bonds, net of current maturities	2,845	5,239
Total long term liabilities	131,419	158,613
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	51,844	53,559
Non-controlling interests	20,010	19,834
Total shareholders' equity	71,854	73,393
Total liabilities and shareholders' equity	239,307	243,958

Amounts in thousands