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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, August 31, 2021 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the second quarter ended June 30, 2021.

Revenues from fixed income real estate totaled \$3.5 million for the quarter ended June 30, 2021 compared to revenues of \$3.8 million for the second quarter of 2020.

Net loss attributable to Optibase Ltd shareholders for the quarter ended June 30, 2021 was \$537,000 or \$0.10 per basic and diluted share compared to net income of \$1.8 million or \$0.34 per basic and diluted share for the second quarter of 2020.

For the six months ended June 30, 2021 revenues totaled \$6.9 million compared to revenues of \$7.9 million for the six months ended June 30, 2020. Net loss attributable to Optibase Ltd Shareholders for the period was \$1.4 million or \$0.26 per basic and diluted share, compared to net income of \$1.9 million or \$0.37 per basic and diluted share for the six months ended June 30, 2020.

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, 2021, we had cash and cash equivalents of \$29.1 million, and shareholders' equity of \$83.9 million, compared with \$28.8 million, and \$86.7 million, respectively, as of December 31, 2020.

Amir Philips, Chief Executive Officer of Optibase commented on the second quarter results: "This quarter our fixed income real estate rent has decreased compared to the second quarter of 2020 and we had a net loss of \$537,000 compared to net income of \$1.8 million for the second quarter of 2020, the decrease is mainly due to the sale of our portfolio in Germany during the second and the third quarters of 2020. For the second quarter of 2021, we generated NOI of \$3 million compared to NOI of \$3.1 million for the second quarter of 2020. In addition, for the second quarter of 2021, our Recurring FFO of 869,000 stayed stable compared to Recurring FFO of \$862,000 for the second quarter of 2020. 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.

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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 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>
GAAP Operating income	2,278	5,498	1,163	3,789
Adjustments:				
Real estate depreciation and amortization	1,981	1,759	1,001	888
General and administrative	1,583	1,512	847	712
Gain on sale of operating properties	-	(2,317)	-	(2,317)
Non-GAAP Net Operating Income NOI	5,842	6,452	3,011	3,072

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

	Six months ended		Three months ended	
	June 30 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>
GAAP Net (loss) income attributable to Optibase LTD	(1,359)	1,894	(537)	1,777
Adjustments :				
Real estate depreciation and amortization	1,981	1,759	1,001	888
Pro-rata share of real estate depreciation and amortization from unconsolidated associates	1,463	1,644	737	817
Non-controlling interests share in the above adjustments	(652)	(598)	(332)	(303)
Non-GAAP Fund From Operation (FFO)	1,433	4,699	869	3,179
Gain on sale of operating properties	-	(2,317)	-	(2,317)
Non-GAAP Recurring Fund From Operation (Recurring FFO)	1,433	2,382	869	862

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, 2021

	Six months ended		Three months ended	
	June 30 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>	June 30 2021 \$ <u>Unaudited</u>	June 30 2020 \$ <u>Unaudited</u>
Fixed income real estate rent	6,936	7,895	3,491	3,788
Cost and expenses:				
Cost of real estate operation	1,094	1,443	480	716
Real estate depreciation and amortization	1,981	1,759	1,001	888
General and administrative	1,583	1,512	847	712
Total cost and expenses	4,658	4,714	2,328	2,316
Gain on sale of operating properties	-	2,317	-	2,317
Operating income	2,278	5,498	1,163	3,789
Other Income	332	148	171	148
Financial expenses, net	(854)	(1,164)	(255)	(563)
Income before taxes on income	1,756	4,482	1,079	3,374
Taxes on income	(740)	(105)	(420)	(447)
Equity share in losses of associates, net	(945)	(942)	(478)	(535)
Net income	71	3,435	181	2,392
Net income attributable to non-controlling interests	1,430	1,541	718	615
Net income (loss) attributable to Optibase LTD	(1,359)	1,894	(537)	1,777
Net income (loss) per share :				
Basic and Diluted	(\$0.26)	\$0.37	(\$0.10)	\$0.34
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, 2021	December 31, 2020
	<u>Unaudited</u>	<u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	29,096	28,820
Restricted cash	681	835
Trade receivables, net	163	216
Other accounts receivables and prepaid expenses	2,338	569
Bonds related deposits	2,292	2,564
Total current assets	34,570	33,004
Long term investments:		
Long-term deposits	97	98
Right-of-use assets	203	272
Investments in companies and associates	6,111	9,269
Total Long term investments	6,411	9,639
Real estate properties, net	182,568	192,054
Total assets	223,549	234,697
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	4,763	6,447
Accounts payable and accrued expenses and other	4,377	4,144
Operating lease liabilities	146	166
Liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	11,347	12,818
Long term liabilities:		
Deferred tax liabilities	14,549	15,095
Land lease liability, net	6,723	7,054
Operating lease liabilities	83	146
Long term loans, net of current maturities	106,900	112,923
Total long term liabilities	128,255	135,218
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	58,461	61,464
Non-controlling interests	25,486	25,197
Total shareholders' equity	83,947	86,661
Total liabilities and shareholders' equity	223,549	234,697

Amounts in thousands