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OPTIBASE LTD. ANNOUNCES FIRST QUARTER RESULTS

HERZLIYA, Israel, May 30, 2018 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the first quarter ended March 31, 2018.

Revenues from fixed income real estate totaled \$4.3 million for the quarter ended March 31, 2018, compared to revenues of \$4 million for the first quarter of 2017.

Net loss attributable to Optibase Ltd shareholders for the quarter ended March 31, 2018 was \$672,000 or \$0.13 per basic and diluted share compared to net loss of \$515,000 or \$0.10 per basic and diluted share for the first quarter of 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 March 31, 2018, we had cash and cash equivalents of \$21 million, and shareholders' equity of \$78.3 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 first quarter results: "This quarter results are stable compared to the previous quarter and the first quarter of 2017 in our fixed income real estate rent and operating income, while our net loss has increased somewhat due mostly to increased Equity share in losses of associates, net. For the first quarter of 2018 we generated NOI of \$3.5 million representing a 7% increase over the same period in 2017. In addition, for the first quarter of 2018, our Recurring FFO increased to \$740,000 compared to Recurring FFO of \$304,000 for the first quarter of 2017." 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.

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

A reconciliation of operating income to NOI is as follows:

	Three months ended	
	March 31	March 31
	2018	2017
	\$	\$
	<u>Unaudited</u>	<u>Unaudited</u>
GAAP Operating income	1,663	1,643
Adjustments:		
Real estate depreciation and amortization	1,097	1,038
General and administrative	776	626
Non-GAAP Net Operating Income NOI	3,536	3,307

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

	Three months ended	
	March 31	March 31
	2018	2017
	\$	\$
	<u>Unaudited</u>	<u>Unaudited</u>
GAAP Net loss attributable to Optibase LTD	(672)	(515)
Adjustments :		
Real estate depreciation and amortization	1,097	1,038
Pro-rata share of real estate depreciation and amortization from unconsolidated associates	602	60
Non-controlling interests share in the above adjustments	(287)	(279)
Non-GAAP Funds From Operation (FFO)	740	304
Non-GAAP Recurring Funds From Operation (Recurring FFO)	740	304

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 March 31, 2018

	Three months ended	
	March 31 2018 \$ <u>Unaudited</u>	March 31 2017 \$ <u>Unaudited</u>
Fixed income real estate rent	4,306	4,027
Cost and expenses:		
Cost of real estate operations	770	720
Real estate depreciation and amortization	1,097	1,038
General and administrative	776	626
Total cost and expenses	2,643	2,384
Operating income	1,663	1,643
Other Income	161	161
Financial expenses, net	(727)	(890)
Income before taxes on income	1,097	914
Taxes on income	(382)	(415)
Equity share in losses of associates, net	(820)	(492)
Net (loss) income	(105)	7
Net income attributable to non-controlling interests	567	522
Net loss attributable to Optibase LTD	(672)	(515)
Net loss per share :		
Basic and Diluted	(\$0.13)	(\$0.10)
Number of shares used in computing earnings losses per share		
Basic	5,184	5,180
Diluted	5,184	5,180

Amounts in thousands

Condensed Consolidated Balance Sheets

	March 31, 2018 <u>Unaudited</u>	December 31, 2017 <u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	21,011	20,268
Restricted cash	139	292
Trade receivables, net	565	332
Other accounts receivables and prepaid expenses	549	506
Total current assets	22,264	21,398
Long term investments:		
Other long term deposits	3,308	3,483
Investments in companies and associates	16,670	17,556
Total Long term investments	19,978	21,039
Property and other assets, net:		
Real estate properties, net	220,600	216,726
Other assets, net	142	140
Total property and other assets	220,742	216,866
Total assets	262,984	259,303
<u>Liabilities and shareholders' equity</u>		
Current Liabilities:		
Current maturities of long term loans and bonds	6,602	6,048
Accounts payable and accrued expenses	4,272	4,362
Liabilities attributed to discontinued operations	2,061	2,061
Total current liabilities	12,935	12,471
Long term liabilities:		
Deferred tax liabilities	14,296	14,042
Land lease liability, net	6,409	6,295
Other long term liabilities	295	294
Loan from controlling shareholder	4,932	4,886
Long term loans, net of current maturities	137,449	135,774
Long term bonds, net of current maturities	8,377	8,473
Total long term liabilities	171,758	169,764
Shareholders' equity:		
Shareholders' equity of Optibase Ltd	57,246	57,037
Non-controlling interests	21,045	20,031
Total shareholders' equity	78,291	77,068
Total liabilities and shareholders' equity	262,984	259,303

Amounts in thousands