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Optibase, LTD. Announces Second Quarter Results

Revenues Increase 55% over Second Quarter 2006 and 20% over First Quarter 2007

HERZLIYA, Israel, July 23, 2007 – Optibase, Ltd. (NASDAQ:OBAS), a leader in advanced digital video solutions, today announced financial results for the second quarter ended June 30, 2007.

Revenues for the second quarter ended June 30, 2007 were \$6.7 million compared with \$5.6 million for the first quarter of 2007 and \$4.3 million for the second quarter of 2006.

Net loss for the quarter ended June 30, 2007, was \$1.2 million or \$0.09 per basic and diluted share. This compares with a net loss of \$408,000 or \$0.03 per basic and diluted share for the first quarter of 2007, and a net loss of \$1.1 million or \$0.08 per basic and diluted share for the second quarter of 2006. Gross margin was lower this quarter, at approximately 42%, due to the impact of orders largely comprised of third party equipment. Weighted average shares outstanding used in the calculation were approximately 13.5 million for the second and first quarters of 2007 and 13.4 million for the second quarter of 2006.

For the six months ended June 30, 2007, revenues totaled \$12.2 million, compared with \$8.3 million for the six months ended June 30, 2006. Net loss for the period was \$1.6 million or \$0.12 per basic and diluted share, compared to a net loss of \$2.4 million or \$0.18 per basic and diluted share for the six months ended June 30, 2006. Weighted average shares outstanding used in the calculation for the periods were approximately 13.5 million and 13.4 million respectively.

As of June 30, 2007, the Company had cash, cash equivalents, and investments in marketable securities and other financial investments, net, of \$24.7 million, and shareholders' equity of \$42.7 million.

Amir Philips CFO of Optibase, said, "We are pleased with the steady progress that Optibase continued to show in the second quarter. For several quarters now, both our top-line, and the IPTV market as a whole, have shown improvement".

"During the second quarter, we further developed our integrated partnerships and OEM agreements. These relationships are important to Optibase's success in the digital video world as demonstrated by several wins we had this quarter, particularly UT Starcom and Huawei. By strengthening these alliances, we can strategically advance Optibase's position within the growing IPTV market.

He concluded, "We are pleased with Optibase's progress to date as we continue advancing our business. With new customers, new applications for our technology and important new partnerships, we are confident in the direction of the Company as the markets we serve continue to take shape."

About Optibase

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Optibase provides professional encoding, decoding, video server upload and streaming solutions for telecom operators, service providers, broadcasters and content creators. The company's platforms enable the creation, broadband streaming and playback of high quality digital video. Optibase's breadth of product offerings are used in applications, such as: video over DSL/Fiber networks, post production for the broadcast and cables industries, archiving; high-end surveillance, distance learning; and business television. Headquartered in Israel, Optibase operates through its fully owned subsidiary in Mountain View, California and offices in, Japan, China, India and Singapore. Optibase products are marketed in over 40 countries through a combination of direct sales, independent distributors, system integrators and OEM partners.

For further information, please visit www.optibase.com

Conference Call:

Optibase has scheduled a conference call for 9 a.m. EDT today, July 23, to discuss the second quarter results.

For those unable to participate, there will be replay available from 12:00 p.m. EDT on July 23, 2007 through 11:59 p.m. EDT, July 31, 2007. Please call: +973-341-3080 (Domestic & International), ID REPLAY CODE: 9031086.

Interested parties may access the conference call over the Internet via, www.kcsa.com. To listen to the live call, please go to the KCSA Web site at least 15 minutes prior to the scheduled start time to register, download and install any necessary audio software.

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 and estimates, 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, risks related to the evolving market for digital video in general and the infancy of the IPTV market in particular, competition, our ability to manage growth and expansion, 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 news 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.

This release and prior releases are available on the Company's Web site at www.optibase.com. This release and prior releases are also available on the KCSA Public Relations Worldwide Web site at www.kcsa.com.

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Optibase Ltd.
Condensed Consolidated Statement of Operations
For the Period Ended June 30, 2007

| | Six months ended | | Three months ended | |
|--|------------------|------------------|--------------------|------------------|
| | June 30 | June 30 | June 30 | June 30 |
| | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ |
| | <u>Unaudited</u> | <u>Unaudited</u> | <u>Unaudited</u> | <u>Unaudited</u> |
| Revenues | 12,221 | 8,270 | 6,672 | 4,300 |
| Gross profit | 5,775 | 4,709 | 2,792 | 2,439 |
| Operating expenses: | | | | |
| Research and development, net | 2,473 | 2,028 | 1,272 | 1,012 |
| Selling, general and administrative | 4,984 | 5,427 | 2,625 | 2,745 |
| Restructuring charges | | - | | |
| Total operating expenses | 7,457 | 7,455 | 3,897 | 3,757 |
| Operating loss | (1,682) | (2,746) | (1,105) | (1,318) |
| Other income (expenses) | (153) | 3 | - | 14 |
| Financial income (expense), net | 200 | 324 | (123) | 166 |
| <u>Net loss from continuing operations</u> | (1,635) | (2,419) | (1,228) | (1,138) |
| <u>Income related to discontinued operations</u> | - | 50 | - | 27 |
| Net (loss) income | (1,635) | (2,369) | (1,228) | (1,111) |
| <u>Other comprehensive income</u> | | | | |
| Unrealized holding (losses) gains on available for sale securities | (750) | (1,276) | (885) | (1,402) |
| Total comprehensive (loss) income | (2,385) | (3,645) | (2,113) | (2,513) |
| Net (loss) income per share: | | | | |
| Basic | (\$0.12) | (\$0.18) | (\$0.09) | (\$0.08) |
| Diluted | (\$0.12) | (\$0.18) | (\$0.09) | (\$0.08) |
| Net Income per share from discontinued operations: | | | | |
| Basic | (\$0.00) | \$0.00 | (\$0.00) | \$0.00 |
| Fully diluted | (\$0.00) | \$0.00 | (\$0.00) | \$0.00 |
| Net loss per share: | | | | |
| Basic | (\$0.12) | (\$0.18) | (\$0.09) | (\$0.08) |
| Diluted | (\$0.12) | (\$0.18) | (\$0.09) | (\$0.08) |
| Number of shares used in computing Earning per share | | | | |
| Basic | 13,511 | 13,404 | 13,527 | 13,415 |
| Diluted | 13,511 | 13,404 | 13,527 | 13,415 |
| Amount in thousands | | | | |

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Optibase Ltd. Condensed Consolidated Balance Sheets

| | June 30 2007 | December 31 2006 |
|--|------------------|---------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash, cash equivalents and short term investments, net | 22,565 | 40,695 |
| Trade receivables net of bad debts | 4,494 | 4,544 |
| Inventories | 4,955 | 4,147 |
| Other receivables and prepaid expenses | 867 | 1,272 |
| Assets Related To Discontinued Operations | 152 | 157 |
| Total current assets | 33,033 | 50,815 |
| Long term investments in marketable securities | 2,162 | 2,207 |
| Other long term investments | 18,480 | 2,616 |
| | 20,642 | 4,823 |
| Fixed assets, net | 1,696 | 1,700 |
| Total assets | 55,371 | 57,338 |
| <u>Liabilities and shareholders' equity</u> | | |
| Current Liabilities: | | |
| Trade payables | 4,138 | 1,764 |
| Accrued expenses and other liabilities | 5,830 | 8,555 |
| Liabilities Related To Discontinued Operations | 202 | 155 |
| Total current liabilities | 10,170 | 10,474 |
| Accrued severance pay | 2,495 | 2,371 |
| Total shareholders' equity | 42,706 | 44,493 |
| Total liabilities and shareholders' equity | 55,371 | 57,338 |

Amounts in thousands