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OPTIBASE LTD. ANNOUNCES SECOND QUARTER RESULTS

HERZLIYA, Israel, September 3, 2013 – Optibase Ltd. (NASDAQ: OBAS) today announced financial results for the second quarter ended June 30, 2013.

Revenues from fixed income real estate totaled \$3.4 million for the quarter ended June 30, 2013, compared to revenues of \$3.4 million for the first quarter of 2013 and \$3.4 million for the second quarter of 2012.

Net income for the second quarter ended June 30, 2013 was \$619,000 or \$0.16 per basic and diluted share, compared to a net income of \$279,000 or \$0.07 per basic and diluted share for the first quarter of 2013 and to a net loss of \$289,000 or \$0.08 per basic and diluted for the second quarter of 2012.

For the six months ended June 30, 2013, net income was \$898,000 or \$0.23 per basic and diluted share, compared to a net income of \$615,000 or \$0.16 per basic and diluted share for the six months ended June 30, 2012.

Weighted average shares outstanding used in the calculation for the periods were approximately 3.8 million basic and diluted shares.

As of June 30, 2013, we had cash, cash equivalents, restricted cash and other financial investments, net, of \$17.6 million, and shareholders' equity of \$67.4 million, compared with \$19 million, and \$65.7 million, respectively, as of March 31, 2013.

Commenting on the quarter, CEO of Optibase, Amir Philips, said, "We are pleased with our second quarter operating results as our operating results continue proving our stability over the last period which is even more noticeable in today's unexpected marketplace. Due to the fluctuation of the Swiss Franc against the USD, our financial expenses decreased this quarter compared to the previous quarter of 2013 and compared to the second quarter of 2012. Depending on the fluctuation of the Swiss Franc against the USD, our financial income, net may continue to fluctuate in the quarters to come". Amir concluded "We are still actively looking for additional investment opportunities and more recently have been looking into some opportunities in the German real estate market. Nevertheless, current economic conditions and the tightening of loan criteria by financial institutions may reduce the availability of favorable financing for new transactions and affect their attractiveness. For that matter, we are working to increase our available financial resources in way of cash resources and financial guaranties so we can finance such opportunities as we come across them".

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About Optibase

Optibase invests in the fixed-income real estate field and currently holds properties in Switzerland and Miami, FL, 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 ("Vitec") 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 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.

Optibase Ltd.
Condensed Consolidated Statement of Operations
For the Period Ended June 30, 2013

| | Six months ended | | Three months ended | |
|--|---|---|---|---|
| | June 30 2013 \$ <u>Unaudited</u> | June 30 2012 \$ <u>Unaudited</u> | June 30 2013 \$ <u>Unaudited</u> | June 30 2012 \$ <u>Unaudited</u> |
| Fixed income real estate rent | 6,838 | 6,918 | 3,404 | 3,431 |
| Cost and expenses: | | | | |
| Cost of real estate operation | 1,064 | 1,005 | 559 | 518 |
| Real estate depreciation and amortization | 1,597 | 1,286 | 819 | 623 |
| General and administrative | 784 | 928 | 397 | 504 |
| Total cost and expenses | 3,445 | 3,219 | 1,775 | 1,645 |
| Operating income | 3,393 | 3,699 | 1,629 | 1,786 |
| Equity share in earnings (losses) of associates, net | (45) | - | 43 | - |
| Financial income (expenses) and other, net | (153) | (1,033) | 77 | (1,280) |
| Income before taxes on income | 3,195 | 2,666 | 1,749 | 506 |
| Taxes on income | (1,044) | (872) | (496) | (339) |
| Net income | 2,151 | 1,794 | 1,253 | 167 |
| Net income attributable to non-controlling interests | 1,253 | 1,179 | 634 | 456 |
| Net income (loss) attributable to Optibase LTD | 898 | 615 | 619 | (289) |
| Net earnings per share: | | | | |
| Basic and Diluted | \$0.23 | \$0.16 | \$0.16 | (\$0.08) |
| Number of shares used in computing | | | | |
| Earning per share | | | | |
| Basic | 3,822 | 3,818 | 3,821 | 3,818 |
| Diluted | 3,824 | 3,818 | 3,822 | 3,818 |
| Amount in thousands | | | | |

Condensed Consolidated Balance Sheets

| | June 30, 2013 | December 31, 2012 |
|--|------------------|----------------------|
| | <u>Unaudited</u> | <u>Audited</u> |
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash and cash equivalents | 17,428 | 19,142 |
| Restricted cash | 138 | 134 |
| Trade receivables | 307 | 148 |
| Other accounts receivables and prepaid expenses | 141 | 217 |
| Assets related to discontinued operations | 675 | 980 |
| Total current assets | 18,689 | 20,621 |
| Long term investments | 8,059 | 8,043 |
| Real Estate Property, net | 191,332 | 194,826 |
| Other assets, net | 1,252 | 1,392 |
| Total property and other assets | 192,584 | 196,218 |
| Total assets | 219,332 | 224,882 |
| <u>Liabilities and shareholders' equity</u> | | |
| Current Liabilities: | | |
| Current maturities of long term loans | 2,519 | 2,597 |
| Accrued payable and accrued expenses | 4,027 | 3,476 |
| Liabilities related to discontinued operations | 2,235 | 2,563 |
| Total current liabilities | 8,781 | 8,636 |
| Long term liabilities: | | |
| Deferred tax liabilities | 14,927 | 15,262 |
| Land lease liability, net | 7,014 | 7,290 |
| Other long term liabilities | 1,925 | 2,844 |
| Long term loans, net of current maturities | 119,296 | 124,298 |
| Total long term liabilities | 143,162 | 149,694 |
| Total shareholders' equity of Optibase Ltd | 47,639 | 47,474 |
| Non-controlling interests | 19,750 | 19,078 |
| Total shareholders' equity | 67,389 | 66,552 |
| Total liabilities and shareholders' equity | 219,332 | 224,882 |

Amounts in thousands