

ORMAT TECHNOLOGIES, INC.
Form 10-Q/A
June 19, 2018

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 001-32347

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

6225 Neil Road, Reno, Nevada

(Address of principal executive offices)

88-0326081

(I.R.S. Employer Identification Number)

89511-1136

(Zip Code)

(775) 356-9029

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 3, 2017, the number of outstanding shares of common stock, par value \$0.001 per share, was 49,910,280.

Table of Contents

Certain Definitions

For convenience purposes in this filing on Form 10-Q/A, all references to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

Explanatory Note

This Amendment No. 1 to Form 10-Q (this “Amendment”) amends the Quarterly Report on Form 10-Q for the three and six months ended June 30, 2017 originally filed with the Securities and Exchange Commission (“SEC”) on August 8, 2017 (the “Original Filing”) by Ormat Technologies, Inc..

Restatement

As further discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements" of this Amendment, on May 16, 2018, we concluded that we would restate our previously issued consolidated financial statements as of and for the year ended December 31, 2017 to correct for (i) errors in our income tax provision, primarily related to the Company's ability to utilize Federal tax credits in the United States (“U.S.”) prior to their expiration starting in 2027, and the resulting impact on the Company's deferred tax asset valuation allowance, and (ii) the inappropriate netting of certain deferred income tax assets and deferred income tax liabilities across different tax jurisdictions that was not permissible under U.S. generally accepted accounting principles (“GAAP”). In addition, there were other immaterial prior period errors, including an out-of-period adjustment that had been previously recorded for the correction of an understated liability for unrecognized tax benefits related to intercompany interest. We also concluded that we would revise our previously issued consolidated financial statements as of and for the year ended December 31, 2016 and for the year ended December 31, 2015 to correct for errors in our income tax provision, primarily related to the translation of deferred tax liabilities in a foreign subsidiary. The restatement, for 2017, and revision, for 2016 and 2015, is being effected through the Company’s filing of an amendment on Form 10-K/A for the year ended December 31, 2017. In connection with these restatements and revisions, the Company also recorded adjustments to correct other immaterial tax errors. This decision to restate and revise our previously issued financial statements was approved by, and with the continuing oversight of, the Company’s Board of Directors upon the recommendation of its Audit Committee.

These error corrections also resulted in the restatement, for 2017, and revision, for 2016, of the Company’s previously issued unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017 and 2016, respectively, which is being effected through the Company’s filing of this Amendment, and the three and nine months ended September 30, 2017 and 2016, respectively, which restatement and revision has been effected through

the Company's filing of an amendment on Form 10-Q/A for the quarter ended September 30, 2017. The revision of the Company's previously issued unaudited condensed consolidated financial statements for the quarter ended March 31, 2017 will be effected in connection with the Company's filing of its Form 10-Q for the quarter ended March 31, 2018. The impact of the revision for the quarters ended March 31, 2017 and 2016 is also discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements" of this Amendment.

Internal Control Over Financial Reporting

Management has reassessed its evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of June 30, 2017. As a result of that reassessment, management has concluded that the Company did not maintain effective disclosure controls and procedures due to the material weakness in internal control over financial reporting which existed at that date. For a description of the material weakness in internal control over financial reporting and actions taken, and to be taken, to address the evaluation of the material weakness, see Part 1, Item 4. "Controls and Procedures" of this Amendment.

Table of Contents

Amendment

The purpose of this Amendment is to (i) restate the Company's previously issued unaudited condensed consolidated financial statements and related disclosures as of and for the three and six months ended June 30, 2017; (ii) revise the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2016 and (iii) revise the Company's condensed consolidated balance sheet as of December 31, 2016, which was derived from the audited consolidated financial statements, which have been revised as described above, but does not include all disclosures required by GAAP, all contained in Part I, Item 1. "Financial Statements" of this Amendment. This Amendment also includes (a) an amended Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" to reflect the correction of the errors described above, and (b) an amended Part I, Item 4. "Controls and Procedures" to restate the conclusion on the effectiveness of disclosure controls and procedures. Disclosure controls and procedures were deemed effective in the Original Filing on August 8, 2017 and are deemed ineffective as a result of the material weakness described in Part I, Item 4. "Controls and Procedures" of this Amendment. In addition, the Company has updated Note 12 to the condensed consolidated financial statements contained in Part I, Item 1. "Financial Statements" to include disclosure of subsequent events occurring through the date of the filing of this Amendment.

Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing or modify or update any of the other disclosures contained therein in any way other than as required to reflect the amendment discussed above. Accordingly, this Amendment should be read in conjunction with the Original Filing and our other filings with the SEC.

Items Amended in this Filing

For reasons discussed above, we are filing this Amendment in order to amend the following items in our Original Report to the extent necessary to reflect the adjustments discussed above and make corresponding revisions to our financial data cited elsewhere in this Amendment:

Part I, Item 1. Financial Statements

Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Part I, Item 4. Controls and Procedures

In accordance with applicable SEC rules, this Amendment includes new certifications required by Rule 13a-14 under the Securities Exchange Act of 1934 from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amendment.

Table of Contents

ORMAT TECHNOLOGIES, INC.

FORM 10-Q/A

FOR THE QUARTER ENDED JUNE 30, 2017

PART I — FINANCIAL INFORMATION

ITEM 1. <u>FINANCIAL STATEMENTS</u>	4
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	32
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	66
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	66

PART II — OTHER INFORMATION

ITEM 1. <u>LEGAL PROCEEDINGS</u>	67
ITEM 1A. <u>RISK FACTORS</u>	68
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	68
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	69
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	69
ITEM 5. <u>OTHER INFORMATION</u>	69
ITEM 6. <u>EXHIBITS</u>	69
<u>SIGNATURES</u>	70

Table of Contents**PART I - FINANCIAL INFORMATION**

ITEM 1.
FINANCIAL
STATEMENTS
ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30,	December
	2017 (As	31,
	restated)	2016
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 118,390	\$ 230,214
Restricted cash and cash equivalents (primarily related to VIEs)	49,510	34,262
Receivables:		
Trade	79,587	80,807
Other	20,128	17,482
Inventories	18,569	12,000
Costs and estimated earnings in excess of billings on uncompleted contracts	59,901	52,198
Prepaid expenses and other	41,151	45,867
Total current assets	387,236	472,830
Investment in an unconsolidated company	13,957	—
Deposits and other	18,125	18,553
Deferred charges	43,598	43,773
Property, plant and equipment, net (\$1,449,920 and \$1,483,224 related to VIEs, respectively)	1,526,485	1,556,378
Construction-in-process (\$159,612 and \$120,853 related to VIEs, respectively)	408,939	306,709
Deferred financing and lease costs, net	5,186	3,923
Intangible assets, net	86,986	52,753
Goodwill	20,121	6,650
Total assets	\$2,510,633	\$2,461,569
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 101,827	\$ 91,650
Short term revolving credit lines with banks (full recourse)	30,000	—
Billings in excess of costs and estimated earnings on uncompleted contracts	17,574	31,630
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	32,608	32,234
Other loans	21,495	21,495
Full recourse	10,673	12,242
Total current liabilities	214,177	189,251

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Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of \$8,528 and \$9,177, respectively)	334,365	350,388
Other loans (less deferred financing costs of \$5,957 and \$6,409, respectively)	252,085	261,845
Full recourse:		
Senior unsecured bonds (less deferred financing costs of \$654 and \$755, respectively)	203,678	203,577
Other loans (less deferred financing costs of \$1,206 and \$1,346, respectively)	52,742	57,063
Investment in an unconsolidated company in excess of accumulated losses	—	11,081
Liability associated with sale of tax benefits	48,810	54,662
Deferred lease income	53,036	54,561
Deferred income tax liabilities	72,311	36,411
Liability for unrecognized tax benefits	6,015	6,444
Liabilities for severance pay	21,025	18,600
Asset retirement obligation	24,267	23,348
Other long-term liabilities	22,823	21,294
Total liabilities	1,305,334	1,288,525
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	5,898	4,772
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 49,910,280 and 49,667,340 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	50	50
Additional paid-in capital	875,591	869,463
Retained earnings	246,760	215,352
Accumulated other comprehensive loss	(7,325)	(8,175)
Total stockholders' equity attributable to the Company's stockholders	1,115,076	1,076,690
Noncontrolling interest	84,325	91,582
Total equity	1,199,401	1,168,272
Total liabilities, redeemable noncontrolling interest and equity	\$2,510,633	\$2,461,569

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
	(As restated)	2016	(As restated)	2016
	(Dollars in thousands,		(Dollars in thousands,	
	except per share data)		except per share data)	
Revenues:				
Electricity	\$111,777	\$104,001	\$227,553	\$211,869
Product	67,587	55,860	141,709	99,586
Total revenues	179,364	159,861	369,262	311,455
Cost of revenues:				
Electricity	65,439	62,243	131,475	125,929
Product	43,432	31,822	92,884	55,857
Total cost of revenues	108,871	94,065	224,359	181,786
Gross profit	70,493	65,796	144,903	129,669
Operating expenses:				
Research and development expenses	1,050	595	1,652	944
Selling and marketing expenses	4,090	3,668	8,453	7,343
General and administrative expenses	12,201	8,783	22,150	17,532
Write-off of unsuccessful exploration activities	—	863	—	1,420
Operating income	53,152	51,887	112,648	102,430
Other income (expense):				
Interest income	362	245	606	565
Interest expense, net	(14,540)	(18,401)	(29,463)	(34,424)
Derivatives and foreign currency transaction gains (losses)	1,703	(4,332)	3,041	(2,370)
Income attributable to sale of tax benefits	4,356	4,519	10,513	8,917
Other non-operating income (expense), net	6	49	(86)	240
Income from continuing operations before income taxes and equity in losses of investees	45,039	33,967	97,259	75,358
Income tax (provision) benefit	(32,765)	(8,515)	(43,769)	(17,594)
Equity in losses of investees, net	(428)	(1,144)	(2,027)	(2,081)
Income from continuing operations	11,846	24,308	51,463	55,683
Net income attributable to noncontrolling interest	(3,206)	(584)	(7,629)	(2,258)
Net income attributable to the Company's stockholders	\$8,640	\$23,724	\$43,834	\$53,425
Comprehensive income:				
Net income	11,846	24,308	51,463	55,683

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Other comprehensive income (loss), net of related taxes:				
Change in foreign currency translation adjustments	1,461	—	1,539	—
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	(916)	(1,987)	(347)	(5,166)
Loss in respect of derivative instruments designated for cash flow hedge	45	35	93	70
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(15)	(24)	(39)	(48)
Comprehensive income	12,421	22,332	52,709	50,539
Comprehensive income attributable to noncontrolling interest	(3,613)	(584)	(8,025)	(2,258)
Comprehensive income attributable to the Company's stockholders	\$8,808	\$21,748	\$44,684	\$48,281
Earnings per share attributable to the Company's stockholders:				
Basic:				
Net income	\$0.17	\$0.48	\$0.88	\$1.08
Diluted:				
Net income	\$0.17	\$0.47	\$0.87	\$1.07
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:				
Basic	49,771	49,456	49,726	49,314
Diluted	50,624	50,137	50,559	49,977
Dividend per share declared	\$0.08	\$0.07	\$0.25	\$0.38

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents
**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)**

	The Company's Stockholders' Equity							Noncontrolling Interest	Total Equity
	Common Stock Shares	Paid-in Capital	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Income (Loss)	Total			
Balances at December 31, 2015	49,107	\$ 49	\$ 849,223	\$ 152,326	\$ (8,164)	\$ 993,434	\$ 93,873	\$ 1,087,307	
Stock-based compensation	—	—	1,659	—	—	1,659	—	1,659	
Exercise of options by employees and directors	460	—	5,945	—	—	5,945	—	5,945	
Cash paid to non controlling interest	—	—	—	—	—	—	(5,752)	(5,752)	
Cash dividend declared, \$0.38 per share	—	—	—	(18,998)	—	(18,998)	—	(18,998)	
Net income	—	—	—	53,425	—	53,425	2,258	55,683	
Other comprehensive income (loss), net of related taxes:									
Loss in respect of derivative instruments designated for cash flow hedge	—	—	—	—	70	70	—	70	
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	—	—	—	—	(5,166)	(5,166)	—	(5,166)	
Amortization of unrealized gains in	—	—	—	—	(48)	(48)	—	(48)	

respect of derivative
instruments
designated for cash
flow hedge (net of
related tax of \$30)

Balances at June 30, 2016	49,567	\$ 49	\$ 856,827	\$ 186,753	\$ (13,308)	\$ 1,030,321	\$ 90,379	\$ 1,120,700
Balances at December 31, 2016	49,667	\$ 50	\$ 869,463	\$ 215,352	\$ (8,175)	\$ 1,076,690	\$ 91,582	\$ 1,168,272
Stock-based compensation	—	—	5,343	—	—	5,343	—	5,343
Exercise of options by employees and directors	243	—	785	—	—	785	—	785
Cash paid to noncontrolling interest	—	—	—	—	—	—	(14,594)	(14,594)
Cash dividend declared, \$0.25 per share	—	—	—	(12,426)	—	(12,426)	—	(12,426)
Net income (As restated)	—	—	—	43,834	—	43,834	6,941	50,775
Other comprehensive income (loss), net of related taxes:								
Currency translation adjustment	—	—	—	—	1,143	1,143	396	1,539
Loss in respect of derivative instruments designated for cash flow hedge (As restated)	—	—	—	—	93	93	—	93
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment	—	—	—	—	(347)	(347)	—	(347)
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of	—	—	—	—	(39)	(39)	—	(39)

related tax of \$24)

Balances at June

30, 2017 (As restated)	49,910	\$ 50	\$ 875,591	\$ 246,760	\$ (7,325)	\$ 1,115,076	\$ 84,325	\$ 1,199,401
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The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30,	
	2017	
	(As	2016
	restated)	
	(Dollars in	
	thousands)	
Cash flows from operating activities:		
Net income	\$51,463	\$55,683
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,082	51,258
Amortization of premium from senior unsecured bonds	—	(154)
Accretion of asset retirement obligation	919	821
Stock-based compensation	5,343	1,659
Amortization of deferred lease income	(1,343)	(1,343)
Income attributable to sale of tax benefits, net of interest expense	(6,844)	(5,076)
Equity in losses of investees	2,027	2,081
Mark-to-market of derivative instruments	(2,462)	(162)
Write-off of unsuccessful exploration activities	—	1,420
Gain on severance pay fund asset	(1,537)	(253)
Deferred income tax provision and deferred charges	34,771	13,254
Liability for unrecognized tax benefits	395	(216)
Deferred lease revenues	(182)	169
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	(625)	(10,206)
Costs and estimated earnings in excess of billings on uncompleted contracts	(7,703)	9,861
Inventories	(103)	1,384
Prepaid expenses and other	1,820	(11,007)
Deposits and other	652	(153)
Accounts payable and accrued expenses	(4,636)	1,808
Billings in excess of costs and estimated earnings on uncompleted contracts	(14,056)	9,020
Liabilities for severance pay	2,425	(297)
Other long-term liabilities	(248)	22
Net cash provided by operating activities	114,158	119,573
Cash flows from investing activities:		
Net change in restricted cash, cash equivalents and marketable securities	(15,248)	11,498
Capital expenditures	(116,015)	(67,779)
Investment in unconsolidated companies	(27,412)	—
Cash paid for acquisition of controlling interest in a subsidiary, net of cash acquired	(35,300)	—
Decrease (increase) in severance pay fund asset, net of payments made to retired employees	(130)	992
Net cash used in investing activities	(194,105)	(55,289)

Cash flows from financing activities:

Proceeds from exercise of options by employees	785	5,945
Proceeds from revolving credit lines with banks	437,500	134,500
Repayment of revolving credit lines with banks	(407,500)	(134,500)
Cash received from noncontrolling interest	2,017	1,972
Repayments of long-term debt	(33,177)	(31,386)
Cash paid to noncontrolling interest	(14,594)	(12,249)
Payments of capital leases	(751)	—
Deferred debt issuance costs	(3,731)	(2,931)
Cash dividends paid	(12,426)	(18,998)
Net cash used in financing activities	(31,877)	(57,647)
Net change in cash and cash equivalents	(111,824)	6,637
Cash and cash equivalents at beginning of period	230,214	185,919
Cash and cash equivalents at end of period	\$118,390	\$192,556

Supplemental non-cash investing and financing activities:

Increase (decrease) in accounts payable related to purchases of property, plant and equipment	\$2,338	\$(6,956)
Accrued liabilities related to financing activities	\$—	\$6,128

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 — GENERAL AND BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of Ormat Technologies, Inc. and its subsidiaries (collectively, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company’s consolidated financial position as of June 30, 2017, the consolidated results of operations and comprehensive income (loss) for the three and six months ended June 30, 2017 and 2016 and the consolidated cash flows for the six months ended June 30, 2017 and 2016.

The financial data and other information disclosed in the notes to the condensed consolidated financial statements related to these periods are unaudited. The results for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. The condensed consolidated balance sheet data as of December 31, 2016 was derived from the Company’s audited consolidated financial statements for the year ended December 31, 2016, but does not include all disclosures required by U.S. GAAP. As discussed in the Explanatory Note to this amended Form 10-Q, the 2016 financial statements will be revised, which revision is being effected through the Company’s filing of an amendment on Form 10-K/A for the year ended December 31, 2017.

Dollar amounts, except per share data, in the notes to these financial statements are rounded to the closest \$1,000.

Restatement of previously issued condensed consolidated financial statements

As described further in Note 11, in the second quarter of 2017, the Company partially released its valuation allowance against the U.S. deferred tax assets. During the first quarter of 2018, the Company concluded that there were material tax provision and related balance sheet errors in its previously issued financial statements as of and for the three and six months ended June 30, 2017, primarily relating to the Company's ability to utilize Federal tax credits in the U.S. prior to their expiration starting in 2027, and the resulting impact on the Company's deferred tax asset valuation allowance. Specifically, the error in the deferred tax asset valuation allowance resulted in an understatement of the income tax provision and an overstatement of net income of \$26.4 million and \$26.5 million for the three and six months ended June 30, 2017, respectively. As a result of such errors, the Company concluded that the previously issued unaudited condensed consolidated financial statements as of and for the three and six months ended June 30, 2017 were materially misstated, and, accordingly, has restated these financial statements. Included in such restatement is also the correction of other immaterial tax errors, including an out-of-period adjustment that had been previously recorded for the correction of an understated liability for unrecognized tax benefits related to intercompany interest.

Revision of previously issued condensed consolidated financial statements

The Company had previously identified certain other tax errors, including a prior period error related to the translation of deferred tax liabilities in the Company's Kenyan subsidiary and an error in the effective tax rate calculation in the first quarter of 2016, which were previously determined to be immaterial and were previously corrected for as out-of-period adjustments in the period of identification.

The Company assessed the materiality of these errors in accordance with the SEC's Staff Accounting Bulletin ("SAB") Topic 1.M, Materiality, codified in ASC Topic 250, Presentation of Financial Statements ("ASC 250"), and concluded that the previously issued unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017 and 2016 and the three and six months ended June 30, 2016 were not materially misstated; however, in order to correctly reflect the immaterial adjustments as described above in the appropriate period, management has elected to revise the affected previously issued financial statements in this Form 10-Q/A filing. As a result, the revised condensed consolidated financial statements for the three and six months ended June 30, 2016 reflect a \$0.6 million and \$0.2 million increase, respectively, in the tax provision, with a corresponding decrease in net income and comprehensive income. In addition, the revised condensed consolidated financial statements for the three months ended March 31, 2017 and 2016 reflect a \$0.1 million increase and a \$0.4 million decrease, respectively, in the tax provision, with a corresponding impact to net income and comprehensive income. The impact of the revision as of January 1 and December 31, 2016 was an increase of \$3.9 million and decrease of \$1.3 million, respectively, to retained earnings, as a result of certain tax errors originating in periods prior to 2016, primarily related to the error in the determination of the exchange rate used in the translation of deferred tax liabilities in the Company's Kenyan subsidiary.

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

The effects of the 2017 restatement and the 2016 revision on the line items within the Company's condensed consolidated balance sheets as of June 30, 2017 and December 31, 2016 are as follows (in thousands):

	June 30, 2017			December 31, 2016		
	As originally reported	Adjustments	As Restated	As originally reported	Adjustments	As Revised
Deferred income tax liabilities	\$44,113	\$ 28,198	\$72,311	\$35,382	\$ 1,029	\$36,411
Liability for unrecognized tax benefits	6,015	-	6,015	5,738	706	6,444
Total liabilities	1,277,136	28,198	1,305,334	1,286,790	1,735	1,288,525
Retained earnings	274,566	(27,806)	246,760	216,644	(1,292)	215,352
Accumulated other comprehensive loss	(6,933)	(392)	(7,325)	(7,732)	(443)	(8,175)
Total stockholders' equity attributable to the Company's stockholders	1,143,274	(28,198)	1,115,076	1,078,425	(1,735)	1,076,690
Total equity	1,227,599	(28,198)	1,199,401	1,170,007	(1,735)	1,168,272

The effects of the 2017 restatement and 2016 revision on the line items within the Company's condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016 are as follows (in thousands):

	Three months ended June 30, 2017			Six months ended June 30, 2017		
	As originally reported	Adjustments	As Restated	As originally reported	Adjustments	As Restated
Income tax provision	\$(6,369)	\$ (26,396)	\$(32,765)	\$(17,255)	\$ (26,514)	\$(43,769)
Income from continuing operations	38,242	(26,396)	11,846	77,977	(26,514)	51,463
Net income attributable to the Company's stockholders	35,036	(26,396)	8,640	70,348	(26,514)	43,834
	20	25	45	42	51	93

Loss in respect of derivative instruments designated for cash flow hedge							
Comprehensive income	38,792	(26,371)	12,421	79,172	(26,463)	52,709	
Comprehensive income attributable to the Company's stockholders	35,179	(26,371)	8,808	71,147	(26,463)	44,684	
Net income per share attributable to the Company's stockholders							
Basic:	\$0.70	\$ (0.53)	\$0.17	\$1.41	\$ (0.53)	\$0.88	
Diluted:	\$0.69	\$ (0.52)	\$0.17	\$1.39	\$ (0.52)	\$0.87	

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

	Three months ended June 30, 2016			Six months ended June 30, 2016		
	As originally reported	Adjustments	As Revised	As originally reported	Adjustments	As Revised
Income tax provision	\$ (7,890)	\$ (625)	\$ (8,515)	\$ (17,399)	\$ (195)	\$ (17,594)
Income from continuing operations	24,933	(625)	24,308	55,878	(195)	55,683
Net income attributable to the Company's stockholders	24,349	(625)	23,724	53,620	(195)	53,425
Loss in respect of derivative instruments designated for cash flow hedge	22	13	35	43	27	70
Comprehensive income	22,944	(612)	22,332	50,707	(168)	50,539
Comprehensive income attributable to the Company's stockholders	22,360	(612)	21,748	48,449	(168)	48,281
Net income per share attributable to the Company's stockholders						
Basic:	\$0.49	\$ (0.01)	\$0.48	\$1.09	\$ (0.01)	\$1.08
Diluted:	\$0.49	\$ (0.02)	\$0.47	\$1.07	\$ -	\$1.07

The effects of the 2017 restatement and 2016 revision on the line items within the Company's condensed consolidated statements of equity for the six months ended June 30, 2017 and 2016 are as follows (in thousands):

	As		
	originally reported	Adjustments	As Revised
Balances as of December 31, 2015:			
Retained earnings	\$148,396	\$ 3,930	\$152,326
Accumulated other comprehensive loss	(7,667)	(497)	(8,164)
Total stockholders' equity attributable to the Company's stockholders	990,001	3,433	993,434
Total equity	1,083,874	3,433	1,087,307
Net income for the six months ended June 30, 2016	55,878	(195)	55,683
Net income attributable to the Company's stockholders for the six months ended June 30, 2016	53,620	(195)	53,425
	43	27	70

Loss in respect of derivative instruments designated for cash flow hedge for the six months ended June 30, 2016

Balances as of June 30, 2016:

Retained earnings	183,018	3,735	186,753
Accumulated other comprehensive loss	(12,838)	(470)	(13,308)
Total stockholders' equity attributable to the Company's stockholders	1,027,056	3,265	1,030,321
Total equity	1,117,435	3,265	1,120,700

As

originally Adjustments As Restated

reported

Balances as of December 31, 2016:

Retained earnings	\$216,644	\$ (1,292)	\$215,352
Accumulated other comprehensive loss	(7,732)	(443)	(8,175)
Total stockholders' equity attributable to the Company stockholders	1,078,425	(1,735)	1,076,690
Total equity	1,170,007	(1,735)	1,168,272

Net income for the six months ended June 30, 2017

77,289 (26,514) 50,775

Net income attributable to the Company's stockholders for the six months ended June 30, 2017

70,348 (26,514) 43,834

Loss in respect of derivative instruments designated for cash flow hedge for the six months ended June 30, 2017

42 51 93

Balances as of June 30, 2017:

Retained earnings	274,566	(27,806)	246,760
Accumulated other comprehensive loss	(6,933)	(392)	(7,325)
Total stockholders' equity attributable to the Company's stockholders	1,143,274	(28,198)	1,115,076
Total equity	1,227,599	(28,198)	1,199,401

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

Although there was no impact to net cash provided by operating activities, net cash used in investing activities or net cash used in financing activities, the effects of the 2017 restatement and the 2016 revision on the line items within the condensed consolidated statements of cash flows for the six months ended June 30, 2017 and 2016 are as follows (in thousands):

	Six months ended June 30, 2017			Six months ended June 30, 2016		
	As previously reported	Adjustments	As Restated	As previously reported	Adjustments	As Revised
Cash flows from operating activities:						
Net income	\$77,977	\$ (26,514)	\$51,463	\$55,878	\$ (195)	\$55,683
Deferred income tax provision	8,375	26,396	34,771	13,254	-	13,254
Liability for unrecognized tax benefits	277	118	395	(411)	195	(216)
Net cash provided by operating activities	114,158	-	114,158	119,573	-	119,573

The impacts of the restatement and revision have been reflected throughout the financial statements, including the applicable footnotes, as appropriate. This resulted in changes to the deferred tax balances, valuation allowance and effective tax rate, together with other disclosures in Note 11.

SCPPA power purchase agreement

During the second quarter of 2017, ONGP LLC (“ONGP”), one of the Company’s wholly-owned subsidiaries, entered into a Power Purchase Agreement (“PPA”) with Southern California Public Power Authority (“SCPPA”), pursuant to which ONGP will sell, and SCPPA will purchase, geothermal power generated by a portfolio of nine different geothermal power plants, owned by the Company and located in the US. The parties’ obligations under the PPA are based on a geothermal power generation capacity of 150 MW, and, pursuant to the PPA, ONGP is required to deliver a minimum of 135 MW and is entitled to deliver a maximum of 185 MW to SCPPA over the next five years. The portfolio PPA is for a term of approximately 26 years, expiring in December 31, 2043 and has a fixed price of \$75.50 per MWh.

Assertion of permanent reinvestment of foreign unremitted earnings in a subsidiary

During the second quarter of 2017, in conjunction with the (i) final approval of the SCPPA PPA which will require the Company to make significant capital expenditures in the U.S., (ii) the fact that the Company is currently looking for acquisitions in the U.S., and (iii) the acquisition of Viridity for a price of \$35.3 million with two additional earn-out payments expected to be made in 2018 and 2021, the Company has re-evaluated its position with respect to a portion of the unrepatriated earnings of Ormat Systems (“OSL”), its fully owned Subsidiary in Israel, and after consideration of the aforementioned change in facts, determined that it can no longer maintain the permanent reinvestment position with respect to a portion of OSL's unrepatriated earnings which will be repatriated to support the Company's capital expenditures in the U.S. Accordingly, and as further described in Note 11, the permanent reinvestment assertion of foreign unremitted earnings of OSL was reassessed and removed and the related deferred tax assets and liabilities as well as the estimated withholding taxes on expected remittance of OSL earnings to the U.S. were recorded by the Company in the second quarter of 2017 .

Viridity transaction

On March 15, 2017, the Company completed the acquisition of substantially all of the business and assets of Viridity Energy, Inc. (“VEI”), a privately held Philadelphia-based company engaged in the provision of demand response, energy management and energy storage services. At closing, Viridity Energy Solutions Inc. (“Viridity”), a wholly owned subsidiary of the Company, paid initial consideration of \$35.3 million. Additional contingent consideration with an estimated fair value of \$ 12.8 million will be payable in two installments upon the achievement of certain performance milestones measured at the end of fiscal years 2017 and 2020. The acquired business and assets are operated by Viridity.

Using proprietary software and solutions, Viridity serves primarily retail energy providers, utilities, and large commercial and industrial customers. Viridity's offerings enable its customers to optimize and monetize their energy management, demand response and storage facilities potential by interacting on their behalf with regional transmission organizations and independent system operators.

The Company accounted for the transaction in accordance with Accounting Standard Codification 805, Business Combinations, and consequently recorded intangible assets of \$34.7 million primarily relating to Viridity's storage and non-storage activities with a weighted-average amortization period of 17 years, approximately \$0.4 million of working capital and fixed assets, and \$13.9 million of goodwill. Following the transaction, the Company consolidated Viridity, in accordance with Accounting Standard Codification 810, Consolidation. The acquisition will enable the Company to enter the growing energy storage and demand response markets and expand its market presence.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The revenues of Viridity for the period from March 15, 2017 to June 30, 2017 were included in the Company's consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2017.

Accounting guidance provides that the allocation of the purchase price may be modified for up to one year from the date of the acquisition to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

Other comprehensive income

For the six months ended June 30, 2017 and 2016, the Company classified \$3,000 and \$5,000, respectively, related to derivative instruments designated as cash flow hedges, from accumulated other comprehensive income, of which \$5,000 and \$10,000, respectively, were recorded to reduce interest expense and \$2,000 and \$5,000, respectively, were recorded against the income tax provision, in the condensed consolidated statements of operations and comprehensive income. For the three months ended June 30, 2017 and 2016, the Company classified \$1,000 and \$2,000, respectively, related to derivative instruments designated as cash flow hedges, from accumulated other comprehensive income, of which \$3,000 and \$6,000 respectively, was recorded to reduce interest expense and \$1,000 and \$4,000, respectively, were recorded against the income tax provision, in the condensed consolidated statements of operations and comprehensive income. The accumulated net loss included in Other comprehensive income as of June 30, 2017, is \$0.6 million

Write-offs of unsuccessful exploration activities

There were no write-offs of unsuccessful exploration activities for the three and six months ended June 30, 2017. Write-offs of unsuccessful exploration activities for the three and six months ended 2016 were \$0.9 million and \$1.4 million, respectively. The write-offs of exploration costs in 2016 were related to the Company's exploration activities in Nevada and Chile, which the Company determined would not support commercial operations.

Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments and accounts receivable.

The Company places its temporary cash investments with high credit quality financial institutions located in the United States (“U.S.”) and in foreign countries. At June 30, 2017 and December 31, 2016, the Company had deposits totaling \$31.3 million and \$72.5 million, respectively, in seven U.S. financial institutions that were federally insured up to \$250,000 per account. At June 30, 2017 and December 31, 2016, the Company’s deposits in foreign countries amounted to approximately \$99.9 million and \$166.2 million, respectively.

At June 30, 2017 and December 31, 2016, accounts receivable related to operations in foreign countries amounted to approximately \$53.5 million and \$53.3 million, respectively. At June 30, 2017 and December 31, 2016, accounts receivable from the Company’s primary customers amounted to approximately 55% and 60% of the Company’s accounts receivable, respectively.

Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 16.7% and 19.1% of the Company’s total revenues for the three months ended June 30, 2017 and 2016, respectively, and 17.8% and 21.1% for the six months ended June 30, 2017 and 2016, respectively.

Kenya Power and Lighting Co. Ltd. accounted for 15.4% and 17.1% of the Company’s total revenues for the three months ended June 30, 2017 and 2016, respectively, and 14.8% and 17.2% of the Company’s total revenues for the six months ended June 30, 2017 and 2016, respectively.

SCPPA accounted for 8.7% and 10.4% of the Company’s total revenues for the three months ended June 30, 2017 and 2016, respectively, and 8.9% and 11.2% of the Company’s total revenues for the six months ended June 30, 2017 and 2016, respectively.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Hyundai (Sarulla geothermal power project) accounted for 4.9% and 8.6% of the Company's total revenues for the three months ended June 30, 2017 and 2016, respectively, and 6.3% and 9.0% for the six months ended June 30, 2017 and 2016, respectively.

The Company has historically been able to collect on all of its receivable balances, and accordingly, no provision for doubtful accounts has been made.

NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements effective in the six months ended June 30, 2017

Improvement to Employee Share-Based Payment Accounting

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-09, Improvement to Employee Share-Based Payment Accounting, an update to the guidance on stock-based compensation. Under the new guidance, all excess tax benefits and tax deficiencies will be recognized in the income statement as they occur. This will replaced previous guidance, which required tax benefits that exceed compensation cost (windfalls) to be recognized in equity. It also eliminated the need to maintain a "windfall pool," and removed the requirement to delay recognizing a windfall until it reduces current taxes payable. The new guidance also changed the cash flow presentation of excess tax benefits, classifying them as operating inflows, consistent with other cash flows related to income taxes. Previously, windfalls were classified as financing activities. This guidance affects the dilutive effects in earnings per share, as there will no longer be excess tax benefits recognized in additional paid in capital. Previously those excess tax benefits were included in assumed proceeds from applying the treasury stock method when computing diluted EPS. Under the amended guidance, companies are able to make an accounting policy election to either (1) continue to estimate forfeitures or (2) account for forfeitures as they occur. This updated guidance is effective for annual and interim periods beginning after December 15, 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Interests Held through Related Parties that are under Common Control

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810): Interests held through Related Parties that are under Common Control. The amendments in this update require that if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Simplifying the Measurement of Inventory

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory, Topic 330. The update contains no amendments to disclosure requirements, but replaces the concept of ‘lower of cost or market’ with that of ‘lower of cost and net realizable value’. The amendments in this update are effective for annual reporting periods beginning after December 15, 2016, including interim periods within those reporting periods. The amendments should be applied prospectively with early adoption permitted. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

New accounting pronouncements effective in future periods

Intangibles – Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other (Topic 350). The amendments in this Update require the entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value, however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider the income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This Update, eliminated Step 2 from the goodwill impairment test under the current guidance. Step 2 measures a goodwill impairment loss by comparing the implied fair value of reporting unit’s goodwill with the carrying amount of that goodwill. The amendments in this Update should be applied on a prospective basis. An entity is also required to disclose the nature of and the reason for the change in accounting principal upon transition. That disclosure should be provided in the first annual period and the interim period within the first annual period when the entity initially adopts the amendments in this Update. The amendments in this Update are effective for the annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Compensation - Stock Compensation

In May 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718). The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update require that an entity should account for the effects of a modification unless all of the following are met: (1) The fair value of the modified award is the same as the fair value of the original award immediately before the original award is modified; (2) The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified; (3) The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in this Update. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The amendments in this Update should be applied prospectively to an award modified on or after the adoption date. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Business Combinations

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805). The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this update primarily provide a screen to determine when a set of assets and activities is not a business and by that reduces the number of transactions that need to be further evaluated. The amendments in this update should be applied prospectively and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash. The amendments in this update require that a statement of cash flows explain the changes during the period in total cash, cash equivalents, and the amounts generally described as restricted cash or cash equivalents. Therefore, amounts of restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update should be applied retrospectively for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Intra-Entity Transfers of Assets Other than Inventory

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The amendments in this update require that the entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. The new guidance does not apply to intra-entity transfers on inventory. The amendments in this update should be applied for each period presented and are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The modified retrospective approach will be required for transition to the new guidance, with cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. Early adoption is permitted in the first quarter of 2017. The Company is currently evaluating the potential impact of the adoption of these amendments on its consolidated financial statements.

Revenues from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers, Topic 606, which was a joint project of the FASB and the International Accounting Standards Board to clarify the principles for recognizing

revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards. The update provides that an entity should recognize revenue in connection with the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, an entity is required to apply each of the following steps: (1) identify the contract(s) with the customer; (2) identify the performance obligations in the contracts; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 also prescribes additional financial presentations and disclosures. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Early adoption is permitted no earlier than 2017 for calendar fiscal year entities. The Company expects the adoption of this standard to have an immaterial impact, if any, on its Electricity segment as it accounts for its PPA's under ASC 840, Leases. The Company is still evaluating the potential impact of the adoption of the standard on its Product segment, however, it believes that such impact, if any, will be immaterial.

In March 2016, the FASB issued ASU 2016-08, Principal versus Agent Considerations. This update does not change the core principles of the guidance and is intended to clarify the implementation guidance on principal versus agent considerations. When another entity is involved in providing goods or services to a customer, an entity is required to determine if the nature of its promise is to provide the specific good or service itself (that is, the entity is a principal) or to arrange for that good or service to be provided by the other party (that is, the entity is an agent). The guidance includes indicators to assist an entity in determining whether it acts as a principal or agent in a specified transaction. The amendments in this update are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Early adoption is permitted no earlier than 2017 for calendar fiscal year entities. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements, however, it believes that any such impact, if any, will be immaterial.

Leases

In February 2016, the FASB issued ASU 2016-02, Leases, Topic 842. This update introduces a number of changes and simplifies previous guidance, primarily the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The Update retains the distinction between finance leases and operating leases and the classification criteria between the two types remains substantially similar. Also, lessor accounting remains largely unchanged from previous guidance. However, key aspects of the Update were aligned with the revenue recognition guidance in Topic 606. Additionally, the Update defines a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. The amendments in this update are effective for annual reporting periods beginning after December 15, 2018, including interim periods within those reporting periods. Early adoption is permitted. The Company is currently evaluating the potential impact, if any, of the adoption of these amendments on its consolidated financial statements.

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)***Recognition and Measurement of Financial Assets and Financial Liabilities*

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The update primarily requires that an entity present separately, in other comprehensive income, the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk if the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The application of this update should be by means of cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments in this update are effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of the fiscal year of adoption. The Company is currently evaluating the potential impact, if any, of the adoption of this update on its consolidated financial statements.

NOTE 3 — INVENTORIES

Inventories consist of the following:

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	\$11,486	\$ 5,429
Self-manufactured assembly parts and finished products	7,083	6,571
Total	\$18,569	\$ 12,000

NOTE 4 — UNCONSOLIDATED INVESTMENTS

Unconsolidated investments consist of the following:

	June 30, 2017	December 31, 2016
	(Dollars in thousands)	
Sarulla	\$13,957	\$(11,081)

The Sarulla Project

The Company holds a 12.75% equity interest in a consortium which is in the process of developing the Sarulla geothermal power project in Indonesia with an expected generating capacity of approximately 330 MW. The Sarulla project is located in Tapanuli Utara, North Sumatra, Indonesia and is owned and operated by the consortium members under the framework of a Joint Operating Contract (“JOC”) and Energy Sales Contract (“ESC”) that were both signed on April 4, 2013. Under the JOC, PT Pertamina Geothermal Energy (“PGE”), the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the ESC, PT PLN, the state electric utility, is the off-taker at Sarulla for a period of 30 years. In addition to its equity interest in the consortium, the Company designed the Sarulla power plant and supplies its Ormat Energy Converters (“OECs”) to the power plant pursuant to a supply agreement (the “Supply Agreement”) that was signed in October 2013, as further described below.

The project is being constructed in three phases of approximately 110 MW each, utilizing both steam and brine extracted from the geothermal field to increase the power plant’s efficiency. The first phase of the power plant commenced commercial operation on March 17, 2017 and is performing well, demonstrating its ability to produce geothermal power in excess of its design capacity. Construction of the second phase of the power plant is nearing completion and site pre-commissioning activities have commenced. The Company expects that the second phase of the power plant will commence geothermal power production within three months. Formal testing and commercial operation under the PPA is expected to occur in the fourth quarter of 2017. Engineering, procurement and construction work for the third phase of the power plant is in progress and most of the equipment manufactured by the Company for the third phase of the power plant has already been delivered. The Company has achieved all of its contractual milestones under the Supply Agreement. Drilling for the second and third phases of the power plant is ongoing and the project has achieved to date, based on preliminary estimates, 100% of the required injection capacity and approximately 90% of the required production capacity.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

On May 16, 2014, the consortium closed \$1.17 billion in financing for the development of the Sarulla project with a consortium of lenders comprised of Japan Bank for International Cooperation (“JBIC”), the Asian Development Bank and six commercial banks and obtained construction and term loans on a limited recourse basis backed by a political risk guarantee from JBIC. Of the \$1.17 billion, \$0.1 billion (which was drawn down by the Sarulla project company on May 23, 2014) bears interest at a fixed rate and \$1.07 billion bears interest at a rate linked to LIBOR. The project has missed several milestones under the financing documents, but, in each case, has either already received, or expects to receive in the near future, waivers from the lenders. The project experienced delays in field development and cost overruns resulting from delays and excess drilling costs. Due to the cost overruns in drilling, the lenders may request that the project sponsors contribute additional equity to the project.

The Sarulla consortium entered into interest rate swap agreements with various international banks, effective as of June 4, 2014, in order to fix the interest rate linked to LIBOR on up to \$0.96 billion of the \$1.07 billion portion of the financing arrangement subject to such interest rate at 3.4565%. The Sarulla project company accounted for the interest rate swap as a cash flow hedge upon which changes in the fair value of the hedging instrument, relative to the effective portion, are recorded in other comprehensive income. During the three and six months ended June 30, 2017, the Sarulla project company recorded losses of \$7.2 million and \$2.7 million, respectively, net of deferred tax, of which the Company’s share was \$0.9 million and \$0.3 million, respectively. The Company’s share of such losses were recorded in other comprehensive income. During the three and six months ended June 30, 2016, the Sarulla project company recorded losses of \$15.6 million and \$40.5 million, respectively, net of deferred tax, of which the Company’s share was \$2.0 million and \$5.2 million, respectively. The Company’s share of such losses were recorded in other comprehensive income. The related accumulated loss recorded by the Company in other comprehensive income (loss) as of June 30, 2017 is \$6.3 million.

The Company had added the \$255.6 million Supply Agreement to its Product segment backlog in 2014. The Company started to recognize revenue from the project during the third quarter of 2014 and will complete the recognition revenue over the course of the year. The Company has eliminated the related intercompany profit of \$14.1 million against equity in loss of investees.

During the three and six months ended June 30, 2017, the Company made additional equity investments in the Sarulla project of approximately \$12.5 million and \$27.4 million, respectively, and \$39.3 million since inception.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

NOTE 5— FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value measurement guidance clarifies that fair value is an exit price, representing the amount that would be received upon selling an asset or paid upon transferring a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. The guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the fair value measurement guidance are described below:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 — Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 — Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth certain fair value information at June 30, 2017 and December 31, 2016 for financial assets and liabilities measured at fair value by level within the fair value hierarchy, as well as cost or amortized cost. As required by the fair value measurement guidance, assets and liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurement.

June 30, 2017
Fair Value

Carrying

Value at	Total	Level 1	Level 2	Level 3
-----------------	--------------	----------------	----------------	----------------

June 30,				
-----------------	--	--	--	--

2017				
-------------	--	--	--	--

(Dollars in thousands)				
-------------------------------	--	--	--	--

Assets:

Current assets:

Cash equivalents (including restricted cash accounts)	\$17,378	\$17,378	\$17,378	\$—	\$—
---	----------	----------	----------	-----	-----

Derivatives:

Put options on gas price ⁽³⁾	251	251	—	251	—
---	-----	-----	---	-----	---

Contingent receivable ⁽¹⁾	1,088	1,088	—	—	1,088
--------------------------------------	-------	-------	---	---	-------

Currency forward contracts ⁽²⁾	2,007	2,007	—	2,007	—
---	-------	-------	---	-------	---

Liabilities:

Current liabilities:

Derivatives:

Contingent payables ⁽¹⁾	(25,486)	(25,486)	—	—	(25,486)
------------------------------------	----------	----------	---	---	----------

Warrants ⁽¹⁾	(3,753)	(3,753)	—	—	(3,753)
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Total, net	\$(8,515)	\$(8,515)	\$17,378	\$2,258	\$(28,151)
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Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

	December 31, 2016				
	Fair Value				
	Carrying				
	Value at				
	December	Total	Level 1	Level 2	Level 3
	31,				
	2016				
	(Dollars in thousands)				
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	\$ 14,922	\$ 14,922	\$ 14,922	\$—	\$—
Derivatives:					
Contingent receivable ⁽¹⁾	1,443	1,443	—	—	1,443
Liabilities:					
Current liabilities:					
Derivatives:					
Contingent payables ⁽¹⁾	(11,581)	(11,581)	—	—	(11,581)
Warrants ⁽¹⁾	(3,429)	(3,429)	—	—	(3,429)
Currency forward contracts ⁽²⁾	(481)	(481)	—	(481)	—
Total, net	\$ 874	\$ 874	\$ 14,922	\$(481)	\$(13,567)

These amounts relate to contingent receivables and payables relating to the Viridity acquisition and Guadeloupe power plant purchase transaction, valued primarily based on unobservable inputs and are included within Prepaid expenses and other, Accounts payable and accrued expenses and Other long-term liabilities on June 30, 2017 and within Prepaid expenses and other and Other long-term liabilities on December 31, 2016 in the consolidated balance sheets with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

(1)

These amounts relate to currency forward contracts valued primarily based on observable inputs, including forward and spot prices for currencies, net of contracted rates and then multiplied by notional amounts, and are included within Prepaid expenses and other and Accounts payable and accrued expenses on June 30, 2017 and December 31, 2016, in the consolidated balance sheet with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

(2)

These amounts relate to natural gas put options, valued primarily based on observable inputs, including spot prices on related commodity indices, and are included within Prepaid expenses and other on June 30, 2017 in the consolidated balance sheets with the corresponding gain or loss being recognized within Derivatives and foreign currency transaction gains (losses) in the consolidated statement of operations and comprehensive income.

The amounts set forth in the tables above include investments in debt instruments and money market funds (which are included in cash equivalents). Those securities and deposits are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

The following table presents the amounts of gain (loss) recognized in the consolidated statements of operations and comprehensive income on derivative instruments not designated as hedges:

Derivatives not designated as	Location of recognized gain	Amount of recognized gain (loss)			
		Three Months Ended		Six Months Ended	
hedging instruments	(loss)	June 30, 2017	2016	June 30, 2017	2016
Put options on natural gas price	Derivatives and foreign currency transaction gains (losses)	(48)	—	(241)	—
Call options on natural gas price	Derivatives and foreign currency transaction gains (losses)	—	(1,664)	—	(1,146)
Call and put options on oil price	Derivatives and foreign currency transaction gains (losses)	—	(899)	—	(1,542)
Contingent considerations	Derivative and foreign currency transaction gains (losses)	(45)	—	(95)	—
Currency forward contracts	Derivative and foreign currency and transaction gains (losses)	1,457	(1,349)	3,719	465
		\$1,364	\$(3,912)	\$3,383	\$(2,223)

In January 2017, the Company entered into Henry Hub Natural Gas Future contracts under which it has bought a number of put options covering a notional quantity of approximately 4.1 million British Thermal Units (“MMbtu”) with exercise prices of \$3 and expiration dates ranging from January 26, 2017 until November 27, 2017 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company paid an aggregate amount of approximately \$0.7 million for these put options. The put option contracts have monthly expiration dates at which the options can be called and the transaction would be settled on a net cash basis.

On February 2, 2016, the Company entered into Henry Hub Natural Gas Future contracts under which it has written a number of call options covering a notional quantity of approximately 4.1 MMbtu with exercise prices of \$2 and expiration dates ranging from February 24, 2016 until December 27, 2016 in order to reduce its exposure to fluctuations in natural gas prices under its PPAs with Southern California Edison. The Company received an aggregate premium of approximately \$1.9 million from these call options. The call option contracts have monthly expiration dates on which the options can be called and the Company would have to settle its liability on a cash basis.

On February 24, 2016, the Company entered into Brent Oil Future contracts under which it has written a number of call options covering a notional quantity of approximately 185,000 barrels (“BBL”) of Brent with exercise prices of \$32.80 to \$35.50 and expiration dates ranging from March 24, 2016 until December 22, 2016 in order to reduce its exposure to fluctuations in Brent prices under its PPA with HELCO. The Company received an aggregate premium of approximately \$1.1 million from these call options. The call option contracts have monthly expiration dates on which the options can be called and the Company would have to settle its liability on a cash basis. Moreover, during March 2016, the Company rolled 2 existing call options covering a total notional quantity of 31,800 BBL of Brent in order to limit its exposure to \$41 to \$42.50 instead of \$32.80 to \$33.50. In addition, the Company entered into short risk reversal transactions (sell call and buy put options) by rolling existing call options covering notional quantities of 16,500 BBL and 17,000 BBL in order to limit its exposure from the outstanding call options originally entered into in February 2016 to between \$28.50 and \$37.50 and \$28 and \$38.50, respectively.

The foregoing future and forward transactions were not designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within “Derivatives and foreign currency transaction gains (losses)”.

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the six months ended June 30, 2017.

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

The fair value of the Company's long-term debt approximates its carrying amount, except for the following:

	Fair Value		Carrying Amount	
	June 30,	December 31,	June 30,	December 31,
	2017	2016	2017	2016
	(Dollars in millions)		(Dollars in millions)	
Olkaria III Loan - DEG	\$12.5	\$ 16.3	\$11.8	\$ 15.8
Olkaria III Loan - OPIC	247.8	253.4	237.6	246.6
Olkaria IV Loan - DEG 2	51.7	50.9	50.0	50.0
Amatitlan Loan	35.1	37.3	35.0	36.8
Senior Secured Notes:				
Ormat Funding Corp. ("OFC")	14.3	17.0	14.3	17.0
OrCal Geothermal Inc. ("OrCal")	33.8	37.4	32.1	35.2
OFC 2 LLC ("OFC 2")	245.1	249.0	238.9	247.2
Don A. Campbell 1 ("DAC1")	88.7	88.9	90.2	92.4
Senior Unsecured Bonds	203.3	200.1	204.3	204.3
Other long-term debt	8.9	10.4	9.7	11.2

The fair value of the OFC Senior Secured Notes is determined using observable market prices as these securities are traded. The fair value of all the other long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. The fair value of revolving lines of credit is determined using a comparison of market-based price sources that are reflective of similar credit ratings to those of the Company.

The carrying value of other financial instruments, such as revolving lines of credit, deposits, and other long-term debt approximates fair value.

The following table presents the fair value of financial instruments as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Olkaria III - DEG	\$—	\$—	\$12.5	\$12.5
Olkaria III - OPIC	—	—	247.8	247.8
Olkaria IV - DEG 2	—	—	51.7	51.7
Amatitlan Loan	—	35.1	—	35.1
Senior Secured Notes:				
OFC	—	14.3	—	14.3
OrCal	—	—	33.8	33.8
OFC 2	—	—	245.1	245.1
Don A. Campbell 1 ("DAC1")	—	—	88.7	88.7
Senior Unsecured Bonds	—	—	203.3	203.3
Other long-term debt	—	1.7	7.2	8.9
Revolving lines of credit	—	30.0	—	30.0
Deposits	15.9	—	—	15.9

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

The following table presents the fair value of financial instruments as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
	(Dollars in millions)			
Olkaria III Loan - DEG	\$—	\$—	\$16.3	\$16.3
Olkaria III Loan - OPIC	—	—	253.4	253.4
Olkaria IV - DEG 2	—	—	50.9	50.9
Amatitlan Loan	—	37.3	—	37.3
Senior Secured Notes:				
OFC	—	17.0	—	17.0
OrCal	—	—	37.4	37.4
OFC 2	—	—	249.0	249.0
Don A. Campbell 1 ("DAC1")	—	—	88.9	88.9
Senior Unsecured Bonds	—	—	200.1	200.1
Other long-term debt	—	3.3	7.1	10.4
Deposits	14.4	—	—	14.4

NOTE 6 — STOCK-BASED COMPENSATION*The 2004 Incentive Compensation Plan*

In 2004, the Company's Board of Directors (the "Board") adopted the 2004 Incentive Compensation Plan ("2004 Incentive Plan"), which provided for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, stock appreciation rights ("SARs"), stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2004 Incentive Plan, a total of 3,750,000 shares of the Company's common stock were reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 2004 Incentive Plan cliff vest and are exercisable from the grant date as follows: 25% after 24 months, 25% after 36 months, and the remaining 50% after 48 months. Options granted to non-employee

directors under the 2004 Incentive Plan cliff vest and are exercisable one year after the grant date. Vested stock-based awards may be exercised for up to ten years from the grant date. The shares of common stock issued in respect of awards under the 2004 Incentive Plan are issued from the Company's authorized share capital upon exercise of options or SARs. The 2004 Incentive Plan expired in May 2012 upon adoption of the 2012 Incentive Compensation Plan ("2012 Incentive Plan"), except as to stock-based awards outstanding under the 2004 Incentive Plan on that date.

The 2012 Incentive Compensation Plan

In May 2012, the Company's shareholders adopted the 2012 Incentive Plan, which provides for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, SARs, stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2012 Incentive Plan, a total of 4,000,000 shares of the Company's common stock have been reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 2012 Incentive Plan typically vest and become exercisable as follows: 25% vest 24 months after the grant date, an additional 25% vest 36 months after the grant date, and the remaining 50% vest 48 months after the grant date. Options granted to non-employee directors under the 2012 Incentive Plan will vest and become exercisable one year after the grant date. The term of stock-based awards typically ranges from six to ten years from the grant date. The shares of common stock issued in respect of awards under the 2012 Incentive Plan are issued from the Company's authorized share capital upon exercise of options or SARs.

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

The 2012 Incentive Plan empowers the Board, in its discretion, to amend the 2012 Incentive Plan in certain respects. Consistent with this authority, in February 2014 the Board adopted and approved certain amendments to the 2012 Incentive Plan. The key amendments are as follows:

Increase of per grant limit: Section 15(a) of the 2012 Incentive Plan was amended to allow the grant of up to 400,000 shares of the Company's common stock with respect to the initial grant of an equity award to newly hired executive officers in any calendar year; and

Acceleration of vesting: Section 15(l) of the 2012 Incentive Plan was amended to clarify the Company's ability to provide in the applicable award agreement that part and/or all of the award will be accelerated upon the occurrence of certain predetermined events and/or conditions, such as a change in control (as defined in the 2012 Incentive Plan, as amended).

NOTE 7 — INTEREST EXPENSE, NET

The components of interest expense are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Interest related to sale of tax benefits	\$1,849	\$2,846	\$3,861	\$3,704
Interest expense	14,146	15,863	28,321	31,488
Less — amount capitalized	(1,455)	(308)	(2,719)	(768)
	\$14,540	\$18,401	\$29,463	\$34,424

NOTE 8 — EARNINGS PER SHARE

Basic earnings per share attributable to the Company's stockholders is computed by dividing net income or loss attributable to the Company's stockholders by the weighted average number of shares of common stock outstanding for the period. The Company does not have any equity instruments that are dilutive, except for employee stock-based awards.

The table below shows the reconciliation of the number of shares used in the computation of basic and diluted earnings per share:

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Weighted average number of shares used in computation of basic earnings per share	49,771	49,456	49,726	49,314
Add:				
Additional shares from the assumed exercise of employee stock options	853	681	833	663
Weighted average number of shares used in computation of diluted earnings per share	50,624	50,137	50,559	49,977

The number of stock-based awards that could potentially dilute future earnings per share and that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was 2,363 and 135,875 for the three months ended June 30, 2017 and 2016, respectively, and 2,430 and 224,116 for the six months ended June 30, 2017 and 2016, respectively.

NOTE 9 — BUSINESS SEGMENTS

The Company has two reporting segments: the Electricity segment and the Product segment. These segments are managed and reported separately as each offers different products and serves different markets. The Electricity segment is engaged in the sale of electricity from the Company's power plants pursuant to PPAs. The Product segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. Transfer prices between the operating segments are determined based on current market values or cost plus markup of the seller's business

segment.

23

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Electricity	Product	Consolidated
	(Dollars in thousands)		
Three Months Ended June 30, 2017:			
Net revenue from external customers	\$ 111,777	\$ 67,587	\$ 179,364
Intersegment revenue	—	16,565	16,565
Operating income	36,117	17,035	53,152
Segment assets at period end ⁽¹⁾	2,323,618	187,015	2,510,633
Three Months Ended June 30, 2016:			
Net revenue from external customers	\$ 104,001	\$ 55,860	\$ 159,861
Intersegment revenue	—	19,266	19,266
Operating income	32,814	19,073	51,887
Segment assets at period end	2,031,650	241,363	2,273,013
Six Months Ended June 30, 2017:			
Net revenues from external customers	\$ 227,553	\$ 141,709	\$ 369,262
Intersegment revenues	—	32,778	32,778
Operating income	77,015	35,633	112,648
Segment assets at period end ⁽¹⁾	2,323,618	187,015	2,510,633
Six Months Ended June 30, 2016:			
Net revenues from external customers	\$ 211,869	\$ 99,586	\$ 311,455
Intersegment revenues	—	21,206	21,206
Operating income	67,599	34,831	102,430
Segment assets at period end	2,031,650	241,363	2,273,013

⁽¹⁾ Electricity segment assets include goodwill in the amount of \$20.1 million

Table of Contents**ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)****(Unaudited)**

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue:				
Total segment revenue	\$ 179,364	\$ 159,861	\$ 369,262	\$ 311,455
Intersegment revenue	16,565	19,266	32,778	21,206
Elimination of intersegment revenue	(16,565)	(19,266)	(32,778)	(21,206)
Total consolidated revenue	\$ 179,364	\$ 159,861	\$ 369,262	\$ 311,455
Operating income:				
Operating income	\$ 53,152	\$ 51,887	\$ 112,648	\$ 102,430
Interest income	362	245	606	565
Interest expense, net	(14,540)	(18,401)	(29,463)	(34,424)
Derivatives and foreign currency transaction gains (losses)	1,703	(4,332)	3,041	(2,370)
Income attributable to sale of tax benefits	4,356	4,519	10,513	8,917
Other non-operating income (expense), net	6	49	(86)	240
Total consolidated income before income taxes and equity in income of investees	\$ 45,039	\$ 33,967	\$ 97,259	\$ 75,358

NOTE 10 — COMMITMENTS AND CONTINGENCIES

Jon Olson and Hilary Wilt, together with Puna Pono Alliance filed a complaint on February 17, 2015 in the Third Circuit Court for the State of Hawaii, requesting declaratory and injunctive relief requiring that PGV comply with an ordinance that the plaintiffs allege will prohibit PGV from engaging in night drilling operations at its KS-16 well site. On May 17, 2015, the original complaint was amended to add the County of Hawaii and the State of Hawaii Department of Land and Natural Resources as defendants to the case. On October 10, 2016, the court issued its decision in response to each of the plaintiffs' and defendants' motions for summary judgment, denying plaintiffs' motion and granting defendant PGV's and the County of Hawaii's cross motions for summary judgment, effectively

rendering the plaintiffs' action moot. On January 23, 2017, the plaintiffs filed a motion requesting that the Intermediate Court of Appeals address appellate jurisdiction, which was denied by the court on April 20, 2017 as premature. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

On July 8, 2014, Global Community Monitor, LiUNA, and two residents of Bishop, California filed a complaint in the U.S. District Court for the Eastern District of California, alleging that Mammoth Pacific, L.P., the Company and Ormat Nevada are operating three geothermal generating plants in Mammoth Lakes, California (MP-1, MP-II and PLES-I) in violation of the federal Clean Air Act and Great Basin Unified Air Pollution Control District rules. On June 26, 2015, in response to a motion by the defendants, the court dismissed all but one of the plaintiffs' causes of action. On January 6, 2017, the court issued its order regarding several pending motions, including plaintiffs' motion for partial summary judgment, defendants' motion for summary judgment, defendants' motion to exclude and defendants' motion for leave to file a sur-reply. The impact of the court's January 6, 2017 order is to deny the plaintiffs' sole remaining cause of action. No appeal by the plaintiffs is expected and the company considers this case to be effectively closed.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

On March 29, 2016, a former local sales representative in Chile, Aquavant, S.A., filed a claim against Ormat's subsidiaries in the 27th Civil Court of Santiago, Chile on the basis of unjust enrichment. The claim requests that the court order Ormat to pay Aquavant \$4.8 million in connection with its activities in Chile, including the EPC contract for the Cerro Pabellon project and various geothermal concessions, plus 3.75% of Ormat geothermal products sales in Chile over the next 10 years. In response to various motions submitted by the defendants, including a motion describing preliminary procedural defenses, on August 16, 2016, and October 11, 2016, the 27th Civil Court issued a number of decisions, which were followed by a decision of May 26, 2017 by the Court of Appeals of Santiago. The outcome of these decisions is that the 11th Civil Court of Santiago was found to be the competent court and various of the preliminary procedural defenses are still pending. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

On August 5, 2016, George Douvris, Stephanie Douvris, Michael Hale, Cheryl Cacocci, Hillary E. Wilt and Christina Bryan, acting for themselves and on behalf of all other similarly situated residents of the lower Puna District, filed a complaint in the Third Circuit Court for the State of Hawaii seeking certification of a class action for preliminary and permanent injunctive relief, consequential and punitive damages, attorney's fees and statutory interest against PGV and other presently unknown defendants. On December 12, 2016, the federal district court granted plaintiffs' motion for joinder of HELCO as a co-defendant, and the case, which had previously been removed to the U.S. District Court for the District of Hawaii, was remanded back to the Third Circuit Court. The amended complaint alleges that injuries and other damages in an undisclosed amount were caused to the plaintiffs as a result of an alleged toxic release by PGV in the wake of Hurricane Iselle in August 2014. On June 14, 2017, the Third Circuit Court denied HELCO's motion to discuss the complaint against itself which it had filed On March 25, 2017. Discovery is underway. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

On June 20, 2016, Nadia Garcia, individually and as successor in interest to Thomas Garcia Valenzuela, and as guardian ad litem to Emerie Garcia, Khamilla Garcia and Reyene Adam, filed a complaint against Ormat Technologies, Ormat Nevada and Ormesa LLC in the Superior Court of Imperial County seeking unspecified monetary damages. The complaint alleges that the Ormat defendants caused the wrongful death, personal injury and other harm to Thomas Garcia when he was employed by Martin Hydroblasting Services, Inc. and suffered injuries leading to his death while performing work at the Ormesa plant site on or around March 31, 2016. The plaintiffs and the deceased's employer's insurer reached an out of court settlement that was approved by the US District Court, Southern District of California, and executed May 25, 2017. The case has been dismissed, without liability to the Company.

In addition, from time to time, the Company is named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of its business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil

penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, the Company accrues reserves when a loss is probable and the amount of such loss can be reasonably estimated. It is the opinion of the Company's management that the outcome of these proceedings, individually and collectively, will not be material to the Company's consolidated financial statements as a whole.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

NOTE 11 — INCOME TAXES (Restated)

As further described in Note 1, the Company has restated, for 2017, and revised, for 2016, its previously issued unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017 and 2016. Also as further described in Note 1 and in connection with the closing of the SCPPA PPA portfolio agreement, during the second quarter of 2017, the Company changed its assertion related to permanent reinvestment of foreign unremitted earnings in Ormat Systems, its Israeli fully owned subsidiary. Accordingly, a deferred tax liability in the amount of \$110.5 million was recorded which represents the estimated tax impact of future repatriation of the unremitted foreign earning in Ormat Systems at the statutory U.S. tax rate of 35%. Additionally, the Company accrued \$53.9 million for the estimated Israeli withholding taxes expected when Ormat Systems remits its earnings to the U.S. The Company also recorded a deferred tax asset in the amount of \$109.6 million for foreign tax credits related to taxes already paid by Ormat Systems on such earnings in Israel.

Realization of the deferred tax assets and tax credits is dependent on generating sufficient taxable income in appropriate jurisdictions prior to expiration of the NOL carryforwards and tax credits. In prior periods and through March 31, 2017, the Company had maintained a valuation allowance against its net deferred tax asset balance in the U.S. As of March 31, 2017, such valuation allowance was \$116.2 million. Based upon new available evidence of the Company's ability to generate additional taxable income in the U.S. due to the closing of the SCPPA PPA portfolio and the Company's permanent reinvestment of unremitted earnings assertion change with respect to Ormat Systems Ltd., \$35.6 million of valuation allowance was released against the U.S. deferred tax assets, as it is more likely than not that the deferred tax assets will be utilized. However, the Company is maintaining a valuation allowance of \$74.6 million against a portion of the U.S. foreign tax credits and state net operating loss that are expected to expire before they can be utilized in future periods. Additionally, the Company recorded a specific valuation allowance of \$6.0 million attributable to current year projected activity as this will need to be held back and recognized throughout the year as current year income is earned for a total valuation allowance of \$80.6 million as of June 30, 2017. This valuation allowance is based upon management's estimates of future taxable income. Although the degree of variability inherent in the estimates of future taxable income is significant and subject to change in the near term, management believes that the estimate is adequate. However, the amount of deferred tax asset considered realizable could change in the near term if estimates which require significant judgment of future taxable income during the carryforward period are increased or decreased. Accordingly, the estimated valuation allowance is continually reviewed and as adjustments to the valuation allowance become necessary, such adjustments will be reflected in current earnings.

The Company's effective tax rate for the three months ended June 30, 2017 and 2016 was 72.7% and 25.1%, respectively, and 45.0% and 23.3% for the six months ended June 30, 2017 and 2016, respectively. The effective rate differs from the federal statutory rate of 35% for the six months ended June 30, 2017 due to: (i) withholding taxes related to the assertion change on the Company's permanent reinvestment of foreign unremitted earnings in Ormat Systems also as described above, (ii) a partial valuation allowance release against the Company's U.S. deferred tax assets (iii) lower tax rate in Israel of 16%, partially offset by a tax rate in Kenya of 37.5%; and (iv) a tax credit and tax exemption related to the Company's subsidiaries in Guatemala and Honduras. The effect of the tax credit and tax exemption for the three months ended June 30, 2017 and 2016 was \$0.8 million and \$1.1 million, respectively, and for the six months ended June 30, 2017 and 2016 was \$1.7 million and \$2.3 million, respectively.

As described above, the Company recorded a partial valuation allowance against the Company's foreign tax credits and state net operating loss that are expected to expire before they can be utilized in future periods. As of December 31, 2016, the Company had Federal NOL carryforwards of approximately \$331.5 million, which expire between 2029 and 2036, and state NOL carryforwards of approximately \$231.1 million, which expire between 2018 and 2036 which are available to reduce future taxable income. The Company's production tax credits ("PTCs") in the amount of \$83.2 million at December 31, 2016 are available for a 20-year period and expire between 2026 and 2036.

The total amount of undistributed earnings of foreign subsidiaries related to Ormat Systems for income tax purposes was approximately \$367 million at December 31, 2016. Although the Company plans to repatriate undistributed earnings related to Ormat Systems to support expected capital expenditure requirements in the U.S., based upon its plans to increase its operations outside of the U.S., it is the Company's intention to reinvest undistributed earnings of its other foreign subsidiaries and thereby indefinitely postpone their remittance, given that the Company requires existing and future cash to fund the anticipated investment and development activities as well as debt service requirements in those jurisdictions. In addition, the Company believes that existing and anticipated cash flows as well as borrowing capacity in the U.S. and cash to be remitted to the U.S. from Ormat Systems will be sufficient to meet its needs in the U.S. Accordingly, no provision has been made for foreign withholding taxes or U.S. income taxes with respect to its foreign subsidiaries, other than Ormat Systems, which may become payable if undistributed earnings of foreign subsidiaries were paid as dividends to the Company. The additional taxes on that portion of undistributed earnings in those other jurisdictions which is available for dividends are not practicably determinable. If plans change, the Company may be required to accrue and pay U.S. taxes to repatriate these funds.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The Company is subject to income taxes in the U.S. (federal and state) and in numerous foreign jurisdictions. Significant judgment is required in evaluating tax positions and determining the position for income taxes. Reserves are established to tax-related uncertainties based on estimates of whether, and the extent to which additional taxes will be due. As of June 30, 2017, the Company is unaware of any potentially significant uncertain tax positions for which a reserve has not been established.

As previously reported by the Company, the Kenya Revenue Authority (“KRA”) conducted an audit related to the Company’s operations in Kenya for fiscal years 2012 and 2013. On June 20, 2017, the Company signed a Settlement Agreement with the KRA (the “Settlement Agreement”) under which it paid approximately \$2.6 million in principal for full settlement of all claims raised by the KRA during the audit. The principal amount that was paid in June 2017 was recorded as an addition to the cost of the power plants and is qualified for investment deduction at 150% under the terms of the Settlement Agreement. Additionally, as per the Settlement Agreement, the Company submitted a request for waiver on the applied interest in the amount of approximately \$1.2 million, for which the Company recorded a provision to cover such a potential exposure.

NOTE 12 — SUBSEQUENT EVENTS

Cash dividend

On August 3, 2017, the Board declared, approved and authorized payment of a quarterly dividend of \$4.0 million (\$0.08 per share) to all holders of the Company’s issued and outstanding shares of common stock on August 15, 2017, payable on August 29, 2017.

ORIX transaction

On May 4, 2017, the Company announced that ORIX Corporation (“ORIX”) had entered into a definitive agreement with certain stockholders of the Company providing for the acquisition of approximately 11 million shares of the Company’s common stock, representing an approximately 22% ownership stake in the Company, from FIMI ENRG Limited Partnership, FIMI ENRG, L.P. (collectively, “FIMI”), Bronicki Investments, Ltd. (“Bronicki”), and certain senior members of the Company’s management team. Also on May 4, 2017, the Company announced that the Company and ORIX entered into certain related agreements, including a Governance Agreement, a Commercial Cooperation Agreement and a Registration Rights Agreement, following the unanimous recommendation of a Special Committee of the Board that was formed to evaluate and negotiate the stockholder arrangements proposed by ORIX, and following unanimous approval by the Board. The closing of the stock purchase transaction and the transactions contemplated by the related agreements between the Company and ORIX occurred on July 26, 2017.

Under the Governance Agreement, ORIX has the right to designate three persons to the Board, which was expanded to nine directors, and also propose a fourth person to be mutually agreed by the Company and ORIX to serve as a new independent director on the Board. In addition, for so long as ORIX is entitled to board representation pursuant to the Governance Agreement, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. Pursuant to the Registration Rights Agreement, ORIX also has certain customary registration rights with respect to the shares of the Company’s common stock that it owns.

Under the Commercial Cooperation Agreement, the Company has exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, the Company has certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan. ORIX will also assist the Company in obtaining project financing for its geothermal energy projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

ORTP buyout

On March 30, 2017, the ORTP Flip Date occurred and on July 10, 2017, Ormat Nevada purchased all of the Class B membership units from JP Morgan for \$2.35 million. As a result, Ormat Nevada is now the sole owner of all controlling voting interests in ORTP and continues to consolidate ORTP in its financial statements.

Events subsequent to original issuance of financial statements

Cash dividend

On November 7, 2017, the Board declared, approved and authorized payment of a quarterly dividend of \$4.0 million (\$0.08 per share) to all holders of the Company's issued and outstanding shares of common stock on November 21, 2017, payable on December 5, 2017.

On March 1, 2018, the Company's Board declared, approved and authorized payment of a quarterly dividend of \$11.5 million (\$0.23 per share) to all holders of the Company's issued and outstanding shares of common stock on March 14, 2018, payable on March 29, 2018.

On May 7, 2018, the Board declared, approved and authorized payment of a quarterly dividend of \$5.1 million (\$0.10 per share) to all holders of the Company's issued and outstanding shares of common stock on May 21, 2018, payable on May 30, 2018.

Compliance with financial covenants

In relation to covenants in certain debt facilities, which require timely filing of quarterly financial statements, the Company received waivers from each of its and its subsidiaries' lenders as follows:

The Company received waivers extending the period required to file the quarterly condensed consolidated financial statements for the three months ended March 31, 2018 for all debt facilities with a May 30, 2018 filing deadline. The Company subsequently filed such financial statements within the period provided by the waivers.

The deeds of trust governing the Company's series 2 and series 3 senior unsecured bonds contain a June 14, 2018 filing deadline for the quarterly condensed consolidated financial statements for the three months ended March 31, 2018. Nevertheless, the failure to file is not a default under the bonds and the bonds are not accelerated unless a majority of bondholders votes to take action to accelerate the maturity date of the bonds, which did not occur prior to the late filing of the Form 10-Q for the quarter ended March 31, 2018. However, since the ability of the bondholders to accelerate may trigger a cross default under certain of the Company other debt facilities, the Company received waivers of any potential cross default under those facilities.

Following the filing of such condensed consolidated financial statements and the filing of the restated consolidated financial statements for the fiscal year ended December 31, 2017 and the restated condensed consolidated financial statements for the second and third quarters of 2017, the Company believes that it and its subsidiaries are in compliance with the reporting covenants and all other covenants under their debt facilities.

Legal proceedings

On May 21, 2018, a motion to certify a class action was filed in the Tel Aviv District Court (Economic Division) entitled *Heit vs Ormat Technologies, Inc. et al* (C.A. 44366-05-18). The motion purports that the Company and eleven of its officers and directors misled investors by asserting in its financial statements that it maintains effective internal controls over its accounting policies and procedures, and demands payment of 93 million Shekels (approximately \$26 million) to compensate persons who purchased Company shares between August 3, 2017 and May 13, 2018. The Company believes that it has valid defenses under law and intends to defend itself vigorously. Pending resolution of the putative class action filed in the United States and described below, the Company intends to seek a stay of the proceedings in relation to the claim filed in the Tel Aviv District Court.

On June 11, 2018, a putative class action on behalf of alleged shareholders that purchased or acquired the Company's ordinary shares between August 8, 2017 and May 15, 2018 was commenced in the United States District Court for the District of Nevada against the Company and its Chief Executive Officer and Chief Financial Officer. The complaint asserts claims against all defendants pursuant to Section 10(b) of the Exchange Act, as amended and Rule 10b-5 there under Section 20(a) of the Exchange Act, as amended. The complaint alleges that the Company's Form 10-K for the years ended December 31, 2016 and 2017, and Form 10-Qs for each of the quarters in the nine months ended September 30, 2017 contained material misstatements or omissions, among other things, with respect to the Company's tax provisions and the effectiveness of its internal control over financial reporting, and that, as a result of such alleged misstatements and omissions, the plaintiffs suffered damages. The Company has not yet responded to the complaints. The Company believes that it has valid defenses under law and intends to defend itself vigorously.

Tungsten Mountain partnership transaction

On May 17, 2018, one of the Company's wholly-owned subsidiaries that indirectly owns the 26 MW Tungsten Mountain Geothermal power plant entered into a partnership agreement with a private investor. Under the transaction documents, the private investor acquired membership interests in the Tungsten Mountain Geothermal power plant project for an initial purchase price of approximately \$33.4 million and for which it will pay additional installments that are expected to amount to approximately \$13 million. The Company will continue to operate and maintain the power plant and will receive substantially all the distributable cash flow generated by the power plant.

Puna

On May 3, 2018, the Kilauea volcano located in close proximity to the Company's 38 MW Puna geothermal power plant in the Puna district of Hawaii's Big Island erupted following a significant increase in seismic activity in the area. While the Company has taken steps to secure the Puna facilities, including, among others, taking electricity generation offline and placing physical barriers around, and protective coverings over, the geothermal wells, and has evacuated non-essential personnel at the power plant and removed all pentane from the site, it is still assessing the impact of the volcanic eruption and seismic activity on the Puna facilities. The approaching lava covered the wellheads of three geothermal wells and the substation of the Puna complex and an adjacent warehouse that stored a drilling rig were burned due to the approaching lava. The damages are expected to be covered by the Company's insurance policies. The net book value of the Puna property, plant and equipment is approximately \$109 million. The Company cannot currently estimate when the lava flow will stop nor when it will be able to assess all of the damages. Any significant physical damage to, or extended shut-down of, the Puna facilities could have an adverse impact on the power plant's electricity generation and availability, which in turn could have a material adverse impact on the Company's business and results of operations. The Company continues to monitor the condition of the Puna facilities, coordinate with HELCO and local authorities, and is taking steps to both further secure the power plant and restore its operations as soon as it is safe to do so. In addition, the Company will be assessing the accounting implications of this event on the assets and liabilities on its balance sheet and whether an impairment will be required.

Platanares loan

On April 30, 2018, the Company, through its wholly owned subsidiary, and the Overseas Private Investment Corporation ("OPIC"), an agency of the United States Government, signed a finance agreement for non-recourse project financing totaling up to \$124.7 million for the 35 MW Platanares geothermal power plant in Honduras. The loan may be funded to Platanares in up to three total disbursements and will have a final maturity of approximately 14 years. Closing and disbursements of the loan are subject to customary conditions for funding, which the Company expects to satisfy by the end of the second quarter of 2018. Upon closing, the interest rate on the loan will be determined, and is expected to be between 6.75% and 7.25% based on the current estimates for U.S. Treasury and for the additional spread on OPIC certificates of participation.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

U.S. Geothermal transaction

On April 24, 2018, the Company completed its previously announced acquisition of U.S. Geothermal Inc. ("USG"). The total cash consideration (exclusive of transaction expenses) was approximately \$110 million, comprising approximately \$106 million funded from available cash of Ormat Nevada Inc. (to acquire the outstanding shares of common stock of USG) and approximately \$4 million funded from available cash of USG (to cash-settle outstanding in-the-money options for common stock of USG). As a result of the acquisition, USG became an indirect wholly owned subsidiary of Ormat, and Ormat indirectly acquired, among other things, interests held by USG and its subsidiaries in:

three operating power plants at Neal Hot Springs, Oregon, San Emidio, Nevada and Raft River, Idaho with a total net generating capacity of approximately 38 MW; and development assets which include a project at the Geysers, California; a second phase project at San Emidio, Nevada; a greenfield project in Crescent Valley, Nevada; and the El Ceibillo project located near Guatemala City, Guatemala.

The Company accounted for the transaction in accordance with ASC 805, Business Combinations and following the transaction, the Company will consolidate USG in accordance with ASC 810, Consolidation. Accounting guidance provides that the allocation of the purchase price may be modified for up to one year from the date of the acquisition to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date. The Company expects that the adoption of ASU 2017-01, Business Combinations, as further described under Note 2 to the consolidated financial statements, would not have an effect on the U.S. Geothermal transaction.

The Company deemed the transaction to not meet the significant subsidiary threshold and as a result did not provide additional pro-forma and other related information, that otherwise would have been required.

Migdal Senior Unsecured Loan

On March 22, 2018, the Company entered into a definitive loan agreement (the "Migdal Loan Agreement") with Migdal Insurance Company Ltd., Migdal Makefet Pension and Provident Funds Ltd. and Yozma Pension Fund of Self Employed Ltd., all entities within the Migdal Group, a leading insurance company and institutional investor in Israel.

The Migdal Loan Agreement provides for a loan by the lenders to the Company in an aggregate principal amount of \$100 million (the "Migdal Loan"). The Migdal Loan will be repaid in 15 semi-annual payments of \$4.2 million each, commencing on September 15, 2021, with a final payment of \$37 million on March 15, 2029. The Migdal Loan bears interest at a fixed rate of 4.8% per annum, payable semi-annually, subject to adjustment in certain circumstances as described below.

The Migdal Loan is subject to early redemption by the Company prior to maturity from time to time (but not more frequently than once per quarter) and at any time in whole or in part, at a redemption price set forth in the Migdal Loan Agreement. If the rating of the Company is downgraded to "ilA-", by Standard and Poor's Global Ratings Maalot Ltd. ("Maalot"), the interest rate applicable to the Migdal Loan will be increased by 0.50%. If the rating of the Company is further downgraded to a lower level, the interest rate applicable to the Migdal Loan will be increased by 0.25% for each additional downgrade. In no event will the cumulative increase in the interest rate applicable to the Migdal Loan exceed 1% regardless of the cumulative rating downgrade. A subsequent upgrade or reinstatement of a rating by Maalot will reduce the interest rate applicable to the Migdal Loan by 0.25% for each upgrade (but in no event will the interest rate applicable the Migdal Loan fall below the base interest rate of 4.8%). Additionally, if the ratio between short-term and long-term debt to financial institutions and bondholders, deducting cash and cash equivalents to EBITDA is equal to or higher than 4.5, the interest rate on all amounts then outstanding under the Migdal Loan shall be increased by 0.5% per annum over the interest rate then-applicable to the Migdal Loan.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The Migdal Loan constitutes senior unsecured indebtedness of the Company and will rank equally in right of payment with any existing and future senior unsecured indebtedness of the Company, and effectively junior to any existing and future secured indebtedness, to the extent of the security therefore.

The Migdal Loan Agreement includes various affirmative and negative covenants, including a covenant that the Company maintain (i) a debt to adjusted EBITDA ratio below 6, (ii) a minimum equity amount (as shown on its consolidated financial statements, excluding noncontrolling interests) of not less than \$650 million, and (iii) an equity attributable to Company's stockholders to total assets ratio of not less than 25%. In addition, the Migdal Loan Agreement restricts the Company from making dividend payments if its equity falls below \$800 million and otherwise restricts dividend payments in any one year to not more than 50% of the net income of the Company of such year as shown on the Company's consolidated annual financial statements as long as any of the Company's bonds issued in Israel prior to March 27, 2018 remain outstanding. The Migdal Loan Agreement includes other customary affirmative and negative covenants and events of default.

Tungsten Mountain

On December 13, 2017, the Company announced that the 24 MW Tungsten Mountain geothermal power plant ("Tungsten Mountain") located in Churchill County, Nevada, began commercial operation on December 1, 2017. Tungsten Mountain will sell its power under the 26-year power purchase agreement ("PPA"), dated as of October 20, 2016, between the Company's wholly owned subsidiary ONGP, LLC and SCPPA (the "ONGP Portfolio PPA"), which was announced in June 2017. In accordance with the agreement, SCPPA resells the entire output of the plant to LADWP. The power plant is expected to generate approximately \$15 million in average annual revenue for the Company. The Tungsten Mountain geothermal power plant utilizes the Company's latest turbine design and contains the largest OEC ever installed. The new and innovative turbine design will increase the OEC's efficiency, capacity, and availability.

Platanares geothermal power plant

On September 26, 2017, the Company announced that its 35 MW Platanares geothermal project in Honduras commenced commercial operation. The Company constructed the Platanares geothermal project under a Build,

Operate, and Transfer (“BOT”) contract with ELCOSA, a privately owned Honduran energy company. The Company will operate the project for 15 years from commercial operation date (COD). Platanares sells its power under a 30-year power purchase agreement with the national utility of Honduras, ENEE. A portion of the land on which the project is located at is held by us through a lease from a local municipality. Because the term of the lease exceeds the term in office of the relevant municipal government, it remains subject to an additional approval of the Honduran Congress in order to be fully valid. The Company has commenced the necessary steps to obtain such approval but the current elections in Honduras may result in a delay in obtaining such approval.

OFC Senior Secured Notes prepayment

In September 2017, the Company fully prepaid all of its outstanding OFC Senior Secured Notes for \$14.3 million. As a result of the prepayment, the Company recognized a loss of \$1.5 million, including amortization of deferred financing costs of \$0.2 million, which was included in other non-operating income (expense), net in the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

Deutsche Investitions-und Entwicklungsgesellschaft mbH (“DEG”) Loan prepayment

In September 2017, the Company fully prepaid its DEG loan for \$11.8 million. As a result of the prepayment, the Company recognized a loss of \$0.5 million, including amortization of deferred financing costs of \$0.4 million, which was included in other non-operating income (expense), net in the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2017.

OPC buyout

On May 31, 2017, the Company’s partners JPM and Morgan Stanley achieved their target after-tax yield on its investment in OPC, LLC (“OPC”) and on October 31, 2017, Ormat Nevada purchased all of the Class B membership units in OPC from JPM and Morgan Stanley for \$1.9 million. As a result, Ormat Nevada is now the sole owner of all of the economic and voting interests in OPC and continues to consolidate OPC in its financial statements.

Table of Contents

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESTATEMENT AND REVISION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Explanatory Note

This Amendment No. 1 to Form 10-Q (this "Amendment"), amends and restates the Company's unaudited condensed consolidated financial statements and related disclosures in Part I, Item 1. "Financial Statements" for the three and six months ended and as of June 30, 2017 and revises the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2016 and revises the condensed consolidated balance sheet as of December 31, 2016, to reflect the correction of certain errors discussed in Note 1 to our unaudited condensed consolidated financial statements in Part I, Item 1, "Financial Statements". Accordingly, the Management's Discussion and Analysis of Financial Condition and Results of Operations set forth below reflects the effects of these restatements and revisions.

Cautionary Note Regarding Forward-Looking Statements

This quarterly report on Form 10-Q/A includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this quarterly report that address activities, events or developments that we expect or anticipate will or may occur in the future, including such matters as our projections of annual revenues, expenses and debt service coverage with respect to our debt securities, future capital expenditures, business strategy, competitive strengths, goals, development or operation of generation assets, market and industry developments and the growth of our business and operations, are forward-looking statements. When used in this quarterly report on Form 10-Q/A, the words "may", "will", "could", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "projects", "potential", or "contemplate" or the negative or other comparable terminology are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this quarterly report are primarily located in the material set forth under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Risk Factors", and "Notes to Condensed Consolidated Financial Statements", but are found in other locations as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this quarterly report on Form 10-Q/A completely and with the understanding that actual future results and developments

may be materially different from what we expect attributable to a number of risks and uncertainties, many of which are beyond our control.

Specific factors that might cause actual results to differ from our expectations include, but are not limited to:

significant considerations, risks and uncertainties discussed in this quarterly report;

geothermal resource risk (such as the heat content, useful life and geological formation of the reservoir);

operating risks, including equipment failures and the amounts and timing of revenues and expenses;

financial market conditions and the results of financing efforts;

the impact of fluctuations in oil and natural gas prices and renewable power market penetration on the energy price component under certain of our power purchase agreements (“PPAs”);

risks and uncertainties with respect to our ability to implement strategic goals or initiatives in segments of the clean energy industry or new or additional geographic focus areas;

environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorizations;

Table of Contents

construction or other project delays or cancellations;

political, legal, regulatory, governmental, administrative and economic conditions and developments in the U.S. and other countries in which we operate and, in particular, the impact of recent and future federal, state and local regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, public policies and government incentives that support renewable energy and enhance the economic feasibility of our projects at the federal and state level in the U.S. and elsewhere, and carbon-related legislation;

the enforceability of long-term PPAs for our power plants;

contract counterparty risk;

weather and other natural phenomena including earthquakes, volcanic eruption, drought and other natural disasters;

changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;

current and future litigation;

our ability to successfully identify, integrate and complete acquisitions;

competition from other geothermal energy projects and new geothermal energy projects developed in the future, and from alternative electricity producing technologies;

market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;

the direct or indirect impact on our company's business of various forms of hostilities including the threat or occurrence of war, terrorist incidents or cyber-attacks or responses to such threatened or actual incidents or attacks, including the effect on the availability of and premiums on insurance;

our new strategic plan to expand our geographic markets, customer base and product and service offerings may not be implemented as currently planned or may not achieve our goals as and when implemented;

development and construction of solar photovoltaic ("Solar PV") and energy storage projects, if any, may not materialize as planned;

the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate;

the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2016 and any update contained herein and other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission (“SEC”); and

other uncertainties which are difficult to predict or beyond our control and the risk that we may incorrectly analyze these risks and forces or that the strategies we develop to address them may be unsuccessful.

Investors are cautioned that these forward-looking statements are inherently uncertain. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein. Other than as required by law, we undertake no obligation to update forward-looking statements even though our situation may change in the future. Given these risks and uncertainties, readers are cautioned not to place un-attributable reliance on such forward-looking statements.

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report and the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2016 and any updates contained herein as well as those set forth in our reports and other filings made with the SEC.

Table of Contents

General

Overview

We are a leading vertically integrated company that is currently primarily engaged in the geothermal and recovered energy power business. With the objective of becoming a leading global provider of renewable energy, we focus on several key initiatives under our new strategic plan, as described below.

We design, develop, build, sell, own, and operate clean, environmentally friendly geothermal and recovered energy-based power plants, usually using equipment that we design and manufacture.

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while we have built all of our recovered energy-based plants. We currently conduct our business activities in two business segments:

The Electricity segment — in this segment, we develop, build, own and operate geothermal and recovered energy-based power plants in the U.S. and geothermal power plants in other countries around the world, and sell the electricity they generate; in this segment, we also provide related services and derive revenues from activity in the demand response and storage markets as described below; and

The Product segment — in this segment we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation, and remote power units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy-based power plants and in the future, other power generating units such as Solar PV and energy storage.

We recently expanded our operations to include the provision of services in the demand response, energy management and energy storage markets. On March 15, 2017, we completed the acquisition of substantially all of the business and assets of Viridity Energy, Inc. (“VEI”), a Philadelphia-based company with nearly a decade of expertise and leadership in demand response, energy management and storage. The acquired business and assets are owned and operated by our wholly owned subsidiary Viridity Energy Solutions Inc. (“Viridity”). The acquisition enabled us to enter the growing energy storage and demand response markets. We intend to use Viridity to accelerate long-term growth, expand our market presence, and further develop our demand response VPower™ software platform and energy storage services. We plan to continue to provide services and products to existing customers of the acquired business, while expanding into new geographies and targeting a broader potential customer base.

Both our Electricity segment and Product segment operations are conducted in the U.S. and the rest of the world. Our current generating portfolio includes geothermal power plants in the U.S., Guatemala, Kenya, Guadeloupe and Indonesia, as well as recovered energy generation power plants in the U.S.

For the six months ended June 30, 2017, our total revenues increased by 18.6% (from \$311.5 million to \$369.3 million) over the corresponding period in 2016.

For the six months ended June 30, 2017, Electricity segment revenues were \$227.6 million, compared to \$211.9 million for the six months ended June 30, 2016, an increase of 7.4% from the prior year period. Product segment revenues for the six months ended June 30, 2017 were \$141.7 million, compared to \$99.6 million during the six months ended June 30, 2016, an increase of 42.3% from the prior year period.

During the six months ended June 30, 2017 and 2016, our consolidated power plants generated 2,759,218 megawatt hours (“MWh”) and 2,698,265 MWh, respectively, an increase of 2.3%.

For the six months ended June 30, 2017, our Electricity segment generated approximately 61.6% of our total revenues, while our Product segment generated approximately 38.4% of our total revenues. For the six months ended June 30, 2016, our Electricity segment generated approximately 68.0% of our total revenues, while our Product segment generated approximately 32.0% of our total revenues.

Table of Contents

For the six months ended June 30, 2017, approximately 85.7% of our Electricity segment revenues were derived from PPAs with fixed energy rates which are not affected by fluctuations in energy commodity prices. We have variable price PPAs in California and Hawaii, which provide for payments based on the local utilities' avoided cost, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others, as follows:

the energy rates under the PPAs in California for each of the Ormesa complex, Heber 2 power plant in the Heber complex and the G2 power plant in the Mammoth complex, a total of approximately 90 MW, change primarily based on fluctuations in natural gas prices; and

the prices paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii change primarily attributable to variations in the price of oil as well as other commodities.

We recently reduced our economic exposure to fluctuations in the price of oil and natural gas from February 2017 until December 2017, and before that we reduced our economic exposure to fluctuations in the price of natural gas from March 31, 2015 and from June 1, 2015 until December 31, 2015 and from February 3, 2016 until December 29, 2016 by entering into derivatives transactions. For the six months ended June 30, 2017, we recorded a net loss of \$0.2 million under Derivatives and foreign currency transaction gains.

To comply with obligations under their respective PPAs, certain of our project subsidiaries are structured as special purpose, bankruptcy remote entities and their assets and liabilities are ring-fenced. Such assets are not generally available to pay our debt, other than debt at the respective project subsidiary level. However, these project subsidiaries are allowed to pay dividends and make distributions of cash flows generated by their assets to us, subject in some cases to restrictions in debt instruments, as described below.

Electricity segment revenues are also subject to seasonal variations and can be affected by higher-than-average ambient temperatures, as described below under "Seasonality".

Revenues attributable to our Product segment are based on the sale of equipment, engineering, procurement and construction ("EPC") contracts and the provision of various services to our customers. Product segment revenues may vary from period to period because of the timing of our receipt of purchase orders and the progress of our equipment manufacturing and execution of the relevant project.

Our management assesses the performance of our two operating segments differently. In the case of our Electricity segment, when making decisions about potential acquisitions or the development of new projects, management typically focuses on the internal rate of return of the relevant investment, technical and geological matters and other

business considerations. Management evaluates our operating power plants based on revenues, expenses, and EBITDA, and our projects that are under development based on costs attributable to each such project. Management evaluates the performance of our Product segment based on the timely delivery of our products, performance quality of our products, revenues and costs actually incurred to complete customer orders compared to the costs originally budgeted for such orders.

Recent Developments

The most significant developments in our company and business since January 1, 2017 are described below:

On June 1, 2017, we announced that Southern California Public Power Authority (“SCPPA”) received the final necessary approval from the City of Los Angeles, enabling SCPPA to execute the power purchase agreement, dated as of October 20, 2016 (the “Portfolio PPA”), between ONGP LLC, our wholly owned subsidiary, and SCPPA. Under the Portfolio PPA, SCPPA will purchase 150 MW of power generated by a portfolio of our new and existing geothermal power plants. SCPPA will resell all power purchased under the Portfolio PPA to the Los Angeles Department of Water and Power. Energy deliveries under the Portfolio PPA are expected to start in the fourth quarter of 2017 and the entire portfolio of geothermal power plants is expected to be on line by the end of 2022. The Portfolio PPA contract capacity is 150 MW, with a minimum delivery requirement of 135 MW and a permitted maximum delivery of 185 MW. The Portfolio PPA is for a term of approximately 26 years, expiring in December 31, 2043, and has a fixed price of \$75.50 per MWh.

Table of Contents

The Portfolio PPA covers nine primary geothermal power plants, including new projects currently under construction or development by us, as well as existing geothermal power plants that will commence energy deliveries to SCPPA once their current PPAs terminate. The Portfolio PPA also covers sixteen secondary facilities that could be used to replace or supplement the primary facilities.

On July 26, 2017, we announced that ORIX Corporation (“ORIX”) closed its acquisition of approximately 11 million shares of our common stock, representing an approximately 22% ownership stake in the Company, from FIMI ENRG Limited Partnership, FIMI ENRG, L.P., Bronicki Investments, Ltd. and certain senior members of our management team pursuant to a stock purchase agreement entered into by ORIX and the selling stockholders on May 4, 2017. In connection with the acquisition, on May 4, 2017, we entered into certain related agreements with ORIX, including a Governance Agreement, a Commercial Cooperation Agreement and a Registration Rights Agreement, following the unanimous recommendation of a Special Committee of the Board that was formed to evaluate and negotiate the stockholder arrangements proposed by ORIX, and following unanimous approval by the Board. The closing of the transactions contemplated by the related agreements between ORIX and the Company also occurred on July 26, 2017.

Under the Governance Agreement, ORIX has the right to designate three persons to the Board, which was expanded to nine directors, and also propose a fourth person to be mutually agreed by the Company and ORIX to serve as a new independent director on the Board. In addition, for so long as ORIX is entitled to board representation pursuant to the Governance Agreement, ORIX will be subject to certain customary standstill restrictions, including an effective 25% cap on its voting rights. Pursuant to the Registration Rights Agreement, ORIX also has certain customary registration rights with respect to the shares of our common stock that it owns.

Under the Commercial Cooperation Agreement, the Company has exclusive rights to develop, own, operate and provide equipment for ORIX geothermal energy projects in all markets outside of Japan. In addition, the Company has certain rights to serve as technical partner and co-invest in ORIX geothermal energy projects in Japan. ORIX will also assist the Company in obtaining project financing for its geothermal energy projects from a variety of leading providers of renewable energy debt financing with which ORIX has relationships in Asia and around the world.

On March 15, 2017, we announced that we completed the acquisition of substantially all of the business and assets of VEI, a Philadelphia-based company with nearly a decade of expertise and leadership in demand response, energy management and storage. Pursuant to the Asset Purchase Agreement dated as of December 29, 2016, Viridity paid initial consideration of \$35.3 million at closing. Additional contingent consideration will be payable in two installments upon the achievement of certain performance milestones measured at the end of fiscal years 2017 and 2020. The acquired business and assets are owned and operated by Viridity. This transaction marks our entry into the growing energy storage and demand response markets, with an established North American presence.

On March 21, 2017, we announced that the first phase of the Sarulla geothermal power plant, one of the world’s largest geothermal power plants, located in Indonesia’s North Sumatra, commenced commercial operation. The approximately 110 MW power plant, which combines flash and binary technologies to provide a high efficiency power plant and 100% reinjection of the exploited geothermal fluid, is operated by Sarulla Operations Ltd. We

provided the conceptual design of the geothermal combined cycle unit power plant and supplied our Ormat Energy Converters (“OECs”), while Toshiba supplied the geothermal steam turbines and generators for the flash systems.

In February 2017, we began construction to expand the Olkaria III complex in Kenya by an additional 10 MW and increase the complex’s generating capacity to up to 150 MW during 2018.

Trends and Uncertainties

Different trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee. However, we believe that our results of operations and financial condition for the foreseeable future will be primarily affected by the following trends, factors and uncertainties that are from time to time also subject to market cycles:

There has been increased demand for energy generated from geothermal and other renewable resources in the U.S. as costs for electricity generated from renewable resources have become more competitive. Much of this is attributable to legislative and regulatory requirements and incentives, such as state renewable portfolio standard (“RPS”) and federal tax credits such as production tax credits (“PTCs”) or investment tax credits (“ITCs”) (which are discussed in more detail in the section entitled “Government Grants and Tax Benefits” below). We believe that future demand for energy generated from geothermal and other renewable resources in the U.S. will be driven primarily by further commitment and implementation of state RPS and greenhouse gas initiatives.

Table of Contents

We accelerated our efforts to expand business development activities in developing countries where geothermal is considered a local resource that can provide a stable and cost effective solution to increase access to power. We expect that a variety of local governmental initiatives will create new opportunities for the development of new projects, as well as create additional markets for our products. These initiatives include the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products and the adoption of programs designed to encourage “clean” renewable and sustainable energy sources.

We expect to continue to generate the majority of our revenues from our Electricity segment through the sale of electricity from our power plants. All of our current revenues from the sale of electricity are derived from payments under long-term PPAs related to fully-contracted power plants. We also intend to continue to pursue opportunities, as they arise in our recovered energy business, in the Solar PV sector, in the energy storage market and in other forms of clean energy. In addition, pursuant to our strategic plan, we acquired a business that operates in the demand response and energy storage markets and that generates revenues primarily from software license fees and the provisions of services. We are also pursuing PPAs with enterprises that will increase our potential customer base.

We have adopted a new strategic plan for the growth of our Company, in terms of geographic scope, customer base, and technology platforms covered by our product and service offerings, with a focus on increasing net income from operations. Under this plan, we will continue to focus on organic growth and increasing operational efficiency of our existing business lines. In addition, we are actively pursuing acquisition opportunities, both in our existing business lines and the solar power generation and energy storage businesses targeted as part of the plan. Recent acquisitions include our acquisition of the Bouillante geothermal power plant on Guadeloupe Island and our recent acquisition of substantially all of the business and assets of VEI, which we have begun to operate in the demand response and storage markets. We will face a number of challenges and uncertainties in implementing this plan, including integration of recently acquired assets, and we may revise elements of the plan in response to market conditions or other factors as we move forward with the plan.

In the Electricity segment, we expect intense domestic competition from the solar and wind power generation industries to continue and increase. While we believe the expected demand for renewable energy will be large enough to accommodate increased competition, any such increase in competition, including increasing amounts of renewable energy under contract as well as any further decline in natural gas prices attributable to increased production which can affect the market price for electricity may contribute to a reduction in electricity prices. However, despite increased competition from the solar and wind power generation industries, we believe that base load electricity, such as geothermal-based energy, will continue to be an important source of renewable energy in areas with commercially viable geothermal resources. Also, we believe that geothermal power plants can positively impact electrical grid stability and provide valuable ancillary services because of their base load nature. In the geothermal industry, attributable to reduced competition for geothermal leases, we have experienced a decrease in the upfront fee required to secure geothermal leases.

In the Product segment, we have experienced increased competition from binary power plant equipment suppliers including the major steam turbine manufacturers. While we believe that we have a distinct competitive advantage based on our accumulated experience and current worldwide share of installed binary generation capacity, an increase in competition may impact our ability to secure new purchase orders from potential customers. The increased competition may also lead to further reduction in the prices that we are able to charge for our binary

equipment, which in turn may reduce our profitability.

The 38 MW Puna complex has three PPAs, one of which (the 25 MW PPA) has a monthly variable energy rate based on the local utility's avoided costs. A decrease in the price of oil as well as in other commodities will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from oil, which will result in a reduction of the energy rate that we may charge under this PPA. In order to reduce our exposure to oil we signed fixed rate PPAs for the remaining 13 MW.

Table of Contents

The pricing under our PPAs for the Ormesa, Mammoth and Heber complexes for a total of 161 MW were variable rate based on short run avoided cost (“SRAC”) pricing that is impacted by natural gas prices. However, in 2013 and December 2015, we signed new fixed rate PPAs that reduced our current exposure to SRAC by 18 MW and 53 MW, respectively. We also recently signed a fixed rate PPA that will reduce our exposure in November 2017 by an additional 40 MW. In addition, to further reduce our exposure to natural gas prices, we enter, from time to time, into derivative transactions. In February 2016, we sold call options for total proceeds of \$1.9 million at a fixed price of \$2.00 per million British Thermal Units (MMBtu) to reduce our exposure to SRAC in the period from February 3, 2016 until December 29, 2016. In January 2017 we acquired put options at a strike price of \$3 to hedge our exposure to decreasing natural gas prices to below \$3 per MMBtu.

The amounts that we are paid under our PPAs for electricity, capacity and other energy attributes vary for a number of reasons, including:

market conditions when the PPA is signed;

the competitive environment in the power market where the power plant is located and the power and other energy attributes are sold; and

in the case of contracts described in the prior bullets with variable pricing components, current oil and natural gas prices.

This means, among other things, that the average price per MWh, which is one of the metrics some investors may use to evaluate power plant revenues is an average price per MWh that can fluctuate from period to period. Based on total Electricity segment revenues, we earned, on average, \$83.9 and \$80.0 per MWh in the three months ended June 30, 2017 and 2016, respectively. Oil and natural gas prices, together with other factors that affect our Electricity segment revenues, could cause changes in our average rate per MWh in the future.

The viability of a geothermal resource depends on various factors such as the resource temperature, the permeability of the resource (i.e., the ability to get geothermal fluids to the surface) and operational factors relating to the extraction and injection of the geothermal fluids. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties that we face in connection with our growth expectations.

As our power plants (including their respective well fields) age, they may require increased maintenance with a resulting decrease in their availability, potentially leading to the imposition of penalties if we are not able to meet the requirements under our PPAs as a result of any decrease in availability.

Our foreign operations are subject to significant political, economic and financial risks which vary by country as well as hostilities that may arise in the countries we operate. As of the date of this report, those risks include security conditions in Israel, the partial privatization of the electricity sector in Guatemala and the political uncertainty

currently prevailing in some of the countries in which we operate as further described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2016. Although we maintain among other things political risk insurance for most of our investments in foreign power plants to mitigate these risks, insurance does not provide complete coverage with respect to all such risks.

The 330 MW Sarulla project was released for construction, and we began to recognize our first Product segment revenues under the supply contract we signed with the EPC contractor in the quarter ended September 30, 2014. In addition, attributable to the recent commencement of operation of the first phase of the project, we expect to generate income from our 12.75% equity investment in the Sarulla consortium. The Sarulla project’s future operations may be impacted by the status of development, various factors which we do not control given our minority position in the consortium, as well as other factors described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2016.

While we do not see any immediate impact from the failed coup in Turkey and the recent vote for the constitutional amendment bill on our business and operations, we are monitoring any change in the political environment that may affect our future business and operations in the country. As a major equipment supplier in the Turkish geothermal market we are involved in a number of projects that are currently under construction and plan to continue our marketing efforts to secure new contracts. Our revenue exposure to the Turkish market is increasing and we expect higher exposure in 2017, as we signed significant number of new contracts in Turkey.

Table of Contents

A Turkish sub-contractor provides us with certain local equipment for renewable energy based generating facilities to help us meet our obligations under certain supply agreements in Turkey. The use of local equipment in renewable energy based generating facilities in Turkey entitles such facilities to certain benefits under Turkish law, provided such facilities have obtained a renewable energy resource (RER) certificate from the Energy Market Regulatory Authority (EMRA), which requires the issuance of a local certificate. If we do not obtain the local certificate, then some of our customers under the relevant supply agreements in Turkey may not be issued a RER Certificate based on the equipment we supply to them, and we will be required to make a payment to such customers equal to the amount of the expected lost benefit.

The Federal Energy Regulatory Commission (FERC) is allowed under the Public Utility Regulatory Policies Act, as amended (PURPA) to terminate, upon the request of a utility, the obligation of the utility to purchase the output of a Qualifying Facility if FERC finds that there is an accessible competitive market for energy and capacity from the Qualifying Facility. FERC has granted the California investor owned utilities a waiver of the mandatory purchase obligations from Qualifying Facilities above 20 MW. If the utilities in the regions in which our domestic power plants operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from us upon termination of the existing PPA, which could have an adverse effect on our revenues.

The Trump Administration has expressed skepticism regarding climate change. The final outcome of this Administration's policies and efforts regarding climate change and resulting effects to the geothermal industry remain uncertain.

Revenues

We generate our revenues from the sale of electricity from our geothermal and recovered energy-based power plants; the design, manufacture and sale of equipment for electricity generation; and the construction, installation and engineering of power plant equipment.

Revenues attributable to our Electricity segment are derived from the sale of electricity from our power plants pursuant to long-term PPAs. While approximately 85.7% of our Electricity revenues for the six months ended June 30, 2017 were derived from PPAs with fixed price components, we have variable price PPAs in California and Hawaii. Our SO#4 PPAs totaling approximately 90 MWs in California are subject to the impact of fluctuations in natural gas prices whereas the prices paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii is impacted by the price of oil as well as other commodities. Accordingly, our revenues from those power plants may fluctuate.

Our Electricity segment revenues are also subject to seasonal variations, as more fully described in "Seasonality" below.

Our PPAs generally provide for energy payments alone, or energy and capacity payments. Generally, capacity payments are payments calculated based on the amount of time that our power plants are available to generate electricity. Some of our PPAs provide for bonus payments in the event that we are able to exceed certain target capacity levels and the potential forfeiture of payments if we fail to meet certain minimum target capacity levels. Energy payments, on the other hand, are payments calculated based on the amount of electrical energy delivered to the relevant power purchaser at a designated delivery point. The rates applicable to such payments are either fixed (subject, in certain cases, to certain adjustments) or are based on the relevant power purchaser's avoided costs. Our more recent PPAs generally provide for energy payments alone with an obligation to compensate the off-taker for its incremental costs as a result of shortfalls in our supply.

Revenues attributable to our Product segment fluctuate between periods, primarily based on our ability to receive customer orders, the status and timing of such orders, delivery of raw materials and the completion of manufacturing. Larger customer orders for our products are typically the result of our sales efforts, our participation in, and winning of, tenders or requests for proposals issued by potential customers in connection with projects they are developing as well as returning customers. Such projects often take a significant amount of time to design and develop and are subject to various contingencies, such as the customer's ability to raise the necessary financing for a project. Consequently, we are generally unable to predict the timing of such orders for our products and may not be able to replace existing orders that we have completed with new ones. As a result, revenues from our Product segment fluctuate (sometimes, extensively) from period to period.

Table of Contents

The following table sets forth a breakdown of our revenues for the periods indicated:

	Revenue (dollars in thousands)				% of Revenue for Period Indicated			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenues:								
Electricity	\$ 111,777	\$ 104,001	\$ 227,553	\$ 211,869	62.3 %	65.1 %	61.6 %	68.0 %
Product	67,587	55,860	141,709	99,586	37.7	34.9	38.4	32.0
Total	\$ 179,364	\$ 159,861	\$ 369,262	\$ 311,455	100 %	100 %	100 %	100 %

The following table sets forth the geographic breakdown of the revenues attributable to our Electricity and Product segments for the periods indicated:

	Revenue (dollars in thousands)				% of Revenue for Period Indicated			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2017	2016	2017	2016	2017	2016	2017	2016
Electricity Segment:								
United States	\$ 71,930	\$ 69,037	\$ 147,826	\$ 142,845	64.4 %	66.4 %	65.0 %	67.4 %
Foreign	39,847	34,964	79,727	69,024	35.6	33.6	35.0	32.6
Total	\$ 111,777	\$ 104,001	\$ 227,553	\$ 211,869	100 %	100 %	100 %	100 %
Product Segment:								
United States	\$—	\$ 1,858	\$ 675	\$ 6,373	0.0 %	3.3 %	0.5 %	6.4 %
Foreign	67,587	54,002	141,034	93,213	100.0	96.7	99.5	93.6
Total	\$ 67,587	\$ 55,860	\$ 141,709	\$ 99,586	100 %	100 %	100 %	100 %

The contribution of our domestic and foreign operations within our Electricity segment and Product segment to combined pre-tax income differ in a number of ways.

Electricity Segment. Our Electricity segment domestic revenues were approximately 85% and 107% higher than our Electricity segment foreign revenues for the six months ended June 30, 2017 and 2016, respectively, and

approximately 81% and 97% higher for the three months ended June 30, 2017 and 2016, respectively. However, domestic operations in our Electricity segment have higher costs of revenues and expenses than the foreign operations in our Electricity segment. Our foreign power plants are located in lower-cost regions, like Kenya, Guatemala and Guadeloupe, which favorably impact payroll and maintenance expenses among other items. They are also newer than most of our domestic power plants and therefore tend to have lower maintenance costs and higher availability factors than our domestic power plants.

Product Segment. Our Product segment foreign revenues were more than 90% of our total Product segment revenues for the three and six months ended six months ended June 30, 2017 and 2016. Our Product segment foreign activity also benefits from lower costs of revenues and expenses than Product segment domestic activity such as labor and transportation costs. Accordingly, our Product segment foreign activity contributes more than our Product segment domestic activity to our pre-tax income from operations.

Relative Contributions. While our combined (domestic and foreign) Electricity segment revenues exceeded our combined Product segment revenues by approximately \$86 million and \$112 million, respectively, for the six months ended June 30, 2017 and 2016 and by approximately \$44 million and \$48 million for the three months ended June 30, 2017 and 2016, respectively, (primarily foreign) Product segment revenues resulted in higher pre-tax income from foreign operations for both of those periods.

Table of Contents

Seasonality

The prices paid for the electricity generated by some of our domestic power plants pursuant to our PPAs are subject to seasonal variations. The prices (primarily for capacity) paid for electricity under the PPAs with Southern California Edison and Pacific Gas & Electric in California for the Heber 2 power plant in the Heber complex, the Mammoth complex, the Ormesa complex, and the North Brawley power plant are higher in the months of June through September. As a result, we receive, and expect to continue to receive in the future, higher revenues from these power plants and complexes during such months. In the winter, our power plants produce more energy primarily attributable to the lower ambient temperature, which has a favorable impact on the energy component of our Electricity revenues. The higher payments payable by Southern California Edison and Pacific Gas & Electric Company in the summer months offset the negative impact on our revenues from lower generation in the summer attributable to the higher ambient temperature.

Breakdown of Cost of Revenues

Electricity Segment

The principal cost of revenues attributable to our operating power plants includes operation and maintenance expenses comprised of salaries and related employee benefits, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes, insurance and, for some of our projects, purchases of make-up water for use in our cooling towers and also depreciation and amortization. In our California power plants, our principal cost of revenues also includes transmission charges and scheduling charges. In some of our Nevada power plants, we also incur transmission and wheeling charges. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis. This results in fluctuations in our expenses and our results of operations for individual power plants from quarter to quarter. Payments made to government agencies and private entities on account of site leases where plants are located are included in cost of revenues. Royalty payments, included in cost of revenues, are made as compensation for the right to use certain geothermal resources and are paid as a percentage of the revenues derived from the associated geothermal rights. Royalties constituted approximately 3.9% of Electricity segment revenues for both the six months ended June 30, 2017 and June 30, 2016, respectively, and approximately 4.0% and 3.7% of Electricity segment revenues for the three months ended June 30, 2017 and June 30, 2016, respectively.

Product Segment

The principal cost of revenues attributable to our Product segment includes materials, salaries and related employee benefits, expenses related to subcontracting activities, and transportation expenses. Sales commissions to sales

representatives are included in selling and marketing expenses. Some of the principal expenses attributable to our Product segment, such as a portion of the costs related to labor, utilities and other support services are fixed, while others, such as materials, construction, transportation and sales commissions, are variable and may fluctuate significantly depending on market conditions. As a result, the cost of revenues attributable to our Product segment, expressed as a percentage of total revenues, fluctuates. Another reason for such fluctuation is that in responding to bids for our products, we price our products and services in relation to existing competition and other prevailing market conditions, which may vary substantially from order to order.

Cash and Cash Equivalents

Our cash and cash equivalents decreased to \$118.4 million as of June 30, 2017 from \$230.2 million as of December 31, 2016. This decrease was primarily attributable to: (i) our use of \$116.0 million to fund capital expenditures (ii) \$35.3 million net cash paid for the acquisition of substantially all the business and assets of VEI; (iii) a net change in restricted cash and cash equivalents of \$15.2 million; (iv) an investment in unconsolidated company of \$27.4 million; (v) net repayment of \$33.2 million of long-term debt; (vi) \$14.6 million cash paid to non-controlling interests; and (vii) a \$12.4 million cash dividend paid. This decrease was partially offset by: (i) \$114.2 million derived from operating activities during the six months ended June 30, 2017; and (ii) net proceeds of \$30.0 million from our revolving credit lines with commercial banks. Our corporate borrowing capacity under committed lines of credit with different commercial banks as of June 30, 2017 was \$468.0 million, as described below under “Liquidity and Capital Resources”. As of June 30, 2017, we have utilized \$334.8 million of our corporate borrowing capacity.

Table of Contents

Critical Accounting Estimates and Assumptions

A comprehensive discussion of our critical accounting estimates and assumptions is included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in our Annual Report on Form 10-K for the year ended December 31, 2016.

New Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements set forth in Item 1 of this quarterly report for information regarding new accounting pronouncements.

Results of Operations

The following table sets forth our historical operating results for the periods ended and at the dates indicated. We have derived the financial data for the three and six-months ended June 30, 2017 and 2016 from our unaudited condensed consolidated financial statements set forth in Part I, Item 1 of this quarterly report. Such unaudited condensed consolidated financial data reflects the correction of certain prior period errors related to income taxes, as more fully described in Note 1 to our unaudited condensed consolidated financial statements, which resulted in the restatement and revision of our financial statements as described therein.

Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different periods described below may be of limited utility primarily as a result of (i) our recent construction or disposition of new power plants and enhancement of acquired power plants; and (ii) fluctuation in revenues from our Product segment.

	Three Months Ended		Six Months Ended
	June 30, 2017		June 30, 2017
	(As restated)	2016	(As restated)
			2016

	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
Statements of Operations Historical Data:				
Revenues:				
Electricity	\$ 111,777	\$ 104,001	\$ 227,553	\$ 211,869
Product	67,587	55,860	141,709	99,586
	179,364	159,861	369,262	311,455
Cost of revenues:				
Electricity	65,439	62,243	131,475	125,929
Product	43,432	31,822	92,884	55,857
	108,871	94,065	224,359	181,786
Gross profit				
Electricity	46,338	41,758	96,078	85,940
Product	24,155	24,038	48,825	43,729
	70,493	65,796	144,903	129,669
Operating expenses:				
Research and development expenses	1,050	595	1,652	944
Selling and marketing expenses	4,090	3,668	8,453	7,343
General and administrative expenses	12,201	8,783	22,150	17,532
Write-off of unsuccessful exploration activities	—	863	—	1,420
Operating income	53,152	51,887	112,648	102,430
Other income (expense):				
Interest income	362	245	606	565
Interest expense, net	(14,540)	(18,401)	(29,463)	(34,424)
Derivatives and foreign currency transaction gains (losses)	1,703	(4,332)	3,041	(2,370)
Income attributable to sale of tax benefits	4,356	4,519	10,513	8,917
Other non-operating income (expense), net	6	49	(86)	240
Income from continuing operations before income taxes and equity in losses of investees	45,039	33,967	97,259	75,358
Income tax provision	(32,765)	(8,515)	(43,769)	(17,594)
Equity in losses of investees, net	(428)	(1,144)	(2,027)	(2,081)
Net income	11,846	24,308	51,463	55,683
Net income attributable to noncontrolling interest	(3,206)	(584)	(7,629)	(2,258)
Net income attributable to the Company's stockholders	\$ 8,640	\$ 23,724	\$ 43,834	\$ 53,425
Earnings per share attributable to the Company's stockholders:				
Basic:				
Net income	\$ 0.17	\$ 0.48	\$ 0.88	\$ 1.08
Diluted:				
Net income	\$ 0.17	\$ 0.47	\$ 0.87	\$ 1.07
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:				
Basic	49,771	49,456	49,726	49,314
Diluted	50,624	50,137	50,559	49,977

Table of Contents

	Three Months Ended		Six Months Ended	
	June 30, 2017		June 30, 2017	
	2016		2016	
	(As restated)		(As restated)	
Statements of Operations Data:				
Revenues:				
Electricity	62.3 %	65.1 %	61.6 %	68.0 %
Product	37.7	34.9	38.4	32.0
	100.0	100.0	100.0	100.0
Cost of revenues:				
Electricity	58.5	59.8	57.8	59.4
Product	64.3	57.0	65.5	56.1
	60.7	58.8	60.8	58.4
Gross profit				
Electricity	41.5	40.2	42.2	40.6
Product	35.7	43.0	34.5	43.9
	39.3	41.2	39.2	41.6
Operating expenses:				
Research and development expenses	0.6	0.4	0.4	0.3
Selling and marketing expenses	2.3	2.3	2.3	2.4
General and administrative expenses	6.8	5.5	6.0	5.6
Write-off of unsuccessful exploration activities	0.0	0.5	0.0	0.5
Operating income	29.6	32.5	30.5	32.9
Other income (expense):				
Interest income	0.2	0.2	0.2	0.2
Interest expense, net	(8.1)	(11.5)	(8.0)	(11.1)
Derivatives and foreign currency transaction gains (losses)	0.9	(2.7)	0.8	(0.8)
Income attributable to sale of tax benefits	2.4	2.8	2.8	2.9
Other non-operating income (expense), net	0.0	0.0	(0.0)	0.1
Income from continuing operations before income taxes and equity in losses of investees	25.1	21.2	26.3	24.2
Income tax provision	(18.3)	(5.3)	(11.9)	(5.6)
Equity in losses of investees, net	(0.2)	(0.7)	(0.5)	(0.7)
Net income	6.6	15.2	13.9	17.9
Net income attributable to noncontrolling interest	(1.8)	(0.4)	(2.1)	(0.7)
Net income attributable to the Company's stockholders	4.8 %	14.8 %	11.9 %	17.2 %

*Comparison of the Three Months Ended June 30, 2017 and the Three Months Ended June 30, 2016***Total Revenues**

Total revenues for the three months ended June 30, 2017 were \$179.4 million, compared to \$159.9 million for the three months ended June 30, 2016, which represented a 12.2% increase from the prior year period. This increase was attributable to both our Electricity and Product segments, in which revenues increased by 7.5% and 21.0%, respectively, compared to the corresponding period in 2016.

Table of Contents

Electricity Segment

Revenues attributable to our Electricity segment for the three months ended June 30, 2017 were \$111.8 million, compared to \$104.0 million for the three months ended June 30, 2016, representing a 7.5% increase from the prior period. This increase was primarily attributable to: (i) the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, with revenues of \$5.0 million for the three months ended June 30, 2017; and (ii) an increase in generation at our Puna power plant attributable to the successful improvement of the resource performance.

Power generation in our power plants increased by 2.4% from 1,300,318 MWh in the three months ended June 30, 2016 to 1,331,514 MWh in the three months ended June 30, 2017 primarily because of the increase in generation at our Puna power plant attributable to higher performance and the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, as discussed above.

Product Segment

Revenues attributable to our Product segment for the three months ended June 30, 2017 were \$67.6 million, compared to \$55.9 million for the three months ended June 30, 2016, which represented a 21.0% increase. The increase in our Product segment revenues was primarily attributable to revenue recognition of \$46 million in the second quarter 2017 for projects in Turkey that started this year, partially offset by other projects in Turkey, which were completed during 2016. The increase was also partially offset by a decrease in revenues from our geothermal project in Chile which is close to completion, and attributable to timing of revenue recognition and a different product mix.

Total Cost of Revenues

Total cost of revenues for the three months ended June 30, 2017 was \$108.9 million, compared to \$94.1 million for the three months ended June 30, 2016, which represented a 15.7% increase. This increase was attributable to an increase in cost of revenues from both our Electricity and Product segments. As a percentage of total revenues, our total cost of revenues for the three months ended June 30, 2017 increased to 60.7% from 58.8% for the three months ended June 30, 2016. This increase was attributable to an increase in cost of revenues as a percentage of total revenues in our Product segment.

Electricity Segment

Total cost of revenues attributable to our Electricity segment for the three months ended June 30, 2017 was \$65.4 million, compared to \$62.2 million for the three months ended June 30, 2016. This slight increase was primarily attributable to additional cost of revenues from the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016. As a percentage of total Electricity revenues, our total cost of revenues attributable to our Electricity segment for the three months ended June 30, 2017 was 58.5%, compared to 59.8% for the three months ended June 30, 2016. This decrease was primarily attributable to higher efficiency in some of our operating power plants.

Product Segment

Total cost of revenues attributable to our Product segment for the three months ended June 30, 2017 was \$43.4 million, compared to \$31.8 million for the three months ended June 30, 2016, which represented a 36.5% increase. This increase was primarily attributable to the increase in Product segment revenues, as discussed above. As a percentage of total Product segment revenues, our total cost of revenues attributable to our Product segment for the three months ended June 30, 2017 was 64.3%, compared to 57.0% for the three months ended June 30, 2016. This increase was primarily attributable to additional costs associated with our project in Chile, as well as a different product mix and different margins in the various sales contracts we entered into for the Product segment during these periods.

Research and Development Expenses, Net

Research and development expenses for the three months ended June 30, 2017 were \$1.1 million, compared to \$0.6 million for the three months ended June 30, 2016.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended June 30, 2017 were \$4.1 million, compared to \$3.7 million for the three months ended June 30, 2016. Selling and marketing expenses for the three months ended June 30, 2017 and 2016 constituted 2.3% of total revenues for such periods.

Table of Contents

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2017 were \$12.2 million, compared to \$8.8 million for the three months ended June 30, 2016. The increase was primarily attributable to \$2.1 million charge for stock-based compensation expense associated with the acceleration of the vesting period of the stock options previously held by our CEO and CFO and exercised in connection with the ORIX transaction described above; and \$0.9 million costs associated with the ORIX transaction and our M&A activities. General and administrative expenses for the three months ended June 30, 2017, excluding the one-time charge of \$2.1 million described immediately above constituted 5.6% of total revenues for such period, compared to 5.6% for the three months ended June 30, 2016.

Operating Income

Operating income for the three months ended June 30, 2017 was \$53.2 million, compared to \$51.9 million for the three months ended June 30, 2016, which represented a 2.4% increase. The increase in operating income was primarily attributable to an increase in gross margin in our Electricity segment primarily attributable to an increase in Electricity segment revenues, partially offset by an increase in general and administrative expenses, in each case, as discussed above. Operating income attributable to our Electricity segment for the three months ended June 30, 2017 was \$36.1 million, compared to \$32.8 million for the three months ended June 30, 2016. Operating income attributable to our Product segment for the three months ended June 30, 2017 was \$17.0 million, compared to \$19.1 million for the three months ended June 30, 2016.

Interest Expense, Net

Interest expense, net for the three months ended June 30, 2017 was \$14.5 million, compared to \$18.4 million for the three months ended June 30, 2016. This decrease was primarily attributable to: (i) the repayment, in September 2016, of \$250 million of our senior unsecured bonds which bore interest at a fixed rate of 7% per annum, through the issuance of \$67 million and \$137 million, respectively, of two new series of senior unsecured bonds, which bear interest at an interest rate of 3.7% and 4.45%, respectively; (ii) lower interest expense as a result of principal payments of long term debt and revolving credit lines with banks; and (iii) a \$1.1 million decrease related to an increase in interest capitalized to projects, partially offset by the December 2016 issuance of senior secured notes issued by our subsidiary that owns the Don A. Campbell 1 power plant.

Derivatives and foreign Currency Transaction Gains

Derivatives and foreign currency transaction gains for the three months ended June 30, 2017 were \$1.7 million, compared to losses of \$4.3 million for the three months ended June 30, 2016. Derivatives and foreign currency transaction gains for the three months ended June 30, 2017 were primarily attributable to gains from foreign currency forward contracts which were not accounted for as hedge transactions. Derivatives and foreign currency transaction losses for the three months ended June 30, 2016 were primarily attributable to \$2.5 million in losses from future contracts entered into to reduce our economic exposure to fluctuations in prices of natural gas and oil under our SO#4 and Puna PPA's which were not accounted for as hedge transactions, and \$1.3 million in losses from foreign currency forward contracts which were not accounted for as hedge transactions.

Income Attributable to Sale of Tax Benefits

Income attributable to the sale of tax benefits to institutional equity investors (as described below under "OPC Transaction", "ORTP Transaction" and "Opal Transaction") for the three months ended June 30, 2017 was \$4.4 million, compared to \$4.5 million for the three months ended June 30, 2016. This income primarily represents the value of PTCs and taxable income or loss generated by Opal Geo (as defined below) and ORTP and allocated to the investors in the three months ended June 30, 2017 compared to the value of PTCs and taxable income or loss generated by ORTP and OPC and allocated to the investors in the three months ended June 30, 2016.

Income Taxes

Income tax provision for the three months ended June 30, 2017 was \$32.8 million, compared to \$8.5 million for the three months ended June 30, 2016. Our effective tax rate for the three months ended June 30, 2017 and June 30, 2016, was 72.7% and 25.1%, respectively. Our effective tax rate is primarily based upon the composition of our income in different countries and changes related to valuation allowances for certain countries. Our aggregate effective tax rate for the three months ended June 30, 2017 is higher than the 35% U.S. federal statutory tax rate due to: (i) withholding taxes related to the assertion change on the Company's permanent reinvestment of foreign unremitted earnings in Ormat Systems also as described above, (ii) a partial valuation allowance release against the Company's U.S. deferred tax assets (iii) lower tax rate in Israel of 16%, partially offset by a tax rate in Kenya of 37.5%; and (iv) a tax credit and tax exemption related to the Company's subsidiaries in Guatemala and Honduras.

Equity in losses of investees, net

Equity in losses of investees, net for the three months ended June 30, 2017 was \$0.4 million, compared to \$1.1 million for the three months ended June 30, 2016. Equity in losses of investees, net are derived from our 12.75% share in the losses of the Sarulla project and from profits elimination.

Table of Contents

Net Income

Net income for the three months ended June 30, 2017 was \$11.8 million, compared to \$24.3 million for the three months ended June 30, 2016, which represents a decrease of \$12.5 million. This decrease in net income was primarily attributable to an increase of \$6.0 million in derivatives and foreign currency transaction gains, a \$3.9 million decrease in interest expense, net, offset by an increase in income tax provision of \$24.3 million, all as discussed above.

Net Income attributable to the Company's Stockholders

Net income attributable to the Company's stockholders for the three months ended June 30, 2017 was \$8.6 million, compared to \$23.7 million for the three months ended June 30, 2016, which represents a decrease of \$15.1 million. This decrease in net income attributable to the Company's stockholders was primarily attributable to the decrease in net income of \$12.5 million as discussed above, and an increase of \$2.6 million in net income attributable to noncontrolling interests, primarily as a result of the closing of a follow-up sale of a 36.75% equity interest in the second phase of the Don A. Campbell power plant to Northleaf Geothermal Holdings, LLC ("Northleaf") in November 2016.

Comparison of the Six Months Ended June 30, 2017 and the Six Months Ended June 30, 2016

Total Revenues

Total revenues for the six months ended June 30, 2017 were \$369.3 million, compared to \$311.5 million for the six months ended June 30, 2016, which represented an 18.6% increase from the prior year period. This increase was attributable to both our Electricity and Product segments, in which revenues increased by 7.4% and 42.3%, respectively, compared to the corresponding period in 2016.

Electricity Segment

Revenues attributable to our Electricity segment for the six months ended June 30, 2017 were \$227.6 million, compared to \$211.9 million for the six months ended June 30, 2016, representing a 7.4% increase from the prior year period. This increase was primarily attributable to: (i) the consolidation of our Bouillante power plant in Guadeloupe,

effective July 5, 2016, with revenues of \$10.4 million for the six months ended June 30, 2017; and (ii) an increase in generation at our Puna power plant attributable to successful improvement of the resource performance.

Power generation in our power plants increased by 2.3% from 2,698,265 MWh in the six months ended June 30, 2016 to 2,759,218 MWh in the six months ended June 30, 2017 primarily because of to the increase in generation at our Puna power plant attributable to higher performance and the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016, as discussed above.

Product Segment

Revenues attributable to our Product segment for the six months ended June 30, 2017 were \$141.7 million, compared to \$99.6 million for the six months ended June 30, 2016, which represented a 42.3% increase. The increase in our Product segment revenues was primarily attributable to the start of revenue recognition from two new geothermal projects in New Zealand and China on which we started construction in the first quarter of 2017. We recognized approximately \$20.2 million and \$22.3 million in revenues, respectively, from these projects in the six months ended June 30, 2017. The total contract prices for the projects are \$37.5 million and \$23.3 million, respectively, and they are scheduled to be completed by the end of 2017, respectively. The increase in our Product segment revenues was also attributable to the start of approximately \$63.1 million in revenue recognition from our new projects in Turkey, partially offset by other projects in Turkey, which were completed in 2016. The increase was also partially offset by a decrease in revenues from our geothermal project in Chile which is close to completion, and because of the timing of revenue recognition and a different product mix.

Total Cost of Revenues

Total cost of revenues for the six months ended June 30, 2017 was \$224.4 million, compared to \$181.8 million for the six months ended June 30, 2016, which represented a 23.4% increase. This increase was attributable to an increase in cost of revenues from both our Electricity and Product segments. As a percentage of total revenues, our total cost of revenues for the six months ended June 30, 2017 increased to 60.8% from 58.4% for the six months ended June 30, 2016. This increase was attributable to an increase in cost of revenues as a percentage of total revenues in our Product segment.

Table of Contents

Electricity Segment

Total cost of revenues attributable to our Electricity segment for the six months ended June 30, 2017 was \$131.5 million, compared to \$125.9 million for the six months ended June 30, 2016. This slight increase was primarily attributable to additional cost of revenues from the consolidation of our Bouillante power plant in Guadeloupe, effective July 5, 2016. As a percentage of total Electricity revenues, our total cost of revenues attributable to our Electricity segment for the six months ended June 30, 2017 was 57.8%, compared to 59.4% for the six months ended June 30, 2016. This decrease was primarily attributable to higher efficiency in some of our operating power plants.

Product Segment

Total cost of revenues attributable to our Product segment for the six months ended June 30, 2017 was \$92.9 million, compared to \$55.9 million for the six months ended June 30, 2016, which represented a 66.3% increase. This increase was primarily attributable to the increase in Product segment revenues, as discussed above. As a percentage of total Product segment revenues, our total cost of revenues attributable to our Product segment for the six months ended June 30, 2017 was 65.5%, compared to 56.1% for the six months ended June 30, 2016. This increase was primarily attributable to additional costs associated with our project in Chile, as well as a different product mix and different margins in the various sales contracts we entered into for the Product segment during these periods.

Research and Development Expenses, Net

Research and development expenses for the six months ended June 30, 2017 were \$1.7 million, compared to \$0.9 million for the six months ended June 30, 2016.

Selling and Marketing Expenses

Selling and marketing expenses for the six months ended June 30, 2017 were \$8.5 million compared to \$7.3 million for the six months ended June 30, 2016. This increase was primarily attributable to an increase in sales commissions related to our Product segment. Selling and marketing expenses for the six months ended June 30, 2017 constituted 2.3% of total revenues for such period, compared to 2.4% for the six months ended June 30, 2016.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2017 were \$22.2 million, compared to \$17.5 million for the six months ended June 30, 2016. The increase was primarily attributable to \$2.1 million charge for stock-based compensation expense associated with the acceleration of the vesting period of the stock options previously held by our CEO and the CFO and exercised in connection with the ORIX acquisition of 22% shares of Ormat; and \$0.9 million costs associated with the ORIX transaction and our M&A activities. General and administrative expenses for the six months ended June 30, 2017, constituted 6.0% of total revenues for such period, compared to 5.6% for the six months ended June 30, 2016.

Operating Income

Operating income for the six months ended June 30, 2017 was \$112.6 million, compared to \$102.4 million for the six months ended June 30, 2016, which represented a 10.0% increase. The increase in operating income was primarily attributable to the increase in our gross margin in both our Electricity and Product segments primarily as a result of the increase in revenues, partially offset by the increase in general and administrative expenses, as discussed above. Operating income attributable to our Electricity segment for the six months ended June 30, 2017 was \$77.0 million, compared to \$67.6 million for the six months ended June 30, 2016. Operating income attributable to our Product segment for the six months ended June 30, 2017 was \$35.6 million, compared to \$34.8 million for the six months ended June 30, 2016.

Interest Expense, Net

Interest expense, net for the six months ended June 30, 2017 was \$29.5 million, compared to \$34.4 million for the six months ended June 30, 2016. This decrease was primarily attributable to: (i) the repayment, in September 2016, of \$250 million of our senior unsecured bonds which bore interest at a fixed rate of 7% per annum, through the issuance of \$67 million and \$137 million, respectively, of two new series of senior unsecured bonds, which bear interest at an interest rate of 3.7% and 4.45%, respectively; (ii) lower interest expense as a result of principal payments of long term debt and revolving credit lines with banks; and (iii) a \$2.0 million decrease related to an increase in interest capitalized to projects, partially offset by the December 2016 issuance of the senior secured notes issued by our subsidiary that owns our Don A. Campbell 1 power plant.

Table of Contents

Derivatives and foreign Currency Transaction gains

Derivatives and foreign currency transaction gains for the six months ended June 30, 2017 were \$3.0 million, compared to losses of \$2.4 million for the six months ended June 30, 2016. Derivatives and foreign currency transaction gains for the six months ended June 30, 2017 were primarily attributable to gains from foreign currency forward contracts which were not accounted for as hedge transactions. Derivatives and foreign currency transaction losses for the six months ended June 30, 2016 were primarily attributable to losses from futures contracts entered into to reduce our economic exposure to fluctuations in prices of natural gas and oil under our SO#4 and Puna PPA's which were not accounted for as hedge transactions.

Income Attributable to Sale of Tax Benefits

Income attributable to the sale of tax benefits to institutional equity investors (as described below under "OPC Transaction", "ORTP Transaction" and "Opal Transaction") for the six months ended June 30, 2017 was \$10.5 million, compared to \$8.9 million for the six months ended June 30, 2016. This income primarily represents the value of PTCs and taxable income or loss generated by Opal Geo (as defined below) and ORTP and allocated to the investors in the six months ended June 30, 2017 compared to the value of PTCs and taxable income or loss generated by ORTP and OPC and allocated to the investors in the six months ended June 30, 2016.

Income Taxes

Income tax provision for the six months ended June 30, 2017 was \$43.8 million, compared to \$17.6 million for the six months ended June 30, 2016. Our effective tax rate for the six months ended June 30, 2017 and June 30, 2016, was 45.0% and 23.3%, respectively. Our effective tax rate is primarily based upon the composition of our income in different countries and changes related to valuation allowances for certain countries. Our aggregate effective tax rate for the six months ended June 30, 2017 is higher than the 35% U.S. federal statutory tax rate due to: (i) withholding taxes related to the assertion change on the Company's permanent reinvestment of foreign unremitted earnings in Ormat Systems also as described above, (ii) a partial valuation allowance release against the Company's U.S. deferred tax assets (iii) lower tax rate in Israel of 16%, partially offset by a tax rate in Kenya of 37.5%; and (iv) a tax credit and tax exemption related to the Company's subsidiaries in Guatemala and Honduras.

Equity in losses of investees, net

Equity in losses of investees, net for the six months ended June 30, 2017 was \$2.0 million, compared to \$2.1 million for the six months ended June 30, 2016. Equity in losses of investees, net are derived from our 12.75% share in the losses of the Sarulla project and from profits elimination.

Net Income

Net income for the six months ended June 30, 2017 was \$51.5 million, compared to \$55.7 million for the six months ended June 30, 2016, which represents a decrease of \$4.2 million. This decrease in net income was primarily attributable to the increase in operating income of \$10.2 million, an increase of \$5.4 million in derivatives and foreign currency transaction gains, and a \$5.0 million decrease in interest expense, net, offset by an increase in income taxes of \$26.2 million, all as discussed above.

Net Income attributable to the Company's Stockholders

Net income attributable to the Company's stockholders for the six months ended June 30, 2017 was \$43.8 million, compared to \$53.4 million for the six months ended June 30, 2016, which represents a decrease of \$9.6 million. This decrease was primarily as a result of the decrease in net income of \$4.2 million as discussed above and an increase of \$5.4 million in net income attributable to noncontrolling interest primarily attributable to the closing of a follow-up sale of a 36.75% equity interest in the second phase of the Don A. Campbell power plant to Northleaf in November 2016.

Table of Contents

Liquidity and Capital Resources

Our principal sources of liquidity have been derived from cash flows from operations, proceeds from third party debt in the form of borrowings under credit facilities and private offerings, issuances of notes, project financings, tax monetization transactions, short term borrowing under our lines of credit, and sales of membership interests in one or more of our projects. We have utilized this cash to develop and construct power plants, fund our acquisitions, pay down existing outstanding indebtedness, and meet our other cash and liquidity needs.

As of June 30, 2017, we had access to (i) \$118.4 million in cash and cash equivalents of which \$106.4 million is held by our foreign subsidiaries; and (ii) \$119.8 million of unused corporate borrowing capacity under existing lines of credit with different commercial banks.

Our estimated capital needs for the remainder of 2017 include approximately \$139.0 million for capital expenditures on new projects under development or construction, exploration activity, and operating projects, as well as \$32.8 million for debt repayment.

We expect to finance these requirements with: (i) the sources of liquidity described above; (ii) positive cash flows from our operations; and (iii) future project financings and refinancings (including construction loans). Management believes that, based on the current stage of implementation of the new strategic plan, the sources of liquidity and capital resources described above will address our anticipated liquidity, capital expenditures, and other investment requirements.

During the second quarter of 2017, in conjunction with the final approval of the SCPPA PPA which will require the Company to make significant capital expenditures in the U.S., the fact that the Company is currently looking for acquisitions in the U.S, and the acquisition of Viridity for a price of \$35.3 million with two additional earn-out payments expected to be made in 2018 and 2021, the Company has re-evaluated its position with respect to a portion of the unrepatriated earnings of Ormat Systems (“OSL”), its fully owned Subsidiary in Israel, and after consideration of the aforementioned change in facts, determined that it can no longer maintain the permanent reinvestment position with respect to a portion of OSL unrepatriated earnings which will be repatriated to support the Company’s capital expenditures in the U.S. Accordingly, and as further described in Note 11, the permanent reinvestment assertion of foreign unremitted earnings of OSL was reassessed and removed and the related deferred tax assets and liabilities as well as the estimated withholding taxes on expected remittance of OSL earnings to the U.S. were recorded by the Company in the second quarter of 2017 .

Although the Company plans to repatriate undistributed earnings related to Ormat Systems to support expected capital expenditure requirements in the U.S. based upon its plans to increase its operations outside of the U.S. it is the

Company's intention to reinvest undistributed earnings of its other foreign subsidiaries and thereby indefinitely postpone their remittance given that the Company's requires existing and future cash to fund the anticipated investment and development activities as well as debt service requirements in those jurisdictions. In addition, the Company believes that existing and anticipated cash flows as well as borrowing capacity in the U.S. and cash to be remitted to the U.S. from Ormat Systems will be sufficient to meet its needs in the U.S. If plans change the Company may be required to accrue and pay U.S. taxes to repatriate these funds.

Third-Party Debt

Our third-party debt consists of (i) non-recourse and limited-recourse project finance debt or acquisition financing that we or our subsidiaries have incurred for the purpose of developing and constructing, refinancing or acquiring our various projects and (ii) full-recourse debt incurred by us or our subsidiaries for general corporate purposes.

Non-Recourse and Limited-Recourse Third-Party Debt

OFC Senior Secured Notes — Non-Recourse

In February 2004, our subsidiary Ormat Funding Corp. ("OFC") issued \$190.0 million of Senior Secured Notes ("OFC Senior Secured Notes") for the purpose of refinancing the acquisition cost of the Brady, Ormesa and Steamboat 1, 1A, 2 and 3 power plants, and the financing of the acquisition cost of 50% of the Mammoth complex. Principal and interest on the OFC Senior Secured Notes, which mature on December 30, 2020, are payable semi-annually. The OFC Senior Secured Notes are collateralized by substantially all of the assets of OFC and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC. There are various restrictive covenants under the OFC Senior Secured Notes, which include limitations on additional indebtedness of OFC and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OFC. In addition, there are restrictions on the ability of OFC to make distributions to its shareholders, which include a required historical and projected 12-month debt service coverage ratio of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). If OFC fails to comply with the debt service coverage ratio, it will be prohibited from making distributions to its shareholders. We are only required to measure these covenants on a semi-annual basis and as of June 30, 2017 (the last measurement date of the covenants) the actual historical 12-month debt service coverage ratio was 1.26 and the pro-forma 12-month debt service coverage ratio was 1.72 (on a semi-annual basis and as of June 30, 2017). There was \$14.3 million aggregate principal amount of OFC Senior Secured Notes outstanding as of June 30, 2017.

Table of Contents

OrCal Geothermal Senior Secured Notes — Non-Recourse

In December 2005, our subsidiary OrCal Geothermal Inc. (“OrCal”) issued \$165.0 million of Senior Secured Notes (“OrCal Senior Secured Notes”) for the purpose of refinancing the acquisition cost of the Heber complex. The OrCal Senior Secured Notes have been rated BBB- by Fitch Ratings. Principal and interest on the OrCal Senior Secured Notes, which mature on December 30, 2020, are payable semi-annually. The OrCal Senior Secured Notes are collateralized by substantially all of the assets of OrCal and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OrCal. There are various restrictive covenants under the OrCal Senior Secured Notes which include limitations on additional indebtedness of OrCal and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OrCal. In addition, there are restrictions on the ability of OrCal to make distributions to its shareholders, which include a required historical and projected 12-month debt service coverage ratio of not less than 1.25 (measured semi-annually as of June 30 and December 31 of each year). If OrCal fails to comply with the debt service coverage ratio it will be prohibited from making distributions to its shareholders. We are only required to measure these covenants on a semi-annual basis and as of June 30, 2017, (the last measurement date of the covenants) the actual historical 12-month debt service coverage ratio was 1.71, and the pro-forma 12-month debt service coverage ratio was 2.56. There was \$32.1 million aggregate principal amount of OrCal Senior Secured Notes outstanding as of June 30, 2017.

OFC 2 Senior Secured Notes — Limited Recourse

In September 2011, our subsidiary OFC 2 LLC (“OFC 2”) and its wholly owned project subsidiaries (collectively, the “OFC 2 Issuers”) entered into a note purchase agreement (the “Note Purchase Agreement”) with the OFC 2 Noteholder Trust, as purchaser, John Hancock Life Insurance Company (USA), as administrative agent, and the Department of Energy (DOE), as guarantor, in connection with the offer and sale of up to \$350.0 million aggregate principal amount of OFC 2 Senior Secured Notes.

The OFC 2 Senior Secured Notes may be issued in up to six distinct series associated with the phased construction (Phase I and Phase II) of the Jersey Valley, McGinness Hills and Tuscarora geothermal power plants, which are owned by the OFC 2 Issuers. The OFC 2 Senior Secured Notes are rated “BBB” by Standard and Poor’s. The OFC 2 Senior Secured Notes are collateralized by substantially all of the assets of OFC 2 and those of its wholly owned subsidiaries and are fully and unconditionally guaranteed by all of the wholly owned subsidiaries of OFC 2. There are various restrictive covenants under the OFC 2 Senior Secured Notes, which include limitations on additional indebtedness of OFC 2 and its wholly owned subsidiaries. Failure to comply with these and other covenants will, subject to customary cure rights, constitute an event of default by OFC 2. In addition, there are restrictions on the ability of OFC 2 to make distributions to its shareholders, including a historical debt service coverage ratio requirement of at least 1.2 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two six-months periods comprised of distinct consecutive fiscal quarters immediately preceding the proposed distribution, and a projected future debt service coverage ratio requirement of at least 1.5 (on a blended basis for all OFC 2 power plants), measured, at the time of any proposed distribution, over each of the two

six-months periods comprised of distinct consecutive fiscal quarters immediately following such proposed distribution. As of June 30, 2017, our historical debt service coverage ratio was 2.1 and 2.7, respectively for each of the two six-month periods, and our projected future debt service coverage ratio was 2.03 and 2.04, respectively for each of the two six-month periods. The OFC 2 Senior Secured Notes mature on December 31, 2034 and the principal amount thereof is payable in equal quarterly installments. Each series of notes will bear interest at a rate calculated based on a spread over the U.S. Treasury yield curve that will be set at least ten business days prior to the issuance of such series of notes. Interest will be payable quarterly in arrears. The DOE guarantees payment of 80% of principal and interest on the OFC 2 Senior Secured Notes pursuant to Section 1705 of Title XVII of the Energy Policy Act of 2005, as amended.

Table of Contents

In October 2011, the OFC 2 Issuers completed the sale of \$151.7 million aggregate principal amount of 4.687% Series A Notes due 2032 (the “Series A Notes”). The proceeds from the sale of the Series A Notes net of transaction fees and expenses were approximately \$141.1 million, and were used to finance a portion of the construction costs of Phase I of the McGinness Hills and Tuscarora power plants and to fund certain reserves. Principal and interest on the Series A Notes are payable quarterly in arrears on the last day of March, June, September and December of each year.

On June 20, 2014, Phase I of the Tuscarora facility achieved project completion under the Note Purchase Agreement. In accordance with the terms of the Note Purchase Agreement, we made a principal payment of \$4.3 million on the Series A Notes.

On August 29, 2014, OFC 2 sold \$140.0 million principal amount of OFC 2 Senior Secured Notes (the “Series C Notes”) to finance the construction of Phase II of the McGinness Hills project. The Series C Notes, which mature in December 2032, are the last tranche under the Note Purchase Agreement and bear interest at a rate of 4.61%, with principal to be repaid on a quarterly basis.

There was \$238.9 million aggregate principal amount of OFC 2 Senior Secured Notes outstanding as of June 30, 2017.

We provided a guarantee in connection with the issuance of the Series A Notes and Series C Notes, which may be drawn upon if any loss, liability, damage, expense or cost to the Jersey Valley facility is incurred as a result of the interconnection related-agreements of the Dixie Meadows project that we may develop in the future.

Olkaria III Finance Agreement with OPIC — Limited Recourse

In August 2012, our subsidiary OrPower 4 Inc. (OrPower 4) entered into a finance agreement with the Overseas Private Investment Corporation (“OPIC”), an agency of the U.S. government, to provide limited-recourse senior secured debt financing in an aggregate principal amount of up to \$310.0 million (the “OPIC Loan”) for the refinancing and financing of our Olkaria III geothermal power complex in Kenya. The finance agreement was amended on November 9, 2012.

The OPIC Loan is comprised of three tranches:

Tranche I in an aggregate principal amount of \$85.0 million, which matures on December 15, 2030, bears interest at a fixed rate of 6.34% and which was drawn in November 2012, was used to prepay approximately \$20.5 million (plus associated prepayment penalty and breakage costs of \$1.5 million) of the DEG Loan, as described below under "Full Recourse Third Party Debt". The remainder of the Tranche I proceeds was used for reimbursement of prior capital expenditures and other corporate purposes. As of June 30, 2017, Tranche I has an outstanding balance of \$63.7 million.

Tranche II in an aggregate principal amount of \$180.0 million, which matures on June 15, 2030 and bears interest at a fixed rate of 6.29%, was used to fund the construction and well field drilling for Plant 2 of the Olkaria III complex. In November 2012 and February 2013, \$135.0 million and the remaining \$45.0 million, respectively, was drawn under this Tranche II. As of June 30, 2017, Tranche II has an outstanding balance of \$137.6 million.

Tranche III in an aggregate principal amount of \$45.0 million, which matures on December 15, 2030 and bears interest at a fixed rate of 6.12%, was used to fund the construction of Plant 3 of the Olkaria III complex and was drawn down in full in November 2013. As of June 30, 2017, Tranche III has an outstanding balance of \$36.3 million.

OrPower 4 may voluntarily prepay all or a portion of the OPIC Loan, subject to prior notice, minimum prepayment amounts, and a prepayment premium of 2.0% in the first two years after the Plant 2 commercial operation date, declining to 1% in the third year after the Plant 2 commercial operation date, and without premium thereafter, plus a redemption premium. In addition, the OPIC Loan is subject to customary mandatory prepayment in the event of certain reductions in generation capacity of the power plants in the Olkaria III complex, unless such reductions will not cause the projected ratio of cash flow to debt service to fall below 1.7.

The OPIC Loan is secured by substantially all of OrPower 4's assets and by a pledge of all of the equity interests in OrPower 4.

Table of Contents

The finance agreement includes customary events of default, including failure to pay any principal, interest or other amounts when attributable, failure to comply with covenants, breach of representations and warranties, non-payment or acceleration of other debt of OrPower 4, bankruptcy of OrPower 4 or certain of its affiliates, judgments rendered against OrPower 4, expropriation, change of control, and revocation or early termination of security documents or certain project-related agreements, subject to various exceptions and notice, cure and grace periods.

The repayment of approximately \$11.9 million outstanding under the DEG Loan (see “Full-Recourse Third-Party Debt” below) as of June 30, 2017, has been subordinated to the OPIC Loan.

There are various restrictive covenants under the OPIC Loan, which include a required historical and projected 12-month debt service coverage ratio of not less than 1.4 (measured as of March 15, June 15, September 15 and December 15 of each year). If OrPower 4 fails to comply with these covenants will be prohibited from making distributions to its shareholders. In addition, if the debt service coverage ratio falls below 1.1, subject to certain cure rights; such failure will constitute an event of default by OrPower 4. This covenant in respect of Tranche I became effective on December 15, 2014. As of June 30, 2017, the actual historical and projected 12-month debt service coverage ratio was 2.86 and 3.02, respectively.

As of June 30, 2017, \$237.6 million of the OPIC Loan was outstanding.

Amatitlan financing — Limited Recourse

On July 31, 2015, one of our indirect wholly-owned subsidiaries, Ortitl n, Limitada, obtained a 12-year secured term loan in the principal amount of \$42.0 million for the 20 MW Amatitlàn power plant in Guatemala. Under the credit agreement with Banco Industrial S.A. and Westrust Bank (International) Limited, we can expand the Amatitlàn power plant with financing to be provided either via equity, additional debt from Banco Industrial S.A. or from other lenders, subject to certain limitations on expansion financing in the credit agreement.

The loan is payable in 48 quarterly payments commencing September 30, 2015. The loan bears interest at a rate per annum equal to of the sum of the LIBO Rate (which cannot be lower than 1.25%) plus a margin of (i) 4.35%, as long as the Company’s guaranty of the loan (as described below) is outstanding or (ii) 4.75% otherwise. Interest is payable quarterly, on March 30, June 30, September 30 and December 30 of each year, on the stated maturity date of the loan and on any prepayment or payment of the loan. The loan must be prepaid upon the occurrence of certain events, such as casualty, condemnation, certain asset sales and expansion financing not provided by the lenders under the credit agreement, among others. The loan may be voluntarily prepaid if certain conditions are satisfied, including payment of a premium (ranging from 100-50 basis points) if prepayment occurs prior to the eighth anniversary of the loan.

There are various restrictive covenants under the Amatitlàn credit agreement. These include, among others, (i) a financial covenant to maintain a Debt Service Coverage Ratio (as defined in the credit agreement) of not less than 1.15 to 1.00 as of the last day of any fiscal quarter and (ii) limitations on Restricted Payments (as defined in the credit agreement) that, among other things, would limit dividends that could be paid to us unless the historical and projected Debt Service Coverage Ratio is not less than 1.25 to 1.00 for the four fiscal quarterly periods (calculated as a single accounting period). As of June 30, 2017, the actual historical and projected 12-month Debt Service Coverage Ratio was 1.76 and 1.79, respectively. The credit agreement includes various events of default that would permit acceleration of the loan (subject in some cases to grace and cure periods). These include, among others, a Change of Control (as defined in the credit agreement) and failure to maintain certain required balances in debt service and maintenance reserve accounts. The credit agreement includes certain equity cure rights for failure to maintain the Debt Service Coverage Ratio and the minimum amounts required in the debt service and maintenance reserve accounts.

The loan is secured by substantially all the assets of the borrower and a pledge of all of the membership interests of the borrower.

The Company has guaranteed payment of all obligations under the credit agreement and related financing documents. The guaranty is limited and the Company is only required to pay the guaranteed obligations if a “trigger event” occurs. A trigger event is the occurrence and continuation of a default by Instituto Nacional de Electricidad (“INDE”) in its payment obligations under the PPA for the Amatitlàn power plant or a refusal by INDE to receive capacity and energy sold under that PPA. Our obligations under the guaranty may be terminated prior to payment in full of the guaranteed obligations under certain circumstances described in the guaranty. If our guaranty is terminated early, the interest rate payable on the loan would increase as described above.

Table of Contents

As of June 30, 2017, \$35.0 million of this loan is outstanding.

Don A. Campbell Senior Secured Notes — Non-Recourse

On November 29, 2016, ORNI 47 LLC (“ORNI 47”) entered into a note purchase agreement (the “ORNI 47 Note Purchase Agreement”) with MUFG Union Bank, N.A., as collateral agent, Munich Reinsurance America, Inc. and Munich American Reassurance Company (the “Purchasers”) pursuant to which ORNI 47 issued and sold to the Purchasers \$92.5 million aggregate principal amount of its 4.03% Senior Secured Notes due September 27, 2033 (the “DAC1 Senior Secured Notes”) in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. ORNI 47 is the owner of the Don A. Campbell Phase I (“DAC1”) geothermal power plant.

The net proceeds to ORNI 47 from the sale of the DAC1 Senior Secured Notes, net of certain transaction expenses and the funding of a debt service reserve account, were approximately \$87.1 million. ORNI 47 used the proceeds from the sale of the DAC1 Senior Secured Notes to refinance the development and construction costs of the DAC 1 geothermal power plant, which were originally financed using equity.

ORNI 47 paid a scheduled amount of principal of the DAC1 Senior Secured Notes beginning on December 27, 2016 and then quarterly, on the 27th day of each March, June, September and December, until the DAC1 Senior Secured Notes mature.

The DAC1 Senior Secured Notes constitute senior secured obligations of ORNI 47 and are secured by all of the assets of ORNI 47. Under the ORNI 47 Note Purchase Agreement, ORNI 47 may prepay at any time all, or from time to time any part of, the DAC1 Senior Secured Notes in an amount equal to at least \$2 million or such lesser amount as may remain outstanding under the DAC1 Senior Secured Notes at 100% of the principal amount to be prepaid plus the applicable make-whole amount determined for the prepayment date with respect to such principal amount. Upon the occurrence of a Change of Control (as defined in the ORNI 47 Note Purchase Agreement), ORNI 47 must make an offer to each holder of DAC1 Senior Secured Notes to repurchase all of the holder’s DAC1 Senior Secured Notes at 101% of the aggregate principal amount of DAC1 Senior Secured Notes to be repurchased plus accrued and unpaid interest, if any, on the DAC1 Senior Secured Notes to be repurchased to, but not including, the date of repurchase. Each holder of DAC1 Senior Secured Notes may accept such offer in whole or in part. In certain events, including certain asset sales outside the ordinary course of business, ORNI 47 must make mandatory prepayments of the DAC1 Senior Secured Notes at 100% of the principal amount to be prepaid. The ORNI 47 Note Purchase Agreement requires ORNI 47 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens, amendment or modification of material project documents, the ability of ORNI 47 to merge or consolidate with another entity. The ORNI 47 Note Purchase Agreement also contains customary events of default. In addition, there are restrictions on the ability of ORNI 47 to make distributions to its shareholders, which include a required historical and projected Debt Service Coverage Ratio not less than 1.20 for the four fiscal quarterly periods. As of June 30, 2017, the historical and projected Debt Service Coverage Ratio was 1.66 and 1.67, respectively.

As of June 30, 2017, \$90.2 million of DAC1 Senior Secured Notes is outstanding.

Full-Recourse Third-Party Debt

Credit Agreements

Union Bank. In February 2012, our wholly owned subsidiary Ormat Nevada Inc. (“Ormat Nevada”) entered into an amended and restated credit agreement with Union Bank. Under the credit agreement, the credit termination date is June 30, 2018. On December 31, 2016, the aggregate amount available under the credit agreement was increased by \$10 million to \$60.0 million. The facility is limited to the issuance, extension, modification or amendment of letters of credit. Union Bank is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as lenders. In connection with this transaction, we entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada’s obligations under the credit agreement. Ormat Nevada’s obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, including a requirement for Ormat Nevada to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) a 12-month debt service coverage ratio of not less than 1.35; and (iii) a distribution leverage ratio not to exceed 2.0. As of June 30, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.74; (ii) the 12-month debt service coverage ratio was 2.5; and (iii) the distribution leverage ratio was 1.12. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of Union Bank.

Table of Contents

As of June 30, 2017, letters of credit in the aggregate amount of \$34.6 million remain issued and outstanding under this committed credit agreement with Union Bank.

HSBC. In May 2013, Ormat Nevada entered into a credit agreement with HSBC Bank USA, N.A (“HSBC”) for one year with annual renewals. The current expiration date of the credit facility is December 31, 2017. The aggregate amount available under the credit agreement was increased by \$10.0 million to \$35.0 million. Other than \$10.0 million of this credit facility which may be drawn for our working capital needs, this credit facility is limited to the issuance, extension, modification or amendment of letters of. HSBC is currently the sole lender and issuing bank under the credit agreement, but is also designated as an administrative agent on behalf of banks that may, from time to time in the future, join the credit agreement as lenders. In connection with this transaction, we entered into a guarantee in favor of the administrative agent for the benefit of the banks, pursuant to which we agreed to guarantee Ormat Nevada’s obligations under the credit agreement. Ormat Nevada’s obligations under the credit agreement are otherwise unsecured.

There are various restrictive covenants under the credit agreement, including a requirement to comply with the following financial ratios, which are measured quarterly: (i) a 12-month debt to EBITDA ratio not to exceed 4.5; (ii) a 12-month debt service coverage ratio of not less than 1.35; and (iii) a distribution leverage ratio not to exceed 2.0. As of June 30, 2017: (i) the actual 12-month debt to EBITDA ratio was 2.74; (ii) the 12-month debt service coverage ratio was 2.5; and (iii) the distribution leverage ratio was 1.12. In addition, there are restrictions on dividend distributions in the event of a payment default or noncompliance with such ratios, and subject to specified carve-outs and exceptions, a negative pledge on the assets of Ormat Nevada in favor of HSBC.

As of June 30, 2017, letters of credit in the aggregate amount of \$25.1 million remain issued and outstanding under this committed credit agreement.

CHUBB Surety bond. In May 2017, the Company entered into a surety bond agreement (the “Surety Agreement”) with Chubb Limited (“Chubb”) pursuant to which the Company may request that Chubb issue up to an aggregate \$200.0 million of surety bonds with respect to the contractual obligations of the Company and its subsidiaries in exchange for bank letters of credit or as otherwise may be required. There is no expiration date for the Surety Agreement, but it may be terminated by the Company at any time upon twenty days’ prior written notice to Chubb. Delivery of such termination notice will not affect any surety bonds issued and outstanding prior to the date on which such notice is delivered. In June 2017, Chubb issued a surety bond in the amount of \$22.0 million under the Surety Agreement in respect of the Company’s obligations under the Heber power plant PPA with SCPPA.

Other Banks. We also have committed credit agreements with five other commercial banks for an aggregate amount of \$373.0 million. Under the terms of these credit agreements, we or our Israeli subsidiary, Ormat Systems, can request (i) extensions of credit in the form of loans and/or the issuance of one or more letters of credit in the amount of up to \$233.0 million and (ii) the issuance of one or more letters of credit in the amount of up to \$140.0 million. The credit

agreements mature at the end of March 2018 and July 2019. Loans and draws under the credit agreements or under any letters of credit will bear interest at the respective bank's cost of funds plus a margin. As of June 30, 2017, loan balance of \$30.0 million was outstanding under these credit agreements.

As of June 30, 2017, letters of credit with an aggregate stated amount of \$244.1 million were issued and outstanding under these credit agreements.

Letters of Credits under the Credit Agreements

Some of our customers require our project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. We are also required to post letters of credit to secure our obligations under various leases and licenses and may, from time to time, decide to post letters of credit in lieu of cash deposits in reserve accounts under certain financing arrangements. In addition, Ormat Systems is required from time to time to post performance letters of credit in favor of our customers with respect to orders of products.

As of June 30, 2017, committed letters of credit in the aggregate amount of \$303.8 million remained issued and outstanding under the credit agreements with Union Bank, HSBC and five of the commercial banks as described under "Credit Agreements".

Table of Contents

Term Loans. We have a \$20.0 million term loan with a group of institutional investors, which matures on August 1, 2017, that is payable in 12 semi-annual installments commencing February 1, 2012, and bears interest at 6-month LIBOR plus 5.0%. As of June 30, 2017, \$1.7 million was outstanding under this loan.

Senior Unsecured Bonds. We issued approximately \$142.0 million aggregate principal amount of senior unsecured bonds in August 2010 and an additional \$107.5 million aggregate principal amount of senior unsecured bonds in February 2011. Subject to early redemption, the principal of the bonds was repayable in a single bullet payment upon the final maturity of the bonds on August 1, 2017. The bonds bore interest at a fixed rate of 7.00%, payable semi-annually. The bonds that we issued in February 2011 were issued at a premium which reflects an effective fixed interest rate of 6.75%.

On September 8, 2016, the Company concluded an auction tender and accepted subscriptions for \$204.0 million aggregate principal amount of two tranches of senior unsecured bonds (approximately \$67.0 million aggregate principal amount of “Series 2 Bonds” and approximately \$137 million aggregate principal amount of “Series 3 Bonds”). The proceeds from the Series 2 Bonds and Series 3 Bonds were used on September 29, 2016 to prepay the Company’s \$250 million senior unsecured bonds described above.

The Series 2 Bonds will mature in September 2020 and bear interest at a fixed rate of 3.7% per annum, payable semi-annually. The Series 3 Bonds will mature in September 2022 and bear interest at a fixed rate of 4.45% per annum, payable semi-annually. The Series 2 Bonds and Series 3 Bonds will be repaid at maturity in a single bullet payment, unless earlier prepaid by the Company pursuant to the terms and conditions of the trust instrument that governs such bonds. Both tranches received a rating of iA+ from Maloot S&P in Israel with a stable outlook.

Loan Agreement with DEG (The Olkaria III Complex). OrPower 4 entered into a project financing loan (the “DEG Loan”) to refinance its investment in Plant 1 of the Olkaria III complex located in Kenya with a group of European development finance institutions arranged by Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG). The DEG Loan will mature on December 15, 2018, and is payable in 19 equal semi-annual installments. Interest on the loan is variable based on 6-month LIBOR plus 4.0%. We fixed the interest rate on most of the loan at 6.90%. As of June 30, 2017, \$11.9 million is outstanding under the DEG Loan (out of which \$8.1 million bears interest at a fixed rate).

In October 2012, OrPower 4, DEG and the other parties thereto amended and restated the DEG loan agreement (the “DEG Loan Agreement”). The amendment became effective on November 9, 2012 upon the execution by OrPower 4 of the Tranche I and Tranche II Notes under the OPIC loan and the related disbursements of the proceeds thereof under the OPIC finance agreement (as described above under the heading “Non-Recourse and Limited-Recourse Third-Party Debt”). In connection with the amendment, we prepaid in full two loans under the DEG Loan Agreement in the total principal amount of approximately \$20.5 million. The amended and restated DEG Loan Agreement provides for (i) the release and discharge of all collateral security previously provided by OrPower 4 to the secured parties under the

DEG Loan Agreement and the substitution of the Company's guarantee of OrPower 4's payment and certain other performance obligations in lieu thereof; (ii) the establishment of a LIBOR floor of 1.25% in respect of one of the loans under the DEG Loan Agreement, (iii) the elimination of most of the affirmative and negative covenants under the DEG Loan Agreement and (iv) certain other conforming provisions as a result of OrPower 4's execution of the OPIC Finance Agreement and its obligations thereunder.

On October 20, 2016, OrPower 4 entered into a new \$50 million subordinated loan agreement with DEG (the "DEG 2 Loan Agreement") and on December 21, 2016, OrPower 4 completed a drawdown of the full loan commitment amount of \$50 million, which bears interest at a fixed interest rate of 6.28% for the duration of the loan (the "DEG 2 Loan"). The DEG 2 Loan, which matures on June 21, 2028, will be repaid in 20 equal semi-annual principal installments commencing December 21, 2018. Proceeds of the DEG 2 Loan were used by OrPower 4 to refinance Plant 4 of the Olkaria III Complex, which was originally financed using equity. The DEG 2 Loan is subordinated to the senior loan provided by OPIC for Plants 1-3 of the Olkaria III Complex. The DEG 2 Loan is guaranteed by the Company.

Under the DEG 2 Loan Agreement, OrPower 4 may prepay at any time all, or from time to time any part of the DEG 2 Loan in an amount equal to at least \$5 million or such lesser amount as may remain outstanding under the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. In certain events, OrPower 4 must make mandatory prepayments of the DEG 2 Loan at 100% of the principal amount to be prepaid plus the applicable make-whole amount and certain prepayment premium amount determined for the prepayment date with respect to such principal amount. The DEG 2 Loan Agreement requires OrPower 4 to comply with certain covenants, including, among others, restrictions on the incurrence of indebtedness or liens. The DEG 2 Loan Agreement also contains customary events of default.

Table of Contents

As of June 30, 2017, \$50.0 million is outstanding under the DEG 2 Loan.

Restrictive covenants

Our obligations under the credit agreements, the loan agreements, and the trust instrument governing the bonds, described above, are unsecured, but we are subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the applicable lenders; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the applicable lenders; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets, or a change of control in our ownership structure. Some of the credit agreements, the term loan agreements, and the trust instrument contain cross-default provisions with respect to other material indebtedness owed by us to any third party. In some cases, we have agreed to maintain certain financial ratios, which are measured quarterly, such as: (i) equity of at least \$600.0 million and in no event less than 25% of total assets; (ii) 12-month debt, net of cash, cash equivalents, and short-term bank deposits to Adjusted EBITDA ratio not to exceed 6.0; and (iii) dividend distributions not to exceed 35% of net income in any calendar year. As of June 30, 2017: (i) total equity was \$1,199.4 million and the actual equity to total assets ratio was 47.8% and (ii) the 12-month debt, net of cash and cash equivalents, to Adjusted EBITDA ratio was 2.53. During the six months ended June 30, 2017, we distributed interim dividends in an aggregate amount of \$12.4 million. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts attributable under each such agreement.

As described above, as of June 30, 2017, we were in compliance with our covenants with respect to the credit agreements, the loan agreements and the trust instrument, and believe that the restrictive covenants, financial ratios and other terms of any of the Company's (or Ormat Systems') full-recourse bank credit agreements will not materially impact our business plan or operations.

Future minimum payments

As of June 30, 2017, future minimum payments under long-term obligations, excluding revolving credit lines with commercial banks and lease payments under the Puna lease transaction described below, are as follows:

**(Dollars in
thousands)**

Year ending December 31:

2017	\$ 32,849
2018	64,848
2019	59,146
2020	126,870
2021	46,579
Thereafter	593,698
Total	\$ 923,990

Puna Power Plant Lease Transactions

In May 2005, our Hawaiian subsidiary Puna Geothermal Venture (“PGV”), entered into a transaction involving the original geothermal power plant of the Puna complex located on the Big Island (the “Puna Power Plant”).

Pursuant to a 31-year head lease (the “Head Lease”), PGV leased the Puna Power Plant to an unrelated lessor (the “Puna Lessor”) in return for prepaid lease payments in the total amount of \$83.0 million. The carrying value of the leased assets as of June 30, 2017 was \$26.7 million, net of accumulated depreciation of \$34.2 million. The Puna Lessor simultaneously leased back the Puna Power Plant to PGV under a 23-year lease (the Project Lease). PGV’s rent obligations under the Project Lease will be paid solely from revenues generated by the Puna Power Plant under a PPA that PGV has with HELCO. The Head Lease and the Project Lease are non-recourse lease obligations. PGV’s rights in the geothermal resource and the related PPA have not been leased to the Puna Lessor as part of the Head Lease but are part of the Puna Lessor’s security package.

Table of Contents

The transaction was concluded with financing parties by means of a leveraged lease transaction. A secondary stage of the lease transaction relating to two new production and injection geothermal wells that PGV drilled in the second half of 2005 was completed on December 30, 2005. Pursuant to a 31-year head lease, PGV leased its geothermal power plant to the abovementioned financing parties in return for payments of \$83.0 million by such financing parties to PGV, which are accounted for as deferred lease income.

There are various restrictive covenants under the lease agreement, including a requirement to have certain reserve funds that need to be managed by the indenture trustee in accordance with certain balance requirements. Such reserve funds amounted to \$3.3 million and \$2.9 million as of June 30, 2017 and December 31, 2016, respectively, and were included in restricted cash accounts in the consolidated balance sheets and were classified as current as they were used for current payments.

Opal Transaction

On December 16, 2016, Ormat Nevada entered into an equity contribution agreement (the “Equity Contribution Agreement”) with OrLeaf LLC (“OrLeaf”) and JPM Capital Corporation (“JPM”) with respect to Opal Geo LLC (“Opal Geo”). Also on December 16, 2016, OrLeaf, a newly formed limited liability company formed by Ormat Nevada and ORPD LLC, entered into an amended and restated limited liability company agreement of Opal Geo (the “LLC Agreement”) with JPM. The transactions contemplated by the Equity Contribution Agreement and LLC Agreement will allow the Company to monetize PTCs and certain other tax benefits relating to the operation of five geothermal power plants located in Nevada.

In connection with the transactions contemplated by the Equity Contribution Agreement and the LLC Agreement, Ormat Nevada transferred its indirect ownership interest in the McGinness Hills (Phase I and Phase II), Tuscarora, Jersey Valley and Don A. Campbell Phase 2 (“DAC 2”) geothermal power plants to Opal Geo. Prior to such transfer, Ormat Nevada held an approximately 63.25% indirect ownership interest in DAC 2 through ORPD LLC, a joint venture between Ormat Nevada and Northleaf, and held, directly or indirectly, a 100% ownership interest in the remaining geothermal power plants that were transferred to Opal Geo.

Pursuant to the Equity Contribution Agreement, JPM contributed approximately \$62.1 million to Opal Geo in exchange for 100% of the Class B Membership Interests of Opal Geo. JPM also agreed to make deferred capital contributions to Opal Geo based on the amount of electricity generated by the DAC 2 and McGinness Hills Phase II power plants which are eligible for the PTC. The Company expects the aggregate amount of JPM’s deferred capital contributions to equal approximately \$21 million and to be paid over time covering the period through December 31, 2022.

Under the LLC Agreement, until December 31, 2022, OrLeaf will receive distributions of 97.5% of any distributable cash generated by operation of the power plants while JPM will receive distributions of 2.5% of any distributable cash generated by operation of the power plants. Unless JPM has already achieved its target internal rate of return on its investment in Opal Geo, from December 31, 2022 until JPM has achieved its target internal rate of return, JPM will receive 100% of any distributable cash generated by operation of the power plants. Thereafter, OrLeaf will receive distributions of 97.5%, and JPM will receive 2.5%, of any distributable cash generated by operation of the power plants.

Under the LLC Agreement, all items of Opal Geo income and loss, gain, deduction and credit (including the federal PTCs relating to the operation of the two PTC eligible power plants) will be allocated, until JPM has achieved its target internal rate of return on its investment in Opal Geo (and for so long as the two PTC eligible power plants are generating PTCs), 99% to JPM and 1% to OrLeaf, or 5% to JPM and 95% to OrLeaf if PTCs are no longer available to either of the two PTC eligible power plants. Once JPM achieves its target internal rate of return, all items of Opal Geo income and loss, gain, deduction and credit will be allocated 5% to JPM and 95% to OrLeaf.

Under the LLC Agreement, OrLeaf, which owns 100% of the Class A Membership Interests in Opal Geo, will serve as the managing member of Opal Geo and control the day-to-day management of Opal Geo and its portfolio of five power plants. However, in certain limited circumstances (such as bankruptcy of Orleaf, fraud or gross negligence by OrLeaf) JPM may remove OrLeaf as the managing member of Opal Geo. JPM, as the Class B Member of Opal Geo, has consent and approval rights with respect to certain items that are designated as major decisions for Opal Geo and the five power plants. In addition, by virtue of certain provisions in OrLeaf's own limited liability company agreement, and consistent with the ORPD LLC formation documents, Northleaf has similar consent and approval rights with respect to OrLeaf's determination of major decisions pertaining to the DAC 2 power plant. In both cases, these major decisions are generally equivalent to customary minority protection rights. As a result, Ormat Nevada, which serves as the managing member of OrLeaf and as the managing member of ORPD LLC, will effectively retain the day-to-day control and management of Opal Geo and its portfolio of five power plants.

Table of Contents

The LLC Agreement contains certain customary restrictions on transfer applicable to both OrLeaf and JPM with respect to their respective Membership Interests in Opal Geo, and also provides OrLeaf with a right of first offer in the event JPM desires to transfer any of its Class B Membership Interests, pursuant to which OrLeaf may purchase such Class B Membership Interests. The LLC Agreement also provides OrLeaf with the option to purchase all of the Class B Membership Interests on either December 31, 2022 or the date that is 9 years after the closing date under the Equity Contribution Agreement at a price equal to the greater of (i) the fair market value of the Class B Membership Interests as of the date of purchase (subject to certain adjustments) and (ii) \$3 million.

Pursuant to the Equity Contribution Agreement, the Company has provided a guaranty for the benefit of JPM of certain of OrLeaf's indemnification obligations to JPM under the LLC Agreement. In addition, Ormat Nevada also provided a guaranty for the benefit of JPM of all present and future payment and performance obligations of OrLeaf under the LLC Agreement and each ancillary document to which OrLeaf is a party.

JPM's contribution of approximately \$62.1 million to Opal Geo in exchange for 100% of the Class B Membership Interests of Opal Geo was recorded as a \$3.7 million allocation to noncontrolling interests and a \$58.5 million allocation to liabilities associated with the sale of tax benefits.

OPC Transaction

In June 2007, Ormat Nevada entered into agreements with affiliates of Morgan Stanley & Co. Incorporated and Lehman Brothers Inc. (Morgan Stanley Geothermal LLC and Lehman-OPC LLC, respectively), under which those investors purchased, for cash, interests in a newly formed subsidiary of Ormat Nevada, OPC, entitling the investors to certain tax benefits (such as PTCs and accelerated depreciation) and distributable cash associated with four geothermal power plants in Nevada.

The first closing under the agreements occurred in 2007 and covered our Desert Peak 2, Steamboat Hills, and Galena 2 power plants. The investors paid \$71.8 million at the first closing. The second closing under the agreements occurred in 2008 and covered the Galena 3 power plant. The investors paid \$63.0 million at the second closing.

Ormat Nevada continues to operate and maintain the power plants. Under the agreements, Ormat Nevada initially received all of the distributable cash flow generated by the power plants, while the investors received substantially all of the PTCs and the taxable income or loss (together, the "Economic Benefits"). Once Ormat Nevada recovered the capital that it invested in the power plants, which occurred in the fourth quarter of 2010, the investors began receiving both the distributable cash flow and the Economic Benefits. Once the investors reach a target after-tax yield on their investment in OPC (the "OPC Flip Date"), Ormat Nevada will receive 95% of both distributable cash and taxable income, on a going forward basis. Following the OPC Flip Date, Ormat Nevada also has the option to purchase the

investors' remaining interest in OPC at the then-current fair market value or, if greater, the investors' capital account balances in OPC. If Ormat Nevada were to exercise this purchase option, it would become the sole owner of the power plants again.

Our voting rights in OPC are based on a capital structure that is comprised of Class A and Class B membership units. Through Ormat Nevada, we own all of the Class A membership units, which represent 75% of the voting rights in OPC, and the investors (as described below) own all of the Class B membership units, which represent 25% of the voting rights of OPC. Other than in respect of customary protective rights, all operational decisions at OPC are decided by the vote of a majority of the membership units. Following the OPC Flip Date, that occurred on March 31, 2017, Ormat Nevada's voting rights increased to 95% and the investors voting rights decreased to 5%.

The Class B membership units have a 5% residual economic interest in OPC, which commences as of the OPC Flip Date. This residual 5% interest represents a noncontrolling interest and is not subject to mandatory redemption or guaranteed payments. The Class B membership units are currently held by Morgan Stanley Geothermal LLC and JPM. We expect to negotiate a buyout from JPM of their Class B membership units during the second half of 2017.

Table of Contents

ORTP Transaction

On January 24, 2013, Ormat Nevada entered into agreements with JPM under which JPM purchased interests in a newly formed subsidiary of Ormat Nevada, ORTP, entitling JPM to certain tax benefits (such as PTCs and accelerated depreciation) associated with certain geothermal power plants in California and Nevada.

In connection with the transaction, Ormat Nevada transferred the Heber complex, the Mammoth complex, the Ormesa complex, the Steamboat 2 and 3, Burdette (Galena 1) and Brady power plants to ORTP, and sold class B membership units in ORTP to JPM. In connection with the closing, JPM paid approximately \$35.7 million to Ormat Nevada and made additional payments to Ormat Nevada of 25% of the value of PTCs generated by the portfolio over time.

Ormat Nevada continued to operate and maintain the power plants. Under the agreements, Ormat Nevada initially received all of the distributable cash flow generated by the power plants, while JPM received substantially all of the Economic Benefits. JPM's return was limited by the terms of the transaction. Once JPM reached a target after-tax yield on its investment in ORTP (the "ORTP Flip Date"), Ormat Nevada will have received 97.5% of the distributable cash and 95.0% of the taxable income, on a going forward basis. At any time during the twelve-month period after the end of the fiscal year in which the ORTP Flip Date occurs (but no earlier than the expiration of five years following the date that the last of the power plants was placed in service for purposes of federal income taxes), Ormat Nevada also had the option to purchase JPM's remaining interest in ORTP at the then-current fair market value. Once Ormat Nevada were to exercise this purchase option, it would become the sole owner of the power plants again. As more detailed under Note 12 to the financial statements, the ORTP Flip Date occurred on March 30, 2017 and the Ormat Nevada purchased all of the Class B membership units from JP Morgan on July 10, 2017 for \$2.35 million

The Class B membership units entitled the holder to 5.0% (allocation of income and loss) and 2.5% (allocation of cash) residual economic interest in ORTP. The 5.0% and 2.5% residual interest commences on achievement by JPM of a contractually stipulated return that triggers the ORTP Flip Date which occurred on March 30, 2017. This residual 5.0% and 2.5% interest represented a noncontrolling interest and is not subject to mandatory redemption or guaranteed payments.

Liquidity Impact of Uncertain Tax Positions

The Company has a liability associated with unrecognized tax benefits and related interest and penalties in the amount of approximately \$6.0 million as of June 30, 2017. This liability is included in long-term liabilities in our condensed consolidated balance sheet because we generally do not anticipate that settlement of the liability will require payment of cash within the next twelve months. We are not able to reasonably estimate when we will make any cash payments required to settle this liability.

Dividends

The following are the dividends declared by us since June 30, 2015:

Date Declared	Dividend		
	Amount per Share	Record Date	Payment Date
August 3, 2015	\$ 0.06	August 18, 2015	September 2, 2015
November 3, 2015	\$ 0.06	November 18, 2015	December 2, 2015
February 23, 2016	\$ 0.31	March 15, 2016	March 29, 2016
May 4, 2016	\$ 0.07	May 18, 2016	May 24, 2016
August 2, 2016	\$ 0.07	August 16, 2016	August 30, 2016
November 7, 2016	\$ 0.07	November 21, 2016	December 6, 2016
February 28, 2017	\$ 0.17	March 15, 2017	March 29, 2017
May 8, 2017	\$ 0.08	May 22, 2017	May 31, 2017
August 3, 2017	\$ 0.08	August 15, 2017	August 29, 2017

Table of Contents***Historical Cash Flows***

The following table sets forth the components of our cash flows for the periods indicated:

	Six Months Ended	
	June 30,	
	2017	2016
	(Dollars in thousands)	
Net cash provided by operating activities	\$114,158	\$119,573
Net cash used in investing activities	(194,105)	(55,289)
Net cash provided by (used in) financing activities	(31,877)	(57,647)
Net change in cash and cash equivalents	(111,824)	6,637

For the Six Months Ended June 30, 2017

Net cash provided by operating activities for the six months ended June 30, 2017 was \$114.2 million, compared to \$119.6 million for the six months ended June 30, 2016. The net decrease of \$5.4 million was primarily attributable to: a decrease in billing in excess of costs and estimated earnings on uncompleted contracts, net of \$21.8 million in our Product segment in the six months ended June 30, 2017, compared to an increase of \$18.9 million in the six months ended June 30, 2016, as a result of timing in billing of our customers. The decrease was partially offset by a decrease in receivables of \$0.6 million in the six months ended June 30, 2017, compared to \$10.2 million in the six months ended June 30, 2016, as a result of timing of collection from our customers.

Net cash used in investing activities for the six months ended June 30, 2017 was \$194.1 million, compared to \$55.3 million for the six months ended June 30, 2016. The principal factors that affected our net cash used in investing activities during the six months ended June 30, 2017 were: (i) capital expenditures of \$116.0 million, primarily for our facilities under construction; (ii) \$35.3 million net cash paid for the acquisition of substantially all of the business and assets of VEI; (iii) a net increase of \$15.2 million in restricted cash and cash equivalents attributable to the timing of debt repayments; and (iv) an investment in an unconsolidated company of \$27.4 million. The principal factors that affected our net cash used in investing activities during the six months ended June 30, 2016 were capital expenditures of \$67.8 million, primarily for our facilities under construction, partially offset by a net decrease of \$11.5 million in restricted cash and cash equivalents, attributable to the timing of debt repayments.

Net cash used in financing activities for the six months ended June 30, 2017 was \$31.9 million, compared to \$57.6 million net cash used in financing activities for the six months ended June 30, 2016. The principal factors that affected the net cash used in financing activities during the six months ended June 30, 2017 were: (i) the repayment of

long-term debt in the amount of \$33.2 million; (ii) an \$12.4 million cash dividend paid; and (iii) \$14.6 million cash paid to non-controlling interests, partially offset by a net increase of \$30.0 million against our revolving lines of credit with commercial banks. The principal factors that affected our net cash used in financing activities during the six months ended June 30, 2016 were: (i) the repayment of long-term debt in the amount of \$31.4 million; (ii) a \$19.0 million cash dividend paid; and (iii) \$12.2 million cash paid to non-controlling interest.

Non-GAAP Measures: EBITDA and Adjusted EBITDA

We calculate EBITDA as net income before interest, taxes, depreciation and amortization. We calculate Adjusted EBITDA as net income before interest, taxes, depreciation and amortization, adjusted for (i) termination fees, (ii) impairment of long-lived assets, (iii) write-off of unsuccessful exploration activities, (iv) any mark-to-market gains or losses from accounting for derivatives, (v) merger and acquisition transaction costs (vi) stock-based compensation, (vii) gains or losses from extinguishment of liability, and (viii) gains or losses on sales of subsidiaries and property, plant and equipment. EBITDA and Adjusted EBITDA are not measurements of financial performance or liquidity under accounting principles generally accepted in the U.S. of America (“U.S. GAAP”) and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or as an alternative to net earnings as indicators of our operating performance or any other measures of performance derived in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA are presented because we believe they are frequently used by securities analysts, investors and other interested parties in the evaluation of a company’s ability to service and/or incur debt. However, other companies in our industry may calculate EBITDA and Adjusted EBITDA differently than we do.

Adjusted EBITDA for the three and six months ended June 30, 2017 was \$88.1 million and \$180.0 million, respectively, compared to \$81.2 million and \$161.5 million for the three and six months ended June 30, 2016, respectively.

Table of Contents

The following table reconciles net cash provided by operating activities to EBITDA and Adjusted EBITDA for the three-month and six-month periods ended June 30, 2017 and 2016:

	Three Months Ended		Six Months Ended	
	June 30, 2017		June 30, 2017	
	(As restated)	2016	(As restated)	2016
Net cash provided by operating activities	\$42,695	\$92,529	\$114,158	\$119,573
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs)	13,266	17,165	26,671	31,292
Interest income	(362)	(245)	(606)	(565)
Income tax provision	32,765	8,515	43,769	17,594
Minority interest in earnings of subsidiaries	-	-	-	-
Adjustments to reconcile net income to net cash provided by operating activities (excluding depreciation and amortization)	(3,826)	(43,144)	(8,613)	(12,632)
EBITDA	84,538	74,820	175,379	155,262
Mark-to-market gains or losses from accounting for derivative	(940)	4,240	(2,463)	2,494
Stock-based compensation	3,630	817	5,343	1,659
Gain on sale of subsidiary and property, plant and equipment	-	-	-	-
Termination fee	-	-	-	-
Impairment of long-lived assets	-	-	-	-
Loss from extinguishment of liability	-	-	-	-
Merger and acquisition transaction costs	900	500	1,700	647
Settlement expenses	-	-	-	-
Write-off of unsuccessful exploration activities	-	863	-	1,420
Adjusted EBITDA	\$88,128	\$81,240	\$179,959	\$161,482
Net cash used in investing activities	\$(65,367)	\$(10,669)	\$(194,105)	\$(55,289)
Net cash provided by (used in) financing activities	\$(33,076)	\$(37,802)	\$(31,877)	\$(57,647)

The following table reconciles Net income to EBITDA for the three and six-month periods ended June 30, 2017 and 2016:

	Three Months Ended	Six Months Ended
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	June 30, 2017	2016	June 30, 2017	2016
	(As restated)		(As restated)	
Net income	\$11,846	\$24,308	\$51,463	\$55,683
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs)	13,266	17,165	26,671	31,292
Interest income	(362)	(245)	(606)	(565)
Income tax provision	32,765	8,515	43,769	17,594
Depreciation and amortization	27,023	25,077	54,082	51,258
EBITDA	\$84,538	\$74,820	\$175,379	\$155,262

Table of Contents

Capital Expenditures

Our capital expenditures primarily relate to: (i) the development and construction of new power plants, (ii) the enhancement of our existing power plants; and (iii) investment in activities under our new strategic plan.

The following is an overview of projects that are fully released for construction:

Sarulla (Indonesia). The project is being constructed in three phases of approximately 110 MW each, utilizing both steam and brine extracted from the geothermal field to increase the power plant's efficiency. The first phase of the power plant commenced commercial operation on March 17, 2017 and is performing well, demonstrating its ability to produce geothermal power in excess of its design capacity. Construction of the second phase of the power plant is nearing completion and site pre-commissioning activities have commenced. The Company expects that the second phase of the power plant will commence geothermal power production within three months. Formal testing and commercial operation under the PPA is expected to occur in the fourth quarter of 2017. Engineering, procurement and construction work for the third phase of the power plant is in progress and most of the equipment manufactured by the Company for the third phase of the power plant has already been delivered. The Company has achieved all of its contractual milestones under the Supply Agreement. Drilling for the second and third phases of the power plant is ongoing and the project has achieved to date, based on preliminary estimates, 100% of the required injection capacity and approximately 90% of the required production capacity. The project has missed several milestones under the financing documents, but, in each case, has either already received, or expects to receive in the near future, waivers from the lenders. The project experienced delays in field development and cost overruns resulting from delays and excess drilling costs. Due to the cost overruns in drilling, the lenders may request that the project sponsors contribute additional equity to the project.

The Sarulla project will be owned and operated by the consortium members under the framework of a Joint Operating Contract ("JOC") and Energy Sales Contract ("ESC"). Under the JOC, PT Pertamina Geothermal Energy ("PGE"), the concession holder for the project, has provided the consortium with the right to use the geothermal field, and under the ESC, PT PLN, the state electric utility, will be the off-taker at Sarulla for a period of 30 years.

Ormat holds a 12.75% equity interest in the project, corresponding to a commitment to invest approximately \$60 million of equity based on the current project plan.

Heber 1 Power Plant (California). We are currently in the process of enhancing the Heber 1 power plant of the Heber complex located in Imperial Valley, California. We are planning to convert artesian wells to pumped wells, add a new water cooling unit and replace one of the OECs, following which we expect the capacity of the complex to reach 92 MW. Construction is ongoing and completion of the enhancement is expected early 2018. In December 2015, we

started to sell power generated by the Heber 1 power plant under a new fixed price PPA with SCPPA.

Platanares Project (Honduras). We are currently developing the 35MW Geotermica Platanares geothermal project in Honduras. We hold the assets, including the project's wells, land, permits and PPA, under a Build, Operate, Transfer ("BOT") structure for 15 years from the date of commercial operation. Pre-commissioning testing is ongoing, T-line construction is almost completed and commercial operation is expected before the end of the third quarter of 2017.

Tungsten Mountain (Nevada). We are currently developing the 24 MW Tungsten Mountain geothermal power plant in Churchill County, Nevada. Field development has been completed, while site construction is in final stage. We have also secured the interconnection agreement for the project. Commercial operation is expected before the end of 2017.

Olkaria III Plant 1 Repowering (Kenya). We are currently repowering Plant 1 of the 139MW Olkaria complex in Kenya and expect to add approximately 10MW to the complex. The electricity generated by the new unit will be sold under the amended PPA. The repowering will be completed by the end of 2018.

Brady Power Plant (Nevada). We are currently in the process of enhancing the Brady power plant located in Churchill County, Nevada. We are planning to replace its equipment with new OECs, following which we expect the capacity of the complex to increase to approximately 12 MW. Engineering and manufacturing is ongoing and construction has started. We expect the enhancement to be completed in the first half of 2018.

McGinness Hills 3 Power Plant (Nevada). We are currently developing the 48 MW McGinness Hills 3 geothermal power plant in Lander County, Nevada that will be added to the McGinness complex. Engineering and procurement is ongoing and drilling is in process. Commercial operation is expected at the end of 2018.

Table of Contents

Rabitt Hill (Texas). We have a joint development of a 10 MW Rabitt Hill energy storage project located in Georgetown, Texas with Alevo Group SA. (“Alevo”). Due to a delay in achieving commercial operation and changing market conditions, we are planning to exit the Rabbit Hill project, and sell our interest in the project to Alevo.

The following is an overview of projects that are in initial stages of construction:

Dixie Meadows (Nevada). We are currently developing the 15-20 MW Dixie Meadows geothermal power plant in Churchill County, Nevada. Drilling is still in process; we expect a decision on commercial operation date later in 2017.

Carson Lake Project. We plan to develop the 20 MW Carson Lake project on Bureau of Land Management (BLM) leases located in Churchill County, Nevada. We drilled one well in 2016 that did not meet our commercial criteria. However, this well provided us with more data on the resource. We are currently evaluating the next development steps for the project.

CD 4 Project. We plan to develop 18-20 MW project at the Mammoth complex on primarily BLM leases. We have commenced field development and drilled one production well and one injection well. We expect to sign a Wholesale Distribution Access Tariff Cluster Large Generator Interconnection Agreement with Southern California Edison (SCE) by the end of 2017.

We have estimated approximately \$541.0 million in capital expenditures for construction of new projects and enhancements to our existing power plants, of which we have invested approximately \$233.0 million as of June 30, 2017. We expect to invest approximately \$120.0 million of such total during the remainder of 2017 and the remaining approximately \$187.0 million thereafter.

In addition, we estimate approximately \$20.0 million in additional capital expenditures in the remainder of 2017 to be allocated as follows: (i) \$11.0 million for maintenance capital expenditures to our operating power plants; (ii) \$7.0 million for continued exploration activity under various leases for geothermal resources where we have already started exploration activity; and (iii) \$2.0 million for enhancements to our production facilities. In the aggregate, we estimate our total capital expenditures for the remainder of 2017 will be approximately \$140.0 million.

Exposure to Market Risks

Based on current conditions, we believe that we have sufficient financial resources to fund our activities and execute our business plans. However, the cost of obtaining financing for our project needs may increase significantly or such financing may be difficult to obtain.

We, like other power plant operators, are exposed to electricity price volatility risk. Our exposure to such market risk is currently limited because many of our long-term PPAs (except for the 25 MW PPA for the Puna complex and the aggregate 90 MW PPAs for the Heber 2 power plant in the Heber complex, the Ormesa complex and the G2 power plant in the Mammoth complex) have fixed or escalating rate provisions that limit our exposure to changes in electricity prices.

The energy payments under the PPAs of the Heber 2 power plant in the Heber complex, the Ormesa complex and the G2 power plant in the Mammoth complex are determined by reference to the relevant power purchaser's SRAC. A decline in the price of natural gas or an increase in the amount of renewable power sold to relevant power purchaser or competitive market will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from natural gas, or by reducing the price of purchasing its electrical energy needs from natural gas power plants, which in turn will reduce the energy rates that we may charge under the relevant PPA for these power plants. In March 2014, May 2015 and February 2016, we entered into derivative transactions to reduce our exposure to the price of natural gas under these PPAs, until December 29, 2016. The Puna complex is currently benefiting from energy prices which are higher than the floor under the 25 MW PPA for the Puna complex as a result of the high fuel costs that impact HELCO's avoided costs.

As of June 30, 2017, 94.9% of our consolidated long-term debt was fixed rate debt and therefore was not subject to interest rate volatility risk. As of such date, 5.1% of our long-term debt was floating rate debt, exposing us to interest rate risk in connection therewith. As of June 30, 2017, \$47.3 million of our long-term debt remained subject to some interest rate risk.

We currently maintain our surplus cash in short-term, interest-bearing bank deposits, money market securities and commercial paper (with a minimum investment grade rating of AA by Standard & Poor's Ratings Services.)

Table of Contents

Our cash equivalents are subject to interest rate risk. Fixed rate securities may have their market value adversely impacted by a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. As a result of these factors, our future investment income may fall short of expectations because of changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value because of changes in interest rates.

We are also exposed to foreign currency exchange risk, in particular the fluctuation of the U.S. dollar versus the Israeli shekel and euro. Risks attributable to fluctuations in currency exchange rates can arise when we or any of our foreign subsidiaries borrow funds or incur operating or other expenses in one type of currency but receive revenues in another. In such cases, an adverse change in exchange rates can reduce such subsidiary's ability to meet its debt service obligations, reduce the amount of cash and income we receive from such foreign subsidiary, or increase such subsidiary's overall expenses. Risks attributable to fluctuations in foreign currency exchange rates can also arise when the currency denomination of a particular contract is not the U.S. dollar. Substantially all of our PPAs in the international markets are either U.S. dollar-denominated or linked to the U.S. dollar except for our operations on Guadeloupe, where we own and operate the Boulliante power plant which sells its power under a Euro-denominated PPA with Électricité de France S.A. . Our construction contracts from time to time contemplate costs which are incurred in local currencies. The way we often mitigate such risk is to receive part of the proceeds from the contract in the currency in which the expenses are incurred. Currently, we have forward contracts in place to reduce our foreign currency exposure, and expect to continue to use currency exchange and other derivative instruments to the extent we deem such instruments to be the appropriate tool for managing such exposure. We do not believe that our exchange rate exposure has or will have a material adverse effect on our financial condition, results of operations or cash flows.

We performed a sensitivity analysis on the fair values of our put options on natural gas prices, long-term debt obligations, and foreign currency exchange forward contracts. The put options on natural gas prices and foreign currency exchange forward contracts listed below primarily relate to trading activities. The sensitivity analysis involved increasing and decreasing forward rates at June 30, 2017 and December 31, 2016 by a hypothetical 10% and calculating the resulting change in the fair values.

At this time, the development of our new strategic plan has not exposed us to any additional market risk. However, as the implementation of the plan progresses, we may be exposed to additional or different market risks.

Table of Contents

The results of the sensitivity analysis calculations as of June 30, 2017 and December 31, 2016 are presented below:

Risk	Assuming a		Assuming a		Change in the Fair Value of
	10% Increase in Rates		10% Decrease in Rates		
	June 30, 2017 (Dollars in thousands)	December 31, 2016 (Dollars in thousands)	June 30, 2017	December 31, 2016	
Put options on natural gas price	\$(138)	\$ -	\$277	\$ -	NGI futures
Foreign Currency	(5,031)	(4,665)	5,904	4,632	Foreign currency forward contracts
Interest Rate	(195)	(254)	200	260	Ormat Funding Corp. ("OFC")
Interest Rate	(228)	(281)	230	284	Orcal Geothermal Inc. ("OrCal")
Interest Rate	(6,541)	(7,714)	6,810	7,496	OFC 2 LLC ("OFC 2")
Interest Rate	(50)	(64)	50	65	Loan from DEG
Interest Rate	(6,985)	(7,667)	7,297	8,039	Loan from OPIC
Interest Rate	(3,785)	(4,351)	3,876	4,472	Senior unsecured bonds
Interest Rate	(1,438)	(1,568)	1,498	1,639	New DEG loan ("DEG 2")
Interest Rate	(2,528)	(2,749)	2,646	2,890	Don A. Campble ("DAC 1")
Interest Rate	- ⁽¹⁾	- ⁽¹⁾	- ⁽¹⁾	- ⁽¹⁾	Amatitlan Loan
Interest Rate	(162)	(161)	167	167	Other long-term loans

⁽¹⁾ The application of a 10% increase and decrease to the interest rate, did not exceed the minimum rate as set in the loan agreement.

Effect of Inflation

We do not expect that inflation will be a significant risk in the near term, given the current global economic conditions, however, that could change in the future. To address rising inflation, some of our contracts include certain provisions that mitigate inflation risk.

In connection with the Electricity segment, inflation may directly impact an expense we incur for the operation of our projects, thereby increasing our overall operating costs. The negative impact of inflation may be partially offset by price adjustments built into some of our PPAs that could be triggered upon such occurrences. The energy payments pursuant to the PPAs for the Brady power plant, the Steamboat 2 and 3 power plants, the Steamboat Hills power plant,

and the Burdette power plant increase every year through the end of the relevant terms of such agreements, though such increases are not directly linked to the CPI or any other inflationary index. Lease payments are generally fixed, while royalty payments are generally calculated as a percentage of revenues and therefore are not significantly impacted by inflation. In our Product segment, inflation may directly impact fixed and variable costs incurred in the construction of our power plants, thereby increasing our operating costs in the Product segment. We are more likely to be able to offset all or part of this inflationary impact through our project pricing. With respect to power plants that we build for our own electricity production, inflationary pricing may impact our operating costs which may be partially offset in the pricing of the new long-term PPAs that we negotiate.

Concentration of Credit Risk

Our credit risk is currently concentrated with the following major customers: Southern California Public Power Authority, Kenya Power and Lighting Company (KPLC), Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy). If any of these electric utilities fails to make payments under its PPAs with us, such failure would have a material adverse impact on our financial condition. Also, by implementing our new multi-year strategic plan we may be exposed, by expanding our customer base, to different credit profile customers than our current customers.

Sierra Pacific Power Company and Nevada Power Company accounted for 16.7% and 19.1% of our total revenues for the three months ended June 30, 2017 and 2016, respectively and 17.8% and 21.1% for the six months ended June 30, 2017 and 2016, respectively.

SCPPA accounted for 8.7% and 10.4% of our total revenues for the three months ended June 30, 2017 and 2016, respectively and 8.9% and 11.2% for the six months ended June 30, 2017 and 2016, respectively.

KPLC accounted for 15.4% and 17.1% of our total revenues for the three months ended June 30, 2017 and 2016, respectively and 14.8% and 17.2% for the six months ended June 30, 2017 and 2016, respectively.

Table of Contents

Hyundai (Sarulla geothermal power project) accounted for 4.9% and 8.6% of the Company's total revenues for the three months ended June 30, 2017 and 2016, respectively and 6.3% and 9.0% for the six months ended June 30, 2017 and 2016, respectively.

Government Grants and Tax Benefits

The U.S. government encourages production of electricity from geothermal resources through certain tax subsidies. If we started construction of a new geothermal power plant in the U.S. by December 31, 2016, we are permitted to claim a tax credit against our U.S. federal income taxes equal to 30% of certain eligible costs when the project is placed in service. If we fail to meet the start of construction deadline for such a project, then the 30% ITC is reduced to 10%. In lieu of the 30% ITC (if the project qualifies), we are permitted to claim a tax credit based on the power produced from a geothermal power plant. These PTCs, which in 2015 were 2.3 cents per kWh, are adjusted annually for inflation and may be claimed for ten years on the electricity produced by the project and sold to third parties after the project is placed in service. The owner of the power plant may not claim both the 30% ITC and the PTC. Under current tax rules, any unused tax credit has a one-year carry back and a twenty-year carry forward. If we claim the ITC, our tax basis in the plant that we can recover through depreciation must be reduced by half of the ITC. If we claim the PTC, there is no reduction in the tax basis for depreciation. New solar projects that are under construction by December 2019 will qualify for a 30% ITC. The ITC will fall to 26% for projects starting construction in 2020 and 22% for projects starting construction in 2021. Projects that are under construction before these deadlines must be placed in service by December 2023 to qualify. The ITC will revert to its permanent 10% level after that.

We are also permitted to depreciate, or write off, most of the cost of a power plant. In those cases where we claimed the one-time 30% (or 10%) ITC or received the Treasury cash grant, our tax basis in the power plant that we can recover through depreciation is reduced by one-half of the ITC or cash grant; if in the future we claim other tax credits, there is no reduction in the tax basis for depreciation. For projects that are placed into service after December 31, 2011 and before January 1, 2017, a depreciation "bonus" will permit us to write off 50% of the cost of that equipment in the year the power plant is placed into service. New equipment put in service in 2018 would qualify for a 40% bonus. Equipment put in service in 2019 would qualify for a 30% bonus. After applying any depreciation bonus that is available, we can write off the remainder of our tax basis in the plant, if any, over five years on an accelerated basis, meaning that more of the cost may be deducted in the first few years than during the remainder of the depreciation period.

Ormat Systems received "Benefited Enterprise" status under Israel's Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs through 2011. In January 2011, new legislation amending the Investment Law was enacted. Under the new legislation, a uniform rate of corporate tax will apply to all qualified income of certain industrial companies, as opposed to the previous law's incentives that are limited to income from a "Benefited Enterprise" during their benefits period. As a result, we now pay a uniform corporate tax rate of 16% with respect to that qualified income.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

The information appearing under the headings “Exposure to Market Risks” and “Concentration of Credit Risk” in Part I, Item 2 of this quarterly report on Form 10-Q/A is hereby incorporated by reference.

ITEM 4. *CONTROLS AND PROCEDURES*

a. Evaluation of disclosure controls and procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms and to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, in the original report on Form 10-Q filed on August 8, 2017, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective.

Subsequent to the evaluation made in connection with the original Form 10-Q filed on August 8, 2017, our Chief Executive Officer and Chief Financial Officer re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2017 because of the material weakness in our internal control over financial reporting which existed at that date and is discussed below.

Table of Contents

Material Weakness in Internal Control over Financial Reporting

A material weakness is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

In our original report on Form 10-Q filed on August 8, 2017, we did not disclose the existence of any material weaknesses in internal control over financial reporting. Subsequent to that evaluation, the Company determined the following material weakness existed as of June 30, 2017:

In connection with the change in our repatriation strategy and the related release of the U.S. income tax valuation allowance in the second quarter of 2017, we did not perform an effective risk assessment related to our internal controls over the accounting for income taxes. As a result, we identified a deficiency in the design of our internal control over financial reporting related to our accounting for income taxes, which resulted in the restatements of the Company's unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017, which is being effected through the Company's filing of this Amendment, the three and nine months ended September 30, 2017, which will be effected through the Company's filing of an amendment on Form 10-Q/A for the quarter ended September 30, 2017, and the restatement of the Company's consolidated financial statements for the year ended December 31, 2017 which will be effected through the Company's filing of an amendment on Form 10-K/A for the year ended December 31, 2017. Additionally, this control deficiency could result in a misstatement of the aforementioned balances and disclosures that would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected. Our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting as of June 30, 2017.

b. Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting in the second quarter of 2017 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no material developments in any legal proceedings to which the Company is a party during the second quarter of 2017, other than as described below.

Jon Olson and Hilary Wilt, together with Puna Pono Alliance filed a complaint on February 17, 2015 in the Third Circuit Court for the State of Hawaii, requesting declaratory and injunctive relief requiring that PGV comply with an ordinance that the plaintiffs allege will prohibit PGV from engaging in night drilling operations at its KS-16 well site. On May 17, 2015, the original complaint was amended to add the County of Hawaii and the State of Hawaii Department of Land and Natural Resources as defendants to the case. On October 10, 2016, the court issued its decision in response to each of the plaintiffs' and defendants' motions for summary judgment, denying plaintiffs' motion and granting defendant PGV's and the County of Hawaii's cross motions for summary judgment, effectively rendering the plaintiffs' action moot. On January 23, 2017, the plaintiffs filed a motion requesting that the Intermediate Court of Appeals to address appellate jurisdiction, which was denied by the court on April 20, 2017 as premature. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

Table of Contents

On July 8, 2014, Global Community Monitor, LiUNA, and two residents of Bishop, California filed a complaint in the U.S. District Court for the Eastern District of California, alleging that Mammoth Pacific, L.P., the Company and Ormat Nevada are operating three geothermal generating plants in Mammoth Lakes, California (MP-1, MP-II and PLES-I) in violation of the federal Clean Air Act and Great Basin Unified Air Pollution Control District rules. On June 26, 2015, in response to a motion by the defendants, the court dismissed all but one of the plaintiffs' causes of action. On January 6, 2017, the court issued its order regarding several pending motions, including plaintiffs' motion for partial summary judgment, defendants' motion for summary judgment, defendants' motion to exclude and defendants' motion for leave to file a sur-reply. The impact of the court's January 6, 2017 order is to deny the plaintiffs' sole remaining cause of action. No appeal by the plaintiffs is expected and the company considers this case to be effectively closed.

On March 29, 2016, a former local sales representative in Chile, Aquavant, S.A., filed a claim against Ormat's subsidiaries in the 27th Civil Court of Santiago, Chile on the basis of unjust enrichment. The claim requests that the court order Ormat to pay Aquavant \$4.8 million in connection with its activities in Chile, including the EPC contract for the Cerro Pabellon project and various geothermal concessions, plus 3.75% of Ormat geothermal products sales in Chile over the next 10 years. In response to various motions submitted by the defendants, including a motion describing preliminary procedural defenses, on August 16, 2016, and October 11, 2016, the 27th Civil Court issued a number of decisions, which were followed by a decision of May 26, 2017 by the Court of Appeals of Santiago. The outcome of these decisions is that the 11th Civil Court of Santiago was found to be the competent court and various of the preliminary procedural defenses are still pending. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

On August 5, 2016, George Douvris, Stephanie Douvris, Michael Hale, Cheryl Cacocci, Hillary E. Wilt and Christina Bryan, acting for themselves and on behalf of all other similarly situated residents of the lower Puna District, filed a complaint in the Third Circuit Court for the State of Hawaii seeking certification of a class action for preliminary and permanent injunctive relief, consequential and punitive damages, attorney's fees and statutory interest against PGV and other presently unknown defendants. On December 12, 2016, the federal district court granted plaintiffs' motion for joinder of HELCO as a co-defendant, and the case, which had previously been removed to the U.S. District Court for the District of Hawaii, was remanded back to the Third Circuit Court. The amended complaint alleged that injuries and other damages in an undisclosed amount were caused to the plaintiffs as a result of an alleges toxic release by PGV in the wake of Hurricane Iselle in August 2014. On June 14, 2017, the Third Circuit Court denied HELCO's motion to discuss the complaint against itself which it had filed On March 25, 2017. Discovery is underway. The Company believes that it has valid defenses under law, and intends to defend itself vigorously.

On June 20, 2016, Nadia Garcia, individually and as successor in interest to Thomas Garcia Valenzuela, and as guardian ad litem to Emerie Garcia, Khamilla Garcia and Reyene Adam, filed a complaint against Ormat Technologies, Ormat Nevada and Ormesa LLC in the Superior Court of Imperial County seeking unspecified monetary damages. The complaint alleges that the Ormat defendants caused the wrongful death, personal injury and other harm to Thomas Garcia when he was employed by Martin Hydroblasting Services, Inc. and suffered injuries leading to his death while performing work at the Ormesa plant site on or around March 31, 2016. The plaintiffs and the deceased's employer's insurer reached an out of court settlement that was approved by the US District Court, Southern District of California, and executed May 25, 2017. The case has been dismissed, without liability to the Company.

In addition, from time to time, the Company is named as a party to various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of our business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract, property damage, punitive damages, civil penalties or other losses, or injunctive or declaratory relief. With respect to such lawsuits, claims and proceedings, the Company accrues reserves when a loss is probable and the amount of such loss can be reasonably estimated. It is the opinion of the Company's management that the outcome of these proceedings, individually and collectively, will not be material to the Company's consolidated financial statements as a whole.

ITEM 1A. RISK FACTORS

A comprehensive discussion of our other risk factors is included in the "Risk Factors" section of our annual report on Form 10-K for the year ended December 31, 2016 which was filed with the SEC on March 1, 2017.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Table of Contents

ITEM 3. *DEFAULTS UPON SENIOR SECURITIES*

None.

ITEM 4. *MINE SAFETY DISCLOSURES*

Not applicable

ITEM 5. *OTHER INFORMATION*

Not applicable.

ITEM 6. *EXHIBITS*

We hereby file, as exhibits to this quarterly report, those exhibits listed on the Exhibit Index immediately following the signature page hereto.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ORMAT TECHNOLOGIES,
INC.**

By: /s/ Doron Blachar
Name: Doron Blachar
Title: Chief Financial Officer

Date: June 19, 2018

Table of Contents

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document</u>
3.1 +	<u>Third Amended and Restated Certificate of Incorporation of Ormat Technologies, Inc. filed herewith.</u>
3.2	<u>Fourth Amended and Restated By-laws, incorporated by reference to Exhibit 3.2 to Ormat Technologies, Inc. Current Report on Form 8-K filed with the Securities and Exchange Commission on January 2, 2013.</u>
31.1 **	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
31.2 **	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</u>
32.1 **	<u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
32.2 **	<u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.</u>
101.IN*	XBRL Instance Document.
101.SC*	XBRL Taxonomy Extension Schema Document.
101.CA*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DE*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LA*	XBRL Taxonomy Extension Label Linkbase Document.
101.PR*	XBRL Taxonomy Extension Presentation Linkbase Document.

** Filed herewith.

+ Filed with the original filing on Form 10-Q for the quarterly period ended June 30, 2017 (File No. 001-32347) filed on August 8, 2017.