

Ormat Technologies, Inc. First Quarter 2015 Earnings Call

May 7, 2015



Green energy you can rely on

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Information provided during this presentation may contain statements relating to current expectations, estimates, forecasts and projections about future events that are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995.

These forward-looking statements generally relate to the company's plans, objectives and expectations for future operations, and are based on management's current estimates and projections of future results or trends. Actual future results may differ materially from those projected as a result of certain risks and uncertainties.

For a discussion of such risks and uncertainties, please see risk factors as described in the Annual Report on Form 10-K filed with the securities and exchange commission on February 26, 2015.

In addition, during this presentation, statements may be made that include a financial measure defined as non-GAAP financial measures by the Securities and Exchange Commission, such as EBITDA and adjusted EBITDA. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP.

Management of Ormat Technologies believes that EBITDA and adjusted EBITDA may provide meaningful supplemental information regarding liquidity measurement that both management and investors benefit from referring to this non-GAAP financial measures in assessing Ormat Technologies' liquidity, and when planning and forecasting future periods. This non-GAAP financial measures may also facilitate management's internal comparison to the company's historical liquidity.

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Agenda

- 2015 first quarter prepared remarks
 - Q1 2015 highlights: Isaac Angel, CEO
 - Financial overview: Doron Blachar, CFO
 - Operations & business updates: Isaac Angel, CEO
- Q & A

Multi-Year Plan

Leveraging capabilities to exploit growth opportunities

Focus on profitable growth by enhancing existing operations

Continued diversification



Q1 2015 Highlights and Recent Developments:

- Electricity revenues of \$90.0 million, compared to \$94.8 million in the first quarter of 2014;
- Product Segment revenues of \$30.3 million, compared to \$47.6 million in the first quarter of 2014;
- Cash flow from operation was \$83.1 million, an increase of 22.1% compared to \$68.1 million in the first quarter of 2014;
- Adjusted EBITDA of \$65.3 million, compared to \$73.4 million in the first quarter of 2014;
- Declared a quarterly dividend of \$0.06 per share for the first quarter of 2015;

- Product segment backlog reached a record \$387.0 million as of May 6, 2015;
- Entered into a 20-year PPA with Southern California Public Power Authority (SCPPA) for the second phase of Don A. Campbell project; management expects to complete this project by the end of 2015, approximately three months earlier than previously expected;
- Completed the share exchange transaction with Ormat Industries Ltd, pursuant to the Share Exchange Agreement and Plan of Merger by and among Ormat Industries and Ormat Systems;
- McGinness Hills complex annual generating capacity increased to approximately 72MW following the initiation of commercial operation in February 2015 of the Phase 2 geothermal power plant; and
- Closed and received \$162.3 million cash from Northleaf Capital Partners for a 36.75% equity investment in certain power plants.

Financial Results

Doron Blachar, CFO



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Total Revenues

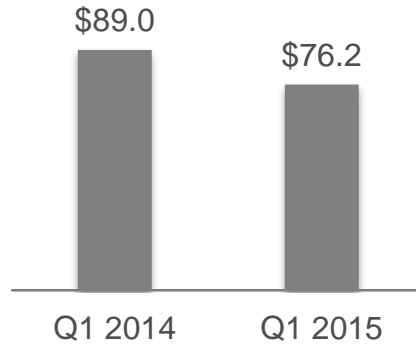
Total Revenues

-22.2 million (15.6%)

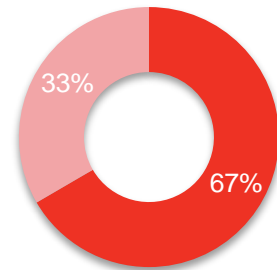


Total Cost of Revenues

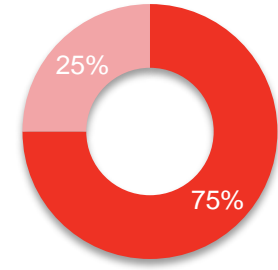
-12.8 million (14.4%)



Segment Contribution



Q1 2014



Q1 2015

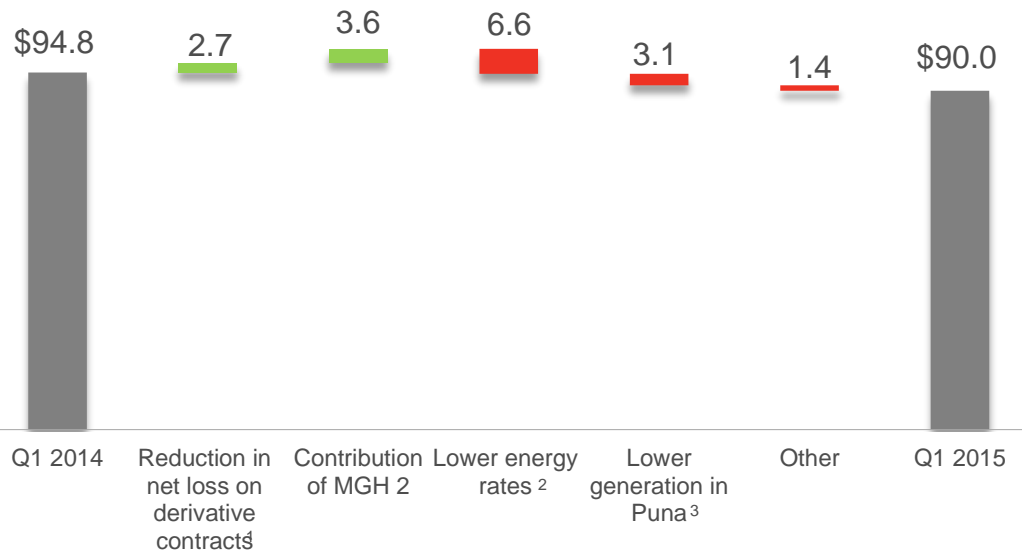
■ Electricity Segment

■ Product Segment

Electricity Segment

Revenues

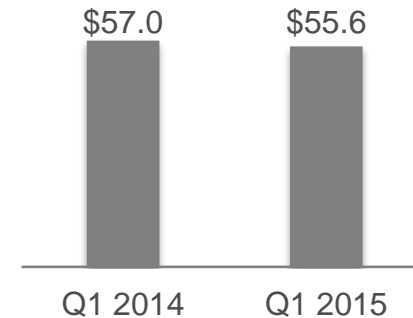
-4.8 million (5.1%)



- 1) Reduction in net loss on derivative contracts on oil and natural gas prices from \$2.4 million in the Q1 2014 to net gain of \$0.3 million in Q1 2015
- 2) Lower energy rates due to actual natural gas and oil prices
- 3) Lower generation in Puna due to last summer's hurricane

Cost of Revenues

-1.4 million (2.5%)

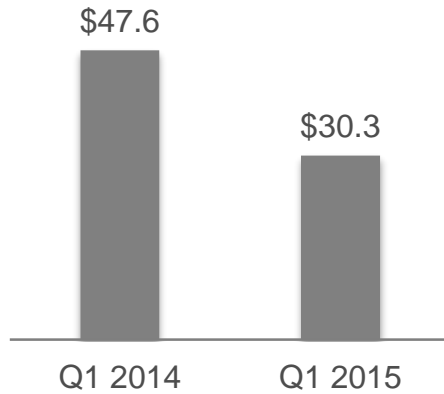


- \$2.5 million reimbursement of mining tax
Offset by:
- Additional cost of revenues from the McGuinness Hills phase 2

Product Segment

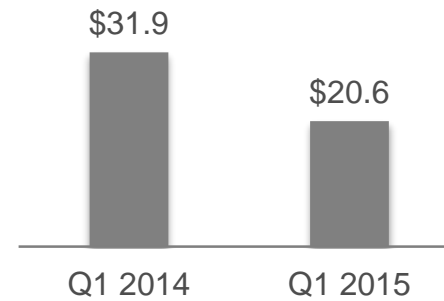
Revenues

-17.3 million (36.4%)



Cost of Revenues

-11.3 million (35.4%)

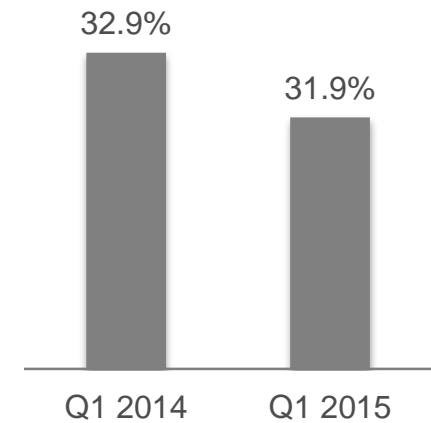
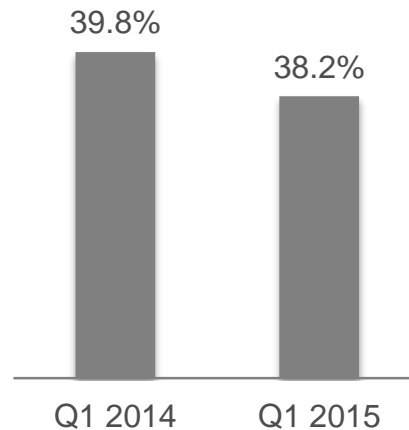
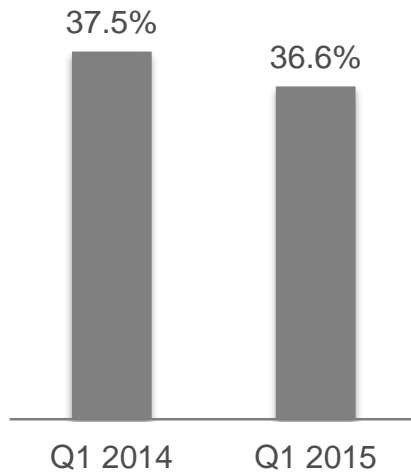


Gross Margin

Combined

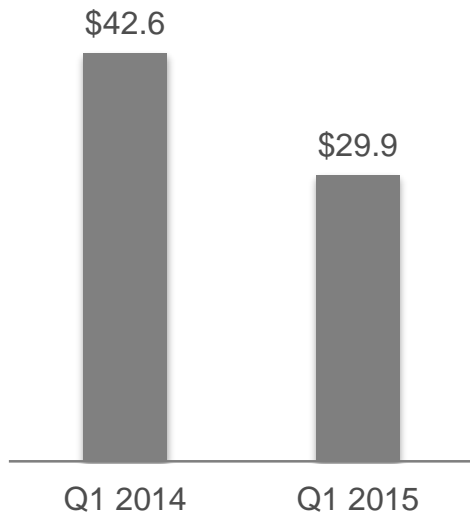
Electricity Segment

Product Segment

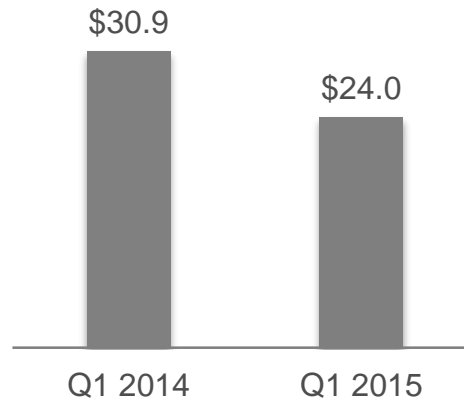


Operating Income

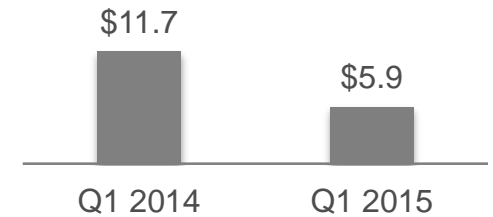
Total



Electricity Segment



Product Segment



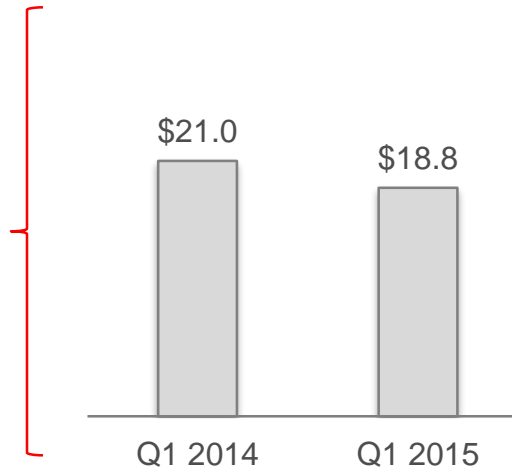
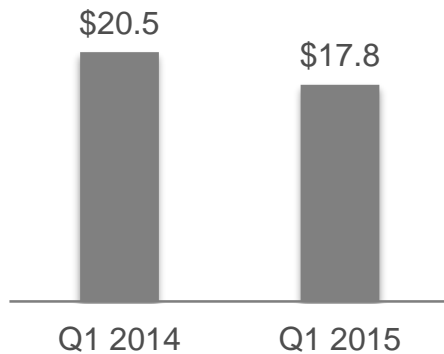
Interest Expense, Net

Interest Expense, Net

-2.7 million (13.1%)

Gross Interest Expense

Capitalized Interest

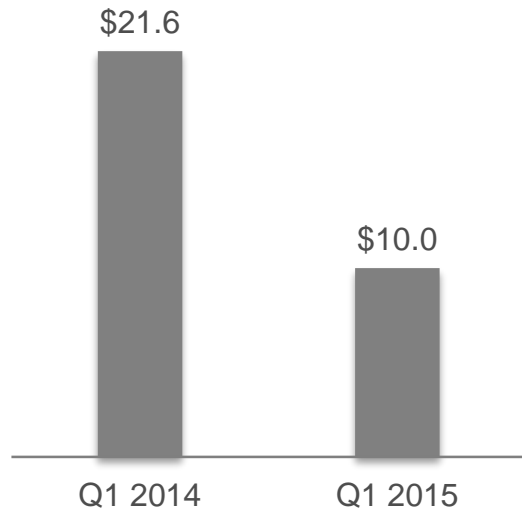


Decrease was primarily due to

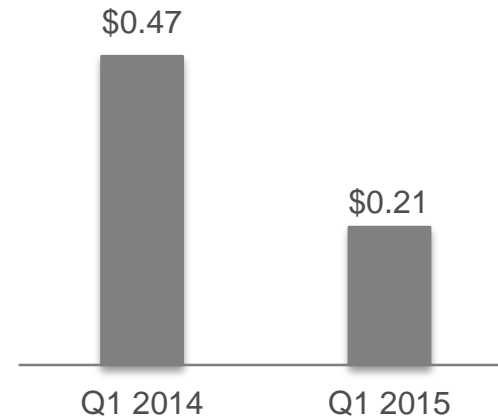
- Lower interest expense as a result of principal payments, partially offset by
- Increase in interest expense related to a new loan from August 2014

Net Income Attributable to the Company's Stockholders & EPS

Net Income Attributable to the Company's Stockholders



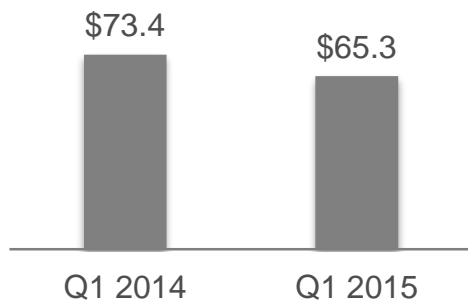
Earnings per Share (Diluted)



Adjusted EBITDA

Total

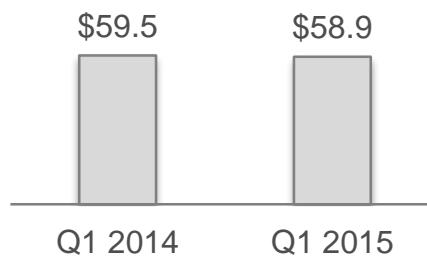
-8.1 million (11.0%)



	Q1 2014	Q1 2015
D&A*	22.1	23.8

Electricity Segment

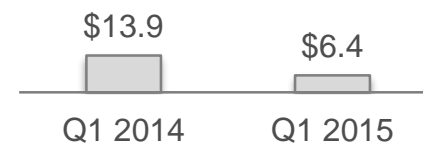
-0.6 million (1.0%)



	Q1 2014	Q1 2015
D&A*	21.3	23.1

Product Segment

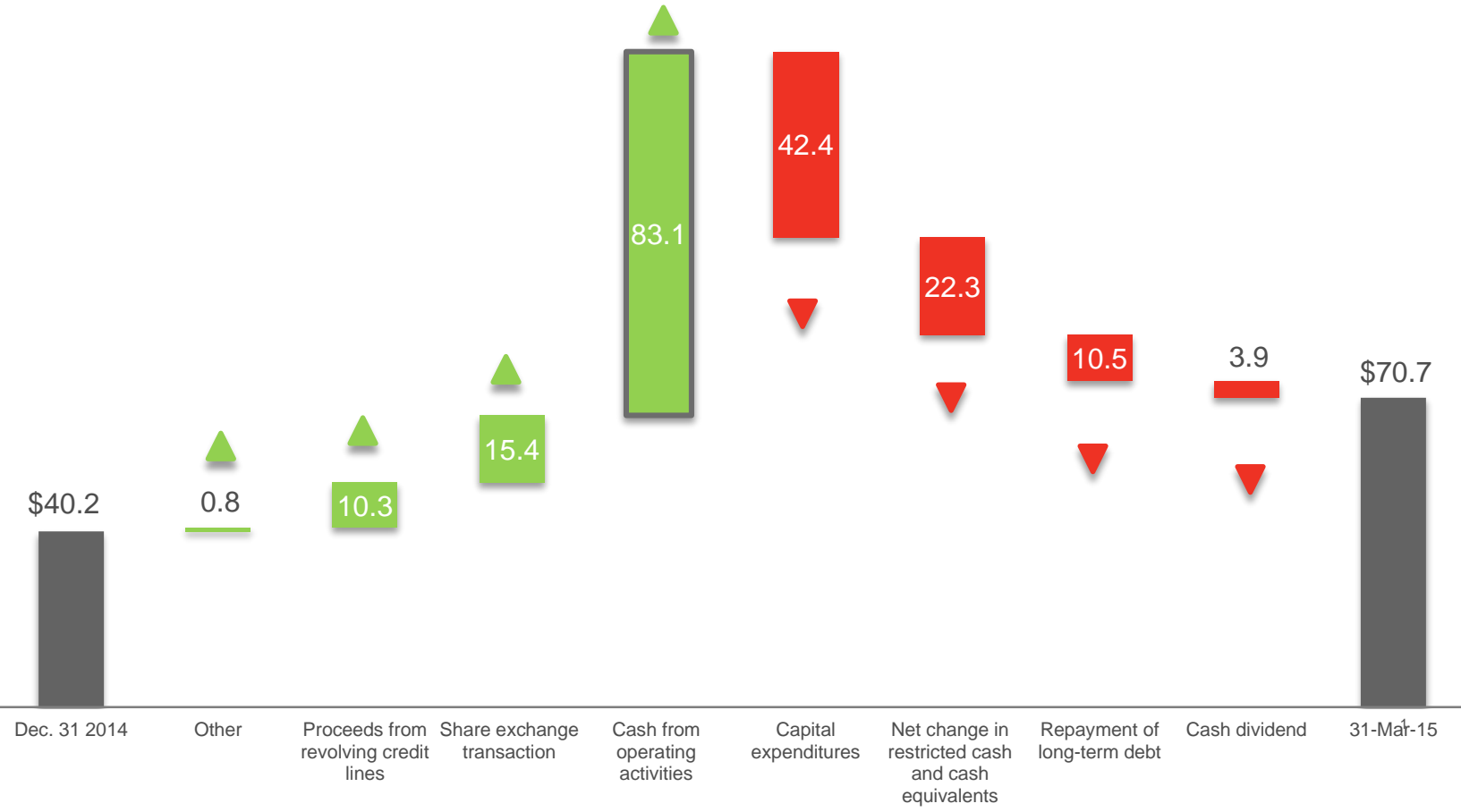
-7.5 million (54.1%)



	Q1 2014	Q1 2015
D&A*	0.7	0.7

All amounts in million USD; for Adjusted EBITDA reconciliation see appendix
*D&A is excluding deferred financing costs

Cash, Cash Equivalents, Marketable Securities and Short-Term Bank Deposit



All amounts in million USD;
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Payment of Principal Due by Period

The average interest rate for the total debt is 6.1%

	<u>Q1-2015</u>	<u>Q2-2015</u>	<u>Q3-2015</u>	<u>Q4-2015</u>	<u>Year 2015</u>
Long-term non-recourse debt & limited recourse debt	0	4,499	4,499	4,498	13,496
Senior Secured Notes (non-recourse) due 2020	0	11,173	2,111	18,669	31,953
Long-term loans (full recourse)	0	5,948	3,641	5,948	15,537
Total	\$0	\$21,620	\$10,251	\$29,115	\$60,986

	<u>Remaining Total</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>
Long-Term non-recourse & limited recourse debt	278,121	13,496	17,995	17,995	17,995	17,995	192,645
Senior secured notes (non-recourse)	392,319	31,953	35,837	36,505	33,296	32,894	221,834
Total non-recourse debt (67%)	670,440	45,449	53,832	54,500	51,291	50,889	414,479
Senior Unsecured Bonds (full-recourse)	250,212	0	0	250,212	0	0	0
Long-term Loans (full-recourse)	49,887	15,537	15,228	11,228	7,894	0	0
Revolving lines of credit from banks (full-recourse)*	30,600	0	30,600	0	0	0	0
Total full-recourse debt (33%)	330,699	15,537	45,828	261,440	7,894	0	0
Total	\$ 1,001,139	\$ 60,986	\$ 99,660	\$315,940	\$ 59,185	\$ 50,889	\$ 414,479

*we expect to renew the revolving bank credit in 2016

Operations & Business Updates

Isaac Angel, CEO



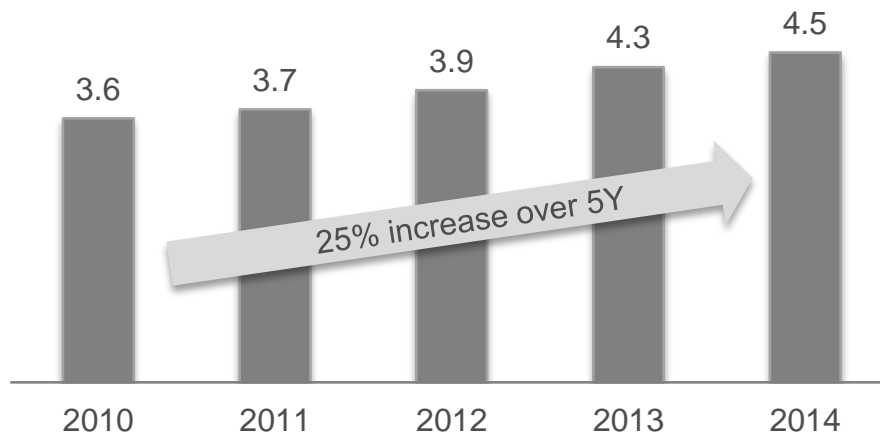
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Operations Update

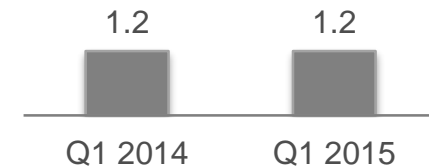
- Feb. 1, 2015 - began commercial operation of McGinness Hills Phase 2, Nevada
- Heber 1 enhancement



Annual Generation (GWh)



Quarterly Generation (GWh)



Construction Updates

- Don A. Campbell Phase 2, Nevada
 - Signed 20-year PPA with SCPPA
 - 19 MW expected by the end of 2015
- Plant 4, Olkaria, Kenya
 - 24 MW expected in H2 2016
- Sarulla, Phase 1, Indonesia
 - 14 MW expected in 2016
- Above listed and additional projects are expected to add between 90 and 115 megawatt by the end of 2017

Don A. Campbell Phase 2, Nevada



CapEx Needs for the Remainder of 2015

As of March 31, 2015

Capital Needs (\$ millions)

112	Construction & Enhancements
26	Development & Exploration
10	Maintenance CapEx
3	Production Facility & other
\$151	Total CapEx
\$61	Debt repayment
\$212	Total

Product Segment

- Signed \$98.8 million EPC contract for a geothermal project in Chile
- Backlog increased to a record of \$387.0 million as of May 6, 2015
 - Includes revenues for the period between April 1 and May 6, 2015
 - Revenues are expected to be recognized in the years 2015-2017

Closed Equity Transaction

- Received \$162.3 million cash from Northleaf Capital Partners
- Northleaf acquired 36.75% equity interest at an aggregate valuation of \$442 Million
 - The purchase price and the percentage interest acquired by Northleaf were affected by the devaluation of the Canadian dollar vs. the U.S. dollar

Regulatory Updates

Continued support for renewables & geothermal

- **California**

- Gov. Jerry Brown announced Jan. 5 that he would like to raise the renewables portfolio standard target to 50% by 2030

- **Hawaii**

- House and Senate Committees in Hawaii unanimously approved legislation to raise the state's renewable portfolio standards from 40% by 2030 to 100% by 2040

- **Africa**

- Fifth African geothermal conference (ARGeo-C5)
- Use the potential of geothermal in the region as a catalyst for achieving the continent's economic, social and environmental development aspirations

Reiterating 2015 Guidance

- Revenues
 - Electricity Segment - between \$380 and \$390 million
 - Product Segment - between \$180 and \$190 million
 - **Total: between \$560 and \$580 million**

- Adjusted EBITDA
 - Between \$280 and \$290 million

Reconciliation of EBITDA Adjusted EBITDA and Additional Cash Flows Information

- 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) write-off of unsuccessful exploration activities,(ii) any mark-to-market gains or losses from accounting for derivatives, (iii) merger and acquisition transaction cost, (iv) stock-based compensation,. EBITDA and Adjusted EBITDA are not a measurement of financial performance or liquidity under accounting principles generally accepted in the United States of America and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net earnings as indicators of our operating performance or any other measures of performance derived in accordance with accounting principles generally accepted in the United States of America. 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.
- The following tables reconcile net cash provided by operating activities and net income to EBITDA and Adjusted EBITDA for the three-month period ended March 31, 2015 and March 31, 2014:

	Three Months Ended March 31	
	2015	2014
	(in thousands)	
Net cash provided by operating activities.....	\$ 83,147	\$ 68,076
Adjusted for:		
Interest expense, net (excluding amortization of deferred financing costs).....	15,972	19,176
Interest income.....	(9)	(111)
Income tax provision	5,459	6,320
Adjustments to reconcile net income or loss to net cash provided by operating activities (excluding depreciation and amortization).....	(47,220)	(22,870)
EBITDA.....	\$ 57,349	\$ 70,591
Mark to market on derivative instruments which represents swap contracts on natural gas and oil prices	4,129	225
Stock-based compensation	1,127	1,440
Share exchange transaction costs	3,400	—
Write-off of unsuccessful exploration activities	174	—
Mark to market on derivatives which represents currency forward contracts	(860)	1,177
Adjusted EBITDA.....	\$ 65,319	\$ 73,433
Net cash used in investing activities	\$ (47,257)	\$ (35,323)
Net cash used in financing activities.....	\$ (5,396)	\$ (42,180)