

**Ormat Technologies, Inc.**  
**Investor Event**  
**March 9, 2016**

**Speakers:**

Isaac Angel, CEO

Doron Blachar, CFO

Smadar Lavi, VP Corporate Finance & IR

**Isaac Angel :**

Good morning everyone. Good morning. Welcome to the first conference Ormat Technologies management is holding in Tel Aviv. I also hope it's not the last conference. With us here are the Chairman of the Board of Directors and most members of management, except for one member of management, and another director. And as a matter of fact over the following hour we, Doron and I, will try to present Ormat as it is today, and our plans for the future. I have already seen that some of you sat with the members of management outside, but you will also have the opportunity for Q&A later, with us and the rest of the members of management. [Slide 1] There is a disclaimer slide, which I am naturally not going to read it, but as you all know, the presentation includes forward looking information and so on Before I start, regarding what has been done over the last 6 quarters and what is going to happen later on, a few words about Ormat in general. [slide 3] As you know, Ormat is a well-established company, very good company, it has existed for 50 years. It is a leader in its field, the geothermal field, where our mission is to take it from the geothermal field exclusively and try to advance it to other fields. But in general, for anyone unfamiliar with the numbers, here it is, a little under 600 turnover, 300 million EBITDA, 700 megawatts in 18 facilities around the world, about a thousand workers, and a market cap of about 2 billion dollars as of last week. If we look at Ormat, today Ormat operates in two main segments. [slide 4]

The first segment is the products segment, which constitutes a third of the company's sales. And in fact in this segment we also do engineering, manufacture and build geothermal power plants for third parties.[slide 5] And in the second segment, which constitutes about 2/3 of the company revenues today, is those power plants that we, some we acquired and the larger part we built, and we generate electricity and sell electricity, which we later today, later this morning, I will go on and provide you with information regarding the first segment and also about the second segment. You have to remember one thing. Ormat is the only company in the world which is , vertically integrated. the meaning is that it does the complete chain of parts you need in order to build a power plant, starting from exploration, which is searching for the hot water, followed by development, permitting, and then engineering, then the manufacturing of the plant in Yavne, and then the construction. We have an EPC company to do the construction, and after that also operates the plants. and being thus, it has a tremendous advantage compared to our competitors, and one of the reasons Ormat has been strong for 50 years, is that back in the day, its founders were wise enough to build the company in such a manner that it is able to provide everything, all the parts in the value chain. This actually provide itself with a tremendous advantage when it comes to compete with other companies.

[Slide 6] So what do we actually do? the new management came together about 6 quarters ago in April 2014, and in fact, Ormat is really a good company, but the intent is to take this good company and turn it into an excellent company. And over the last 6 quarters we have made a lot of changes in the company, which are already expressed in the company's financial reports, which we will discuss, and we will also continue doing things in order to move it forward as I had said before, the intent is to enhance shareholders value, and take it and move it forward. The first thing we did was to examined what are actually the decision making processes at Ormat, how the company works, and in fact in 2014, partially in 2015, we changed the company's entire organizational structure, we flattened it completely, connected all the parts. We created

a motto called One Ormat, where this means that all of Ormat's sections are actually one company. We started to unify things, and I'll talk about them in a minute. In fact today, it doesn't matter where you are, in Kenya, in Guatemala, the United States or Israel, every company employee knows, feels that he is an Ormat employee, and it doesn't really matter where he's located, and that's one, and in fact we flattened the management to such that the ability to make decisions is much more structured and even faster. The second thing we did it, and I'll explain it in detail later, we actually took care of all of the company's parts, and increased efficiencies, streamlining top to bottom, and I'll discuss this in detail. Those improvements have had a powerful impact on the company's gross margin and EBITDA. And the third part – we tried looking for means for how we actually enhance or, or accelerate growth.[slide7] First, we tried to deal with building infrastructure, making these things happen is a more accurate phrase, the first thing we did, if you can remember, about two years ago we did a Road Show among almost everyone here in order to examine the issue of reorganization in the company's holdings structure. In fact we cancelled the parent company in Israel, flattened the holdings structure in the United States, brought all the investors to one level. By doing this we increased the company's float, increased the number of American investors, while there's nothing wrong with the Israeli investors of course, but we just wanted the company to have a more diversified investor base. And we succeeded in doing this by the same flattening which actually took place in 2014. And overall anyone looking back also knows that the company's liquidity has also increased almost threefold since 2014, also among others thanks to this thing. The second thing, we looked for a passive financial investor that would buy part of the company's assets in order to add value and strengthen the company's balance sheet. We brought in Northleaf for 36% of the assets at about three of the company's not so large assets. This step improved cash flow and the balance sheet. In fact it served as the basis for the future, because when you come in and want to do things, you need to have several things, among other a currency which you can trade and a strong balance, and this was actually these first two preliminary

actions, really supported this thing. [slide 8] If you look back at Ormat a little, still, 50 years, this is a company that made about 80 million dollars in 2000, and later about 250 in 2005, where you have to remember, and I'll talk about this later, Ormat has M&A in its DNA. Ormat actually grew in the early 2000s through acquiring power plants and merging them into Ormat and making them more efficient. So that the company already 10 years ago, more than 10 years, 15 years, already knew to acquire plants around the world and merge and unify them, and if I talk about it today, then it's not something that's alien to the company. But we actually built a strategy right at end of 2014 founded on 4 pillars. The first pillar is how do we take Ormat's existing assets, which are those same 18 existing sites and also all of the different branches within the company, and make them more efficient, so that on the one hand they manufacture more electricity, and on the other hand – reduce costs. The second thing, how do we accelerate the company's organic growth by turning to new geographies and new technologies? How do we do M&As, which we have already forgotten over the last 10 years, and how do we enter into new activities, in which the company has not been active up to 2014? [slide 10] The first thing actually, that we started doing, is taking care of all aspects of the value chain in the company. Which is all the different parts of the company which we can take care of in order to reduce costs so that we could compete. I don't know how many of you are aware of this, but in the end of 2013 and early 2014, a number of small companies started tailing us with relatively low prices. Of course there was the crisis in the course of 2014, end of 2014, for oil and gas, where we already started to see the decline. Diesel prices began falling significantly, so it was clear to us that if we don't improve and don't increase efficiencies, and don't lower costs, and the price for megawatt per hour we're building will keep going down, and the O&M price we're paying for each kilowatt per hour will keep going down, we will have a significant problem. And today I can say that overall we did well, you'll see the numbers in a minute. And in fact by doing this we managed to compete in a way that's not bad at all and restore faith in some of the countries I will talk about in a minute.

Including Turkey, where we once again won some contracts and others, and I'm optimistic this will also happen in the future and in other countries as well. As I said, we did this by lowering costs on the one hand, and increasing efficiencies on the other hand. [slide 11] If we look at the development of new power plants, or the development of new fields where Ormat will construct power plants in the future, we've given this a lot of thought. Ormat is a company with the largest number of geologists of all the geothermal companies that exist in the world, and I have to say that 2015 was an excellent year, because you have to understand – the fact that you come in and drill a hole in the ground, and search, and I'll explain in a minute what that means exactly, search for water, it doesn't always work, and in 2015 we got 100 out of 100, and this was a great success, and it derives from several things. First, it can't be helped, technology is advancing, unrelated to Ormat. The second thing – we have started organizing differently, we've started working differently, and this has worked out for us pretty well. In the field of engineering we have made great improvements. In fact as of today we have lowered costs by more than 20% for the turbines we manufacture, which is a very significant part of the power plant, and this actually enables us to compete in a much better way. You need to understand that if the PPA prices, PPA is contracts, Power Purchase Agreements, contracts for purchasing electricity. There's nothing to do, if they used to buy electricity for 150 dollars per megawatt, today the prices are totally different, which is actually caused by a lot of different reasons. Reasons of Solar, reasons of oil, these and other reasons, and if you don't improve – you won't be able to sign contracts that will be profitable. I have to mention that the last contract we signed and that we are about to sign, are actually at lower prices, but our IRR has remained almost identical to what it was before, which for us is a great achievement. You also need to understand that by managing to lower costs, when we come in and build for third parties, now we can compete more easily in all tenders the in the world. We managed to bring it down, second. [slide 12] Also in engineering we actually planned a new turbine over the course of the last year, 4 stage turbine, which adds about 20% in

output, and by doing this we once again improved the efficiency of the power plant. You have to remember that for initiating developer, what's important is the output. I mean the price is also important for it, but it is actually signing a contract for 20 or 25 or 30 years with the electric company, and each extra kilowatt it can produce at the same price, naturally its IRR improves exponentially. So if you have a certain resource, again, I'm not sure everyone knows what a resource is, but again, I'll refer to it later. The resource is those hot waters that come from the ground at a certain quantity, and it can manufacture a certain amount of electricity. As this electricity generation increases, naturally the company selling the electricity is more profitable. When all of these actions towards increased efficiency have been taken, they have a very significant impact for Ormat's current success, and also in the future, and I must say, to my regret, that this is not something where we can stop and say – oh, we can rest on our laurels. Now we're producing electricity at X million dollars per megawatt and we can stop. Unfortunately it's not like that. And we have to continue becoming more and more and more efficient, and these guys sitting here, do this very well. And I am also very optimistic about the coming years. [slide 14] The next thing that we did, which is very significant for the company, is we went to every existing power plant and started actually examining whether this plant generates the electricity under the PPA, or whether it manufactures less, why it manufactures less, whether it could be made more efficient, whether it's possible to reduce costs? And over the last 6 quarters we saved in the existing plants, you'll see the figures in a moment, massive quantities of O&M. On the other hand, we were also successful in making plants more efficient in terms of costs. We still have plants that pose problems, which is mainly Puna, North Brawley, and others we're dealing with. But the idea is to establish units from within the company to go down to each and every plant, each complex, take it, and make it independently more profitable, more efficient, and produce more electricity. For example we established 2 control centers in Nevada and a control center in California that operates power plants. We took manned plants and made them unmanned. It should be understood that in our

world, where we don't need gas or oil, the cost of operating a plant is mainly manpower. And the more you are able to reduce manpower, the more profitable your plant becomes, because in fact we don't need to purchase coal, oil or natural gas in order to run the plant. Just see in Nevada, we managed to lower operating costs from almost 23.5 dollars to 21 dollars per MWh over the course of the last 6 quarters, and we're still counting I hope, and will continue to lower it more. So what was done in these 6 quarters is preparing infrastructures in the existing plants, and the same things we can implement in the plants, both in the new plants we are about to build, which I will discuss soon, where right from the start, the costs for megawatt per hour will be lower than they once were, and through this – naturally also have an impact on the gross profit, the EBITDA, and the company value. [slide 15] If we look at electricity segment, Ormat in 2014 compared to 2015, there are two figures hiding here that should be remembered, which Doron will discuss in detail later, which are gradually decreasing, but still from 2014 to 2015 we had an impact of about 30 million dollars in the turnover due to the decline in the prices of oil and natural gas, and about 22 million dollars in Adjusted EBITDA for exactly the same reason, so if you're comparing apples to apples, naturally the numbers here lie a little, the 47 is much higher, I mean the EBITDA and the Adjusted EBITDA Margin is also higher, because in fact in spite of the 30 million dollars in the turnover and the 22 million dollars in EBITDA, we managed thanks to these increased efficiencies to bring about improvement in all of the company's parameters. Naturally not one of us can foresee where the prices are going, on one hand, but on the other hand – how many, I don't know how many of you know, but a third of our exposure to natural gas disappeared at the end of 2015, and another third will disappear by the end of 2017, so the company is becoming a much more robust company by neutralizing exposures to natural gas and oil prices later on. [slide 16] And if you look at the company's figures overall, not just of the electricity segment, the same image appears. The company has actually made a very serious improvement, in almost all parameters. It should be kept in mind that we have managed to reduce power plant construction

times start to finish from 12 months to 8 months. We managed to shorten the manufacture of a complete power plant in a certain country from almost two years to a little over a year, which is a significant decrease. Every month for a 20 or 30 megawatt power plant means millions of dollars. We've also managed to lower the CapEx, CapEx is the capital expenditure, which is what it actually costs to develop and construct a plant. A plant used to cost us, depending on geography, between 4.5 and 5 million dollars per megawatt, and we managed to lower this cost to between 4 to 4.5 million dollars per MW, which is half a million dollars less per MW, which is naturally a great impact on the IRR I discussed earlier, excuse me, today this number is significantly much much lower than what it once was, and I said it again, thanks to technology, new products we are bringing out faster today, and thanks to the fact that we're increasing efficiency in almost every field, we manage to lower these costs, and thus maintain a profit margin, in spite of the decline in the prices of, also of PPA and also of power plants around the world.[slide18] In the field of organic growth, today Ormat is in the 7<sup>th</sup> place worldwide, if I can count right, yes. And in the second place in the United States. But you have to remember that all of the plants that Ormat built, most of them are plants in the binary sector, again I'm tossing around terms that I'm not sure everyone is familiar with, but in a minute I'll explain what binary is. Our world, the geothermal world, is divided into two groups: the steam world and the hot water world. Ormat does not play, has not been a player in the world of steam thus far, and Ormat is a player in the world of hot water. In a minute I'll give you the numbers, just so you have an idea of what we're dealing with in terms of overall potential. But if you are looking at the numbers here, in fact Ormat is the only company that developed about 400 megawatts in the last 10 years. most other companies, relatively stagnant companies, which are in this market for many years, Chevron for example, in light of recent oil prices and the reorganization has put out for sale on the market nearly all of its geothermal plants. Mighty River Power, a company from New Zealand, has been in the market for a very long time. Calpine, if you're familiar with it. [CalEnergy] is a

Hathaway company, Berkshire Hathaway, belonging to Warren Buffett. They have also been around for many years. Everything I said here is in the field of electricity. The meaning is – companies that are IPP, that sell electricity. [slide 19] If we look at the field of products, what I started talking about earlier, the products are actually power plants that manufacture electricity from steam, or power plants that manufacture electricity from hot water. Ormat is in fourth place, and all the other companies that are in first, second, and third place, they are all huge global companies, like Toshiba, Mitsubishi and Fuji, and they actually manufacture the turbines for the steam world, you have to remember that until, until not long ago, the steam world was about 83 percent of the geothermal world and the hot water world was about 17% of the geothermal world, where Ormat controlled 84% of the market. This means that a new that comes in and looks at it would say – whoa, there's a problem here. Because if we were 5% of a 10 billion dollar global market, fine, I know how to move ahead, to take it. take from this, take from that, increase more and more and more, and get to be 20% market share. But when you have 84% of the market, that requires a different thought, and see, okay, so now how do we make the market share grow? Because if it can't be, because with 84% you can only go down, it's very hard to go up. and so in fact I'll explain in a minute how we handle this problem, but overall, there's no doubt that Ormat is 84% of the binary market, this is massive power, this is a massive base from which we can take and do other things, and we're not starting from someplace like some small startup company which has a harder time. Here you also need to look at some of the projects Ormat did. This is the black line seen here. You actually see here Ormat built a tremendous number of plants in the course of these years, which shows that a hot water geothermal plant is overall smaller, compared to a plant built on steam. If we're looking at the world and maybe I forgot to mention that this whole graph presents about 13 gigawatts, which is the entire world equipped in the geothermal field. [slide 20] In the world today, in the world there are 13 gigawatts, which is not a lot overall. 13 gigawatts installed which are steam or hot water. The assessments are that the existing global potential is 140

gigawatts. But I want to tell you that this is, this figure is probably right, but it is a bit misleading. Why is it misleading? Because if I look at Ethiopia, in Ethiopia there is probably a potential of, of thousands of megawatts, but it's there all the time. If they don't build it, then it will remain as potential for ever. So you also need to know how to develop, how to take this potential and turn it into a geothermal plant and manufacture electricity in order to make this potential into money. So if you look at those ring of fire areas, that means where actually in the world there's steam or hot water close to the surface, so those are the countries marked in green, and today are far more active in almost all of these countries, and I'll discuss them in a minute. [Slide 21 ]And in fact there are several factors that accelerate growth worldwide, and one of them is the shortage of energy, there's no helping it. There are still many countries in the world which have a shortage of energy, and this is an established fact, and we are active in them, such as Kenya, such as Honduras, such as Guatemala, and other countries. The second driver for growth and demand in western countries is a change in legislation, and I'll talk about it in a minute. And the third driver is that basis I spoke of about 10 minutes ago, which is Ormat's global leadership position. There is no doubt that there is no geothermal project taking place in the world today where the entity carrying it out does not also approach Ormat. Meaning that being a leader naturally have a great advantage where we don't always win all the bids and we don't always perform all the projects, but at least we are there as a force, and this has a great importance for us. [Slide 22] Here is a very good graph that shows where in the world there is still a shortage of energy. As you can see, in Africa the numbers are staggering. Latin America and Asia. And we are active in Kenya. We are now entering activity in Ethiopia, in Indonesia we are already active, and Guatemala and Honduras which we have reported at the end of the previous quarter that we are establishing a plant in Honduras. [Slide 23] And if you look at the second thing, which is legislation, there is no doubt that the world is getting warmer, and there is no doubt at all that many, more and more countries are aware of this, and are going ahead and passing laws in order to reduce coal plants,

reduce fuel consumption , now as for natural gas, opinions are divided. Some countries claim natural gas is clean energy, and some other countries claim that natural gas is also not exactly clean energy. And in fact, this thing is pushing the western world mainly, but not exclusively. Also in Kenya today, there is a great deal of awareness of renewable energy. And there are other countries as well. Though they are relatively poor countries, Kenya luckily has a lot of underground geothermal activity and it can produce electricity from geothermal means exclusively and also sell it to its neighbors. [slide 23] On the other hand, some of you must know that about a month ago there was an international conference in Paris participated by 195 countries and more and more countries have begun passing laws to reduce carbon emissions. And this naturally pushes our technology and companies that manufacture renewable energy forward. You have to remember that when we're talking about renewable energy Geothermal is the smallest of them. Not the smallest, but among the smallest. Solar energy and wind power are bigger than geothermal today, but with one very clear distinction that people don't always understand. If we look at the entire renewable energy environment, the only energy that has a base load power source, base load meaning that it exists all the time 24/7, is geothermal energy. Meaning that solar energy is only available during sunlight hours, the same thing goes for wind power and hydroelectric power. It's the same for everyone. But think about it, geothermal energy once you build it, it works forever, day and night, weekends and holidays, all the time. and this has great importance. At times we even have a hard time convincing the legislator or the electric company – okay, so how much does the electricity actually cost you? Because if you take wind or sun, which has 27% availability, so for those other 77% – you don't have electricity. So here you have very large costs, which I won't get into right now of network stability, the north European network is in a very difficult situation in terms of stability. There are losses of billions in northern Europe due to renewable energy which is not handled properly. Because you have to understand that if (intermittent) renewable energy enters in a tremendous amount, and also comes out in a tremendous amount,

then a hole is formed in the grid. which someone has to fill. And this, and this thing in itself creates new markets for us, and the global network has big problems. But we won't get into this due to a shortage of time and I'll move ahead. And I'll try to explain really in a few minutes what we really do. [slide 24] In fact the geothermal world is divided into a few groups, into 2 main groups as I said before, from 100 degrees Celsius to 250 degrees. 100 degrees is boiling water, as we all know, and 250 degrees is dry steam. The idea is actually to take this energy from the ground, it doesn't matter if it is steam or water, to channel it into a turbine, spin the turbine and manufacture electricity. And this has been done for over a hundred years. This is not something that we invented, this is not something that, but the question now is how do we do it? And of course you can't operate a steam turbine with 100 or 150 or almost 200 degrees. You need to have really dry steam or really steam in order to spin steam turbines. So then, Ormat came in so many years ago and said let's invent a technology where we actually take these lower temperatures, where we transfer this temperature into the system which is, which has another fluid whose boiling point is much lower than water's boiling point, and heat up this fluid, and its vapors will spin a turbine, and then we cool the fluid, put it through again, and so on, so that it always flows through the system, and the hot water that heated that same fluid we inject back into the ground so that it warms up again and comes back to us. And this was actually a revolutionary technology in the fact that it was able to make use of lower temperatures, and also by not draining the water reservoir. Because if you take steam, spin a turbine, and then evaporate the steam in the air, in 10, 20, 30 years this steam is gone. As evidence in Italy, which was one of the first countries that started manufacturing geothermal energy, most of the steam fields are half empty. And the efficiency of the turbines which used to stand at 70-80-90 percent, today it's at 20 or 30 percent. So that the technology we manufacture, first – it knows how to work with lower temperatures. Second – it also preserves it so all the energy we used, or almost all of it, returns to the ground and so on, so that you built a plant and it works, I call it perpetual motion, and my guys are mad because it's not a good word, but

it's really like that. because this, I was very impressed the first time I saw, wow, they're making electricity as if from nothing, and it keeps working all the time. And it's true. Okay. So in fact Ormat was active in the binary field, and companies like Toshiba, which is the world leader in the field of steam, as you saw in the previous slides, and additional companies such as Mitsubishi, Fuji, and others, also in the field of steam, and we came in and took it another step. We said - if we actually go to those same steam powered plants that work around the world, that operate steam turbines less efficiently, but in the end have steam that's a little colder. So let's take it, and produce electricity from it as well. And this way we created binary plants, it's called combined cycle. Meaning, it has two phases. We do - the first time the steam works, we take their leftovers, and manufacture electricity from them as well. [slide 25] Through this contact we actually formed the connection with Toshiba. We came in and told Toshiba, guys, let's do a sort of collaboration between us and through this you and us, I mean you don't have binary geothermal and we don't have steam geothermal, we're not planning to do steam, and you're not planning to do binary, let's collaborate, and this way we will appeal to the full market together. And of course this thing went ahead. I have to say that again, it's possible that guys, a part, we already won one contract in Turkey together with Toshiba in precisely this field, that they make the steam station and we sit over then and build the station through the residue. This is a relatively large plant of 90 megawatts, they do 60, we do 30. Or numbers that are similar to that. And this is a phenomenal success. And I'm building on it that this thing will bring us additional successes in the future. This makes sense. And this moment, this makes sense, in the end this also has to succeed. [slide 26] Our focus in the world, geographically, has been mostly in the United States. we have one more plant in Kenya and one more plant, 2 plants in Guatemala, but the company mainly focused on the United States, because of its internal structure up to a year and a half ago. As I said earlier, we've made a very big change, and today we are turning to other geographic locations around the world which have growth potential. A large part of them is in Africa, but also in Asia. And I believe

that this will bring us the accelerated growth. [slide 27] If we look forward a little, as of today we can identify as Ormat, about 2000 megawatts by 2020, when those 2000 megawatts are divided partly in the field of plants and partly in the field of electricity. Mainly in Asia, Africa, and Latin America. You should remember that in 2015 Ormat supplied 75 percent of the growth in the binary field. meaning from this I can deduce that in the future as well, out of the 2000 we could take relatively large portions, and there is no doubt that this agreement we made with Toshiba will also give us all sorts of advantages in order to perhaps even increase this 75%. [slide 28] And if I'm talking about, about the places where you, some of you certainly already know and have heard these names, these are plants that we are going to build in the course of 2016-2017 and 2018 which currently total between 160 and 190 megawatts, but in a minute in the following slides I'll talk about growth, about accelerated growth more so that it's possible that this number would also grow. We just released two plants in the United States – Tungsten and Dixie Meadows. We still don't have signed PPAs for these two stations, but I'm optimistic that it will be signed thanks to that legislation, mainly in California, Nevada, Oregon, and others. We're building a new plant in Honduras. We purchased a plant in Guadalupe. And all the rest you already familiar with. [slide 29] we have, as of now 30 additional prospects worldwide where we are at various stages or either permitting or exploration or already drilling of some sort or other of a exploration well of one kind or other, which I'm sorry to say, I put "sorry" in quotation marks, that 21 of them are in the United States. we are making a great effort, and this is the reason the EVP of exploration is not here, we are attempting to increase those prospects that are not in the United States at an accelerated rate, and I hope that the next time we will meet some of those 30 or more that will come, will already be in the previous list of the –

Participant: Can you please say how many out of the 21 have been proven?

Isaac Angel, : Yes. One second, give me here. I'm sorry?

Participant: How many out of the 21 have been proven as a reservoir?

Isaac Angel, : I think none at this stage. Have been proven, while we're speaking here, and there's a webcast, and I say, so it's like, okay. We're going to build. If, in internal discussion into the company, then these prospects are at different stages. But for this matter, in the conversation – not one has been proven out of the 30, but if they appear here on the lists, then we are optimistic that they would be proven. In a minute I'll get to where I was, with your permission. In fact, what are we trying to do? [slide 30] If we look 5 years forward and say – the company, I mean everyone knows how to do the math. A growth of 6, 7, 8 percent, the company should be 800, 800 and something million dollars, and if we take the third and two thirds, then the numbers don't really work out. Right? This is the reason we are now in a very accelerated process of increasing the construction of power plants, in order to reach the same point five years from now, and the ratio would not be a third to two thirds, but we're trying to aim to breakdown of 85% and 15%. So that means that in the coming years we have to increase the growth of power plants at a greater rate than we had built previously, and this also needs to happen from internal growth, but not exclusively. But also from external growth. [slide 32] And we purchased one plant in Guadalupe in the course of the last few months, we're looking to purchase additional assets. You need to keep in mind that the assets we're trying to purchase, we won't buy an asset that is not attractive for the company. We won't buy an asset which is dilutive. It's not easy. But we're looking. We have an advantage. and our advantage is that over the years Ormat has built over 100 binary plants in the world that we do not own them all, these plants exist with Ormat technology 20 or 30 or more years. if we purchase them we can actually have a relatively quick impact and bring them up to the present day, and by doing this increase both their efficiency and their profitability. We are also entering new fields which I'll mention in a minute, there too we are looking for companies, mostly small companies in the field of technology, which if we're talking about them, the intention is actually to enter into a very narrow field of solar energy, mainly solar solutions for very large companies such as Google and other that are trying to disconnect from the grid and

build their own internal grid. What's called a micro grid, or behind the meter, for those of you familiar with these concepts. [slide 34] And there is a very big need there for companies like Ormat to provide solutions, it's just that Ormat has capabilities today in almost every field that are bigger than current activity. This means that we can take capabilities from inside the company and utilize them in additional activities. and those additional places are really as I said – either in the solar field not in the United States in solar, as a power plant but in local solutions, solar solutions in other places in the world, where the prices are much higher than in the United States. in the field of storage, I don't know how familiar you are, but the field of storage is a growing field in the United States and the western world, where due to those issues I mentioned about fifteen minutes ago that renewable energy, not geothermal creates, in fact they take large storage solutions, batteries or something like that, or, storage can actually be anything, and they preserve electricity there and when the sun goes down they get the electricity from the storage. These are fields that are also active, of course if Google is using solar, and it needs electricity 24 hours a day, it can't live on solar energy exclusively. So it needs additional solutions in order to generate electricity, and Google is just one example, yes? There are a lot of companies in the United States and the world that are going towards renewable solutions, and we have the abilities to provide these solutions. And if I actually come to sum this up in a few word, I'll summarize after Doron. [slide 35] In fact, Ormat has all of the capabilities excluding those same software solutions for managing the grid. Which it is possible that we will develop this or we will acquire this. Right now we are collaborating with other companies, and we are really close to a first project in this field. We right now believe that we'll acquire it, and not develop these capabilities. And with this I'll ask Doron to give a short summary regarding the company's economic capabilities, and then with your permission I will summarize in a few minutes.

**Doron Blachar:** [Slide 37] Hello everyone. After a comprehensive review of all the

strategy and the aspects, and all the changes and amendments and adjustments, and the steps taken towards increased efficiency, I will try to go over the numbers in a few slides, and how in the end the numbers express what is being done in the company over the last year and a half and earlier. So if we start looking at the world of revenues, then you can see in fact since 2012 including the guidance we gave to 2016, the growth in revenues. Isaac talked a little about the impact of oil and natural gas prices, you can see the significant impact in 2015, when in fact 30 million dollars of revenues we had in 2014 actually disappeared in 2015. 2016 compared to 2015, overall, at least when I want to see the guidance, the forward prices seem pretty similar between 2015 and 2016. And actually when you come and look at the actual exposures that Ormat has, and I'm talking about the contracts we have, because in the end when you look at the world of oil and natural gas, the effect on our PPA prices does not come from there. The transfer to renewable energy comes from a desire and decisions to transfer to renewable energy and not necessarily from high or low prices for natural gas or oil. The United States, as Isaac has shown, there is a clear and pronounced trend of states going out and buying more and more renewable energy, defining more aggressive goals, Hawaii is the first state actually in the United States that set a goal of 100% renewable energy. Oregon, which did not have goals in the renewable energy law is now also setting goals of 50% renewable energy, these are all things you saw with Isaac. And therefore the real influence that natural gas and oil prices have, beyond the sentiment in the market, is derived from the electricity contracts we have, electricity contracts from the 1980 that are slowly going out. [slide 38] In 2016 we had exposure for 16% of our electricity production to natural gas and oil. While in 2017, following a contract that ends at the end of 2017, the Ormesa plant in California will transfer to a contract with a fixed price. The exposure will actually decrease to 9% in terms of electricity production. When you look at this influence, actually at the money, then the influence is even smaller. In light of the low oil and gas prices, so if we have 16% impact in terms of capacity, then in revenues we drop from 16 to 14 percent in 2015. In 2018, after it, when Ormesa leaves

the gas contract, and actually transfers to a fixed contract, the percentages will naturally drop. They didn't give us guidance, certainly not for 2018, but it may be assumed that with current gas prices the impact would be lower than the 9% we currently have. [ slide 39] Our profitability, when looking at our gross profits, then you can see the increase in 2012 from 26% to 37% in the unified group, this is a result of all those improvements Isaac talked about. We'll see that in a minute, also the impact in the EBITDA, a great impact. So our electricity segment today is earning 36% gross profits and the products sector stands at 39% gross profit. 2015 was certainly a peak year in terms of the electricity segment's profitability, and also when you look at the guidance of the revenues given, it's a year that pretty much continues 2014. [slide 40] Here you can see the growth in our adjusted EBITDA, which actually increased from 187 million dollars in 2012, over the guidance given between 300 and 310, it's a growth of over 60%. Later on we will see the influence, the results, what's going on in terms of our debt, and our financial parameters, but if you look at the two pie charts on the right, so if you can recall, Isaac showed that 34% of our turnover is the products segment and 66% is the electricity segment. Here in the EBITDA the numbers change a little. 23% of the products segment, 77% of the electricity segment. When looking forward in the same, the same programs and the acceleration of our growth which is mainly expressed in the electricity segment, in fact growth which we have control over is much higher than the products world, growth is also more consistent over the years. So you can see that we are expecting the influence on the EBITDA to be more, higher at the end of it, a million dollars in products gives us a lower rate of EBITDA than a million dollars in electricity. Therefore, so long as the ratio of electricity out of Ormat's total revenues increases, so would the EBITDA grow at a higher rate. [Slide 41] if we said that Ormat's EBITDA grew in four years over 60 percent, then Ormat's debt in that same period decreased by 10% gross, over 20% net. This is a decrease that derives mostly from a decision, a decision starting at the board of directors and going down to the company, to reduce the company's leverage on one hand. The Northleaf deal, which brought a lot of money into

the company, and today Ormat stands with close to 200 million dollars in its balance. On the one hand it provides a cushion, a sort of cushioning is very convenient to perform, to support growth. And on the other hand, the debt itself, as anyone who follows the numbers can see, goes down to the projects more and more. Today in corporate we actually have one large debt that was issued a little more, a little less than six years ago, the same bonds, I suppose some of you hold them. Which is about to be repaid in about a year and a half, in August 2017. [slide 42] If you look at the financial ratios, then a net debt to EBITDA ratio of 2.4, that's a debt, a relatively very low debt ratio. A leverage ratio of debt to capital, the company's equity, of 39%, the company's equity naturally grew from two things – first, it grew a lot from the Northleaf deal, and as you've seen in the end the company's profitability increases our equity. [Slide 43] And Isaac talked about M&A and accelerating growth, and it's true that the cost of construction per each new megawatt decreased from 4.5-5 to 4-4.5, still 4 million dollars per megawatt, for 160-190 million dollars is a lot of money. Ormat has the resources, and also the credit lines that exist. Also the EBITDA we create, which certainly exceeds the needs and enables is to support any growth we want. and as you know, at the end of last year in the United States the tax benefits was extended , actually the same PTC, Production Tax Credits, which we sold in the past, were extended by two years for geothermal, and today the plants that we anticipate building, both Dixie and Tungsten, as well as if there will be additional plants that we will complete proving their reservoirs, out of those 21 prospects, and start building them, then we assume that also the third plant in line after Tungsten and Dixie, and perhaps even the fourth, may benefit from the tax credits, and today we are in various processes of actually monetizing some of the tax benefits today in the United States to a number of entities that could actually benefit from this, from tax benefits, while we can actually receive low cost funding of an asset where our capacity for utilization is far removed in time. [Slide 44] and the last point I'll touch on before Isaac comes in to summarize, actually Isaac talked more than a little about Ormat's deployment and growth, and the acceleration of growth to places outside the

United States, and the changes that have been made in management which actually today focuses outside the United States, places where there is a high demand for electricity. Most of the population does not have access to electricity. The geothermal sources are very good, with the ability to build power plants in stages. So we are aware of the fact that operating in countries like Kenya or Guatemala, or Honduras, there are exposures to risks, and we manage them. We are not afraid of exposures. So we come in and manage them. Kenya is funded by OPIC. OPIC is practically a bank owned by the United States government. we, when we, when we build plants, such as Honduras, then OPIC is the first organization we would be glad to approach for funding them. If you go to places like Indonesia, there the United States government also stated already in 2013 that it is allocating funds for building power plants. So OPIC is one. DEG is another. ADB, , Asian Development Bank, or AFDB, African Development Bank. All of these banks, the reality is that they are just knocking, practically, knocking on our door and asking to give us money, so we'll build power plants. the success of the Olkaria in Kenya that we built, is presented in almost every OPIC conference as an example of how OPIC is developing and collaborating with private entrepreneurs to construct power plants in developing countries that need energy and OPIC is happy to give this money, in every OPIC conference we are actually asked to come in and our connections with them are good. Our estimate as well as the other banking organizations we meet and which provide credit for developing countries, is that if OPIC, DEG, ADB, the World Bank or anyone else provides credit for a project, and as you know, when they provide credit for a project 70 to 75 percent of the project's exposure actually transfers to the bank, for non-recourse credit, the assumption is that the country will not, will not breach the contract, it will honor the PPA, for the simple reason that they don't want to get in a fight with those banks. So we, when we come to these places, so in all these places we have the government's guarantee for all the contracts we sign. We have the international entities, bilateral, that give support. For our whole equity we actually buy insurance against political risks. Not just for the equity. In a project like Indonesia,

where we actually haven't deposited our money, but placed financial bank guarantees, we also for this already took insurance against political risks, because the actual obligation has already been created. So these are risks that we manage. And the amount of credit, the last thing I'm going to say, is that actually the credit provided, it is provided naturally with better terms than others. our loan in Kenya, the non-recourse originally for 20 years, today it's already advanced by 6% interest, these are very good terms for Kenya and probably for most places in the world.

**Isaac Angel:** [slide 46] With your permission, I will summarize in just two minutes, and then we'll open it up for questions and answers. If we look at Ormat today, when we were appointed, our priority was how to enhance value for the shareholders, and everything we do in all the tiers where we operate, we actually come in and support this thing. When this is the basis, it is really the funding. Afterwards come all the changes and improvements we're doing throughout the company without exceptions. The new fields we're entering. And accelerating growth which we're working on right now, these days. [slide 47] And this brings us to: first – we're staying, we're leading and we will stay in the geothermal field. We're not of course, we're not leaving it; the second thing: we're expanding to new geographies and expanding our own technologies at a more accelerated rate, that same erection of a 4 degree turbines I talked about, we have additional things that are in the company and which we will announce in the next few months, which in the end bring about a growth in the profit which the company anticipates in the next 5 years. And for the final note I have to say that in the current business environment of volatile oil prices and so on and so on, I think companies like Ormat which are truly renewable energy, growing in renewable energy, has the technology and the legacy, these are the companies that will succeed the next 10 years. Because if we look around at the energy world and the global IPPs are facing significant challenge, the regular ones. Companies that build power plants from conventional resources are in a slight decline. All of the companies in the field of energy, and this is actually – there's nothing to do. In the current environment, when there really is a

climate change , each of us feels and experiences this. And the legislation is working in our favor. We have technology and knowledge to harness this energy from the earth and make it into a very competitive electricity that is very available. I think Ormat and its peers will actually be the companies that lead the coming years in the world of energy, and with this I thank you, and we would be happy to answer question, if there are any. Go ahead.

**Participant:** First of all congratulations for results,

**Isaac Angel:** Thank you.

**Participant:** You spoke about M&A more than a little. And this is something that's sort of... could you provide details, is the intention to purchase other plants that are existent and operational? And if so, then what, what is the advantage, what is Ormat's advantage in making such a purchase?

Isaac Angel: Yes. I tried. I guess I didn't, really, I didn't manage to explain. There are a lot of power plants around the world, either in the field of steam or in the binary field, that exist for many years. A lot of plants in the field of steam no longer work at their designed capacity. Meaning, the steam is still there in one form or another. Let's say that once the steam used to be at 300 degrees, it's already 250 degrees. A steam plant is far more sensitive to temperature changes than a binary plant. Meaning, if it's planned to work at 300 degrees, it can put out 93% of capacity, then at 296 degrees it already drops exponentially. So then these plants exist. And if we purchase such a plant, which today, for example a plant in Guadalupe. An excellent example. It's a 14.5 megawatt plant, today it manufactures 9. We know with our technology, to acquire a plant like this, restore it to its designed capacity 14.5 megawatts with a substantially smaller investment of 4 million dollars per megawatt. And also in this plant, is there is an additional resource, or the capacity to produce more energy, also make it bigger and we also publicized that the Guadalupe plant can also reach over 40 megawatts at these stages and others. And this is exactly what we are looking for. Because at the end of the day we disclosed the purchase price for this plant, so, so this is really, I just read it to the

company. Meaning, we purchase it relatively at a low price, because it can't meet capacity. We know how to make a relatively small investment, all, let's say 4 megawatts is the threshold, we know how to make a small investment, bring it to the place. And produce energy, and it has a great PPA for 20 more years or,

**Isaac Angel:** It has an excellent customer. And if we manage to bring it, I mean, if we brought it to 14.5 – that's great. But if we also bring it to 20, 30, 40 then it's just an excellent acquisition. And there are a many like this in the world, and we're looking for them. The aim is to purchase plants is they are individual, there's no plant that isn't a company, overall. So we would have to buy the company to buy the plant. But there are companies that have more than one plant that we, for example we did due diligence a few months ago, and it didn't work out because someone else, with the hype of, what are they called? The Yield Cos, offered a crazy price and he fell together with the plant, and we were actually not tempted to offer a higher price and we didn't buy it. But we, the current environment actually, in the meantime, is pretty comfortable for us to take, I believe we can acquire plants. For that matter, by the way, we established a special department within the organization. We in management believe that you shouldn't act impulsively, you want to do M&A? Establish an entity for M&A that knows how to do M&A, put the right people there and they'll bring it, and this is how we operate.

**Participant:** If you could just repeat the question because not everyone will hear it.

**Isaac Angel:** But you have a microphone, don't you?

**Participant:** Yes, but.

**Isaac Angel:** Fine, I'll repeat the question.

**Participant:** I'll shout loudly. First of all, of course congratulations. You are talking about fixing prices, you have 14% left if I remember correctly... Prices change. The question is given the current price levels, wouldn't it be a mistake to fix it at the lower threshold of all things?

**Isaac Angel:** You know what? That's an excellent question. The question is whether we really need to fix prices now at the present prices or not. Let me tell you one thing,

my father told me – if they give it to you, take it. You don't know what will be later. For me, it's difficult for me right now to see an environment where the prices per megawatt increase in the period to come. What we need to do is adjust ourselves to the same price, that's also in, and not what's called pig out. We have an X price which is a reasonable price today, let's see how we reach the same IRR we want for this price, and let's sign. And this is what we do. It's possible that we're also wrong, and that prices will increase 10 years from now by 30 or 40 percent. But this is what we're doing today. I hope we're not wrong, and Doron has something to add.

**Doron Blachar:** I'll just add that we don't set the prices, the prices are not set according to the current prices of gas and oil. We're actually signing new contracts, it's not the old contracts. Meaning that the old contracts expire, the Ormesa contract ends in 2017, and the new contract we're signing is based on current market prices for geothermal electricity. This means, and our anticipation is, that the new contract we'll sign will be about 2 times the electricity prices or 60% higher in electricity prices than what we receive today, due to gas prices. Okay? This means that gas and oil prices today don't have an impact on the new electricity contract we set, because from the end of the 1980s, the contracts signed are not, they're not linked to gas and oil prices. Okay? This means that the price we sign is a high price. The prices we sign today, the last contracts we signed, are in the ballpark of 75 up to 80 something dollars per megawatt. These are the new contracts we're signing. We're on natural gas prices today plus capacity, because these are contracts that have a price of energy as well as capacity, you get a little over 50 dollars. this means that actually every new contract we sign, it's true for the contract we signed at this means that actually every new contract we sign, it's true for the contract we signed at Heber, the plant that went down, that passed, that finished its old contract at the end of 2015, transferred to a new contract of over 80 dollars per megawatt, where in 2015 we received around 60 dollars, because prices were a bit higher, about 60 dollars. This means there's a fairly big upside to every contract that transfers from gas prices, from the voided cost actually to a fixed price contract.

**Isaac Angel :** But still, your question is valid, because you can actually come in and say – let’s say, maybe the prices today are low around 70-80? Wait, it will get to 100, and sell it at spot prices right now, you can do it, I mean anyone can also sell at spot prices in the market. Spot prices change. So I prefer, we prefer that come on, we close a contract from here for 20 years, if I know I have an IRR that’s good, that supports the figures, I forget about it. Now all I have to do is know how to produce properly, keep lowering costs, and increase profitability. And not deal anymore with do I have it or don’t have it? I can sleep well. So, okay?

**Participant:** What is the IRR you demand, the minimum?

**Isaac Angel:** It changes from one country to country, due to the risk profile, but...

**Participant:** What is it in the United States, for that matter?

**Isaac Angel:** Do we say this number, Smadar?

**Smadar Lavi:** You can say double digit.

**Isaac Angel:** Not a low double digit

**Isaac Angel:** Yes please

**Participant:** I wanted to ask: following the technological improvements you mentioned, is it possible to really quantify the feasibility of any future malfunctions at the plants, and also if we can get a better sense of why those malfunctions occur? Because at face value it would seem that this shouldn’t happen. And a second question, could you expand a little about the profit that the company can make from an sell of tax losses??

**Isaac Angel:** Okay. That, the first question is actually new technologies coming in, are there malfunctions that we can anticipate, and what are they, and so on, right? And the second that referred to taxes, you do that please. And the first question – Yes. No doubt. When you introduce new technologies, there is a chance of malfunctions. There’s nothing to do. But we do it in a very gradual manner. For example, that 4 degree turbine we entered into production these days in the first plants were already manufacturing, has been running in our plant since last year, and it works. And by this we, since we have

the luxury, have very many plants where we can try out the things we are doing. But there are malfunctions, there's nothing to do. For example, there's a malfunction in Puna, which happened a year and a half ago because of a hurricane that knocked down one of our wells, and then another well. Like a chain reaction, a sort of domino effect. Which we are still trying to resolve. I am very optimistic that this thing will be solved in the course of 2016. There are people obligated to solve this in 2016, and it will happen. On the other hand, Ormat had a malfunction at North Brawley 4 years ago which no one anticipated. But the company learned from it, and it is no longer manufacturing plants the size of North Brawley, but manufactures them in stages, so that you learn from it. But I can't come and tell you that the minute we leave here we'll suddenly hear there was some explosion somewhere and one of the plants I don't know what. You can't know. You know, in our world everything happens. Don't forget but we're constantly improving. Constantly improving also in other things, and I didn't mention that. Because this is the details, but today almost all of our plants are remotely monitored for malfunctions that might happen in the future, and I'll explain. For example, if we install a new turbine in some Nevada desert at a certain place, this plant, it has sensors that can identify everything that happens in the plant, it appears in the center, it comes up in the control center in Yavne and also in the control center in Nevada, and we for example from the trembling in the turbine axis we can identify that in 3 months there will be a problem with this turbine, and so we intervene in advance and do the, now, these things is the advancement of technology, which actually comes in and prevents future malfunctions in these issues as well. Ormat is very very strong in these areas. It does it not thanks to us and because of us, but because it has been doing this for years. It's just that technology is advancing. Today it is much easier to transfer this information, and so it is more available. For the second question regarding the PTC.

**Doron Blachar:** Regarding the PTC, in principle according to the American law for 10 years a geothermal plant and other forms of renewable energy receive a 2.3 cent tax credit for each kilowatt manufactured. Now, Ormat, it has losses for tax purposes in the

United States. Beyond this, the new plants we establish, and are depreciated at accelerated depreciation in accordance with American regulation. Which actually means Ormat sees expected payment of taxes in the United States in the very distant range. Because as long as we continue building new plants in the United States, the accelerated depreciation actually covers the profits. And so actually for ten years of a plant, we create a tax benefit, a tax credit of 2.3 cents per kilowatt, which in accordance with American tax laws we can sell. We're actually creating in essence a partnership, where actually this tax benefit transfers to our partner, and in exchange he pays us this money in advance today. It is actually, you can see it as a sort of loan repaid from the tax benefits that you, that he, that he will enjoy, he's taking a certain risk. This is naturally all done according to the rules. This is not some loophole in the American law or in the American tax law. this is a customary track in American tax law, which we follow, which is followed by most renewable energy companies, which establish projects, because everyone has accelerated depreciation, and so actually the only way to monetize actually and enjoy the tax benefits is to sell them.

**Participant:** Is the grant in money better?

**Isaac Angel:** My father told me that a grant is always better.

[Audience laughs]

**Doron Blachar:** I'm not dealing with his father.

**Participant:** How much is it out of the company's EBITDA... ?

**Doron Blachar:** it is within the company's EBITDA there is a separate line in the profit and loss report. Incomes attributable to the sale of tax benefits. last year it was, in 2015 it was about 25 million dollars, in 2016 it will be significantly less, because actually the contract, the old transactions we made end on 2016. And we do, like I said, are in the process of making new transactions which we assume will happen towards the end of the year.

**Isaac Angel:** Meaning in comparison, 2015 and 16, you have about 16 million less in tax benefits. Yes, please.

**Isaac Angel:** It's working, working, I can hear you.

**Participant:** You talked about the focus you're shifting from the United States to other regions. If you can talk about the different profitability? First question. And second question regarding CapEx. What do you see looking ahead?

**Isaac Angel:** There's no doubt that profitability outside the United States is greater than in the United States, I mean there's no arguing with that. On the other hand the risk profile outside the United States is greater, which is why the profitability is also higher. I mean it is priced, at the end there is a sort of balance. I did not say, maybe I said and wasn't expressing myself well. We're still in the United States, we are an American company, and we are building plenty of plants in the United States. But not only. Now we're also building outside the United States, so we're spreading the risk. In the end you also can't build more than there is, and this is Ormat's problem that you have to understand. When you are a market leader and you sell 75% of every new plant constructed, you can't grow anymore, unless you are trying to expand yourself either geographically or technologically or creating a new market. We for example, as I said earlier, are entering Ethiopia very powerfully. The potential in Ethiopia has existed for hundreds of years. It's, geothermal is not, it's there in the ground. But no one has ever saw fit to build geothermal plants. But if a company like Ormat comes in and builds infrastructure in the country and approaches the government and says that it's feasible and explains and prepares and so on, in the end it also build the plant. So these are new processes which we create outside the United States. Instead of being led. We are starting to lead the changes in certain countries. For example in Mexico, which is now going through a very big change of privatization

**Isaac Angel:** Privatization of the entire Mexican geothermal world, which is one of the biggest countries in the geothermal field, then this is exactly the right foundation for Ormat to come in and offer its solutions, and Mexico is actually all steam, there's no binary in it at all, and all its resources are going unused, in fact they are wasting away their own treasures. the same thing in Guadalupe by the way, if I failed to mention it,

but that same 14.5 megawatt plant that currently puts out 9, it's the brine is dispose into the sea, instead of putting it back into the ground and reusing it. What was the question? The second one?

**Participant:** About the CapEx.

**Doron Blachar:** Regarding the CapEx, so we gave the guidance that our CapEx will be over 250 million dollars this year. Looking at 2015, we were in the ballpark of 150 million dollars. Actual. The 250 actually partially reflects the acceleration in growth we want to do. The fact that we improved our financial ratios, we made the Northleaf transaction, and in fact created a foundation that allows us to grow, would actually enable us to also invest the 250, and also as Isaac said, if we do manage to fully prove additional reservoirs in the United States or outside of it, then we can continue growing at a higher rate. At the end of it, allegedly, the limitation on growth is the ability to find reservoirs, find electricity contracts. We don't have any financial limitations on growth.

**Participant:** 250 is the investment, not including purchases.

**Isaac Angel:** Yes. Right now 250 refers to the actual ongoing CapEx and not to purchases, if there are any. Okay, I thank you very much for coming, and until next time.

**[End of Event]**