

Ormat Technologies, Inc. Third Quarter 2016 Earnings Call

November 8, 2016



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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, 2016.

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

- Third Quarter 2016 prepared remarks
 - Q3 2016 highlights: Isaac Angel, CEO
 - Financial overview: Doron Blachar, CFO
 - Operations & business updates: Isaac Angel, CEO
- Q & A

Q3 2016 Highlights⁽¹⁾

	<u>Q3 2016</u>	<u>Q3 2015</u>	<u>Change</u>
Revenues			
Electricity	109.8	97.2	12.9%
Product	74.8	65.6	14.0%
Total Revenues	184.6	162.9	13.4%
Gross margin	74.5	59.3	25.6%
Operating income	48.2	46.5	3.7%
Operating income, As Adjusted ⁽²⁾	59.2	46.5	27.4%
Adjusted EBITDA⁽³⁾	85.4	79.0	8.1%
GAAP EPS	0.24	1.41	-83.0%
EPS, As Adjusted⁽⁴⁾	0.56	0.46	21.7%

1. Q3 2016 compared to Q3 2015. In \$ millions, except EPS data

2. Operating income, as adjusted, excludes \$11.0 million of one-time settlement expenses.

3. Adjusted EBITDA for the third quarter of 2016 includes \$3.5 million of income attributable to sale of tax benefits compared to \$8.6 million for the third quarter of 2015. Reconciliation of Adjusted EBITDA is in appendix slide

4. EPS, as adjusted, excludes \$11.0 million one-time settlement expenses and \$5.0 million one-time prepayment fees for the third quarter of 2016 and \$48.7 million tax benefit for the third quarter of 2015.

Financial Results

Doron Blachar, CFO

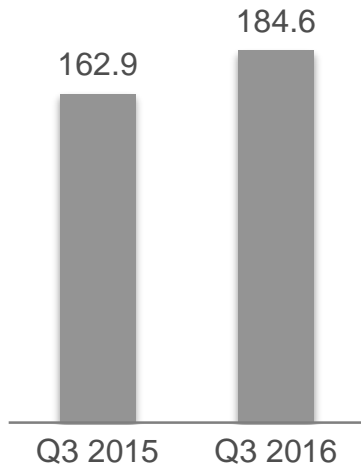


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Total Revenues

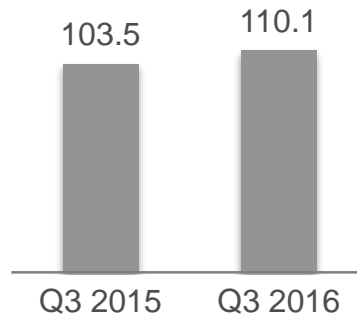
Total Revenues

+21.8 million (13.4%)

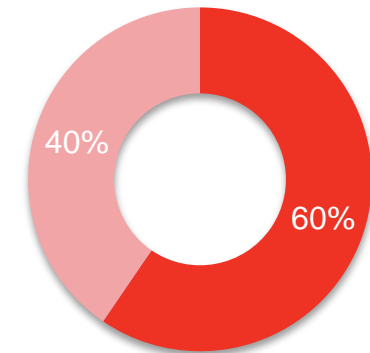


Total Cost of Revenues

+6.6 million (6.4%)



Segment Contribution



Q3 2016 and Q3 2015

■ Electricity Segment ■ Product Segment

Electricity Segment

Revenues

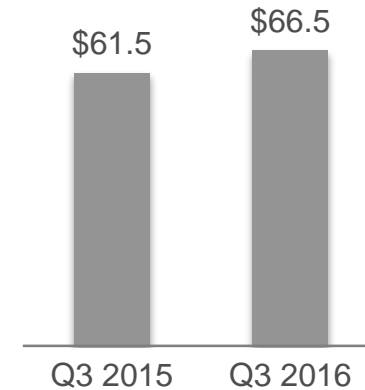
+\$12.6 million (12.9%)



- Commencement of the second phase of Don A. Campbell and plant 4 in Olkaria III
- Higher energy rates under the Heber 1 new PPA commencing in December 2015
- The consolidation of our Guadeloupe power plant effective July 5, 2016

Cost of Revenues

+\$5.0 million (8.1%)

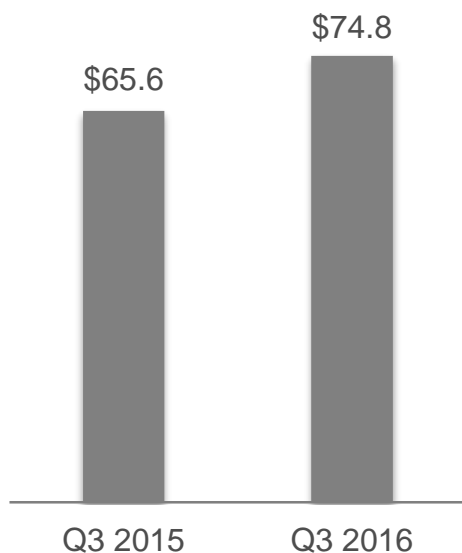


- Additional cost of revenues from the second phase of Don A. Campbell and plant 4 in Olkaria III
- Offset by
- A decrease in the cost of revenues in several power plants in our portfolio

Product Segment

Revenues

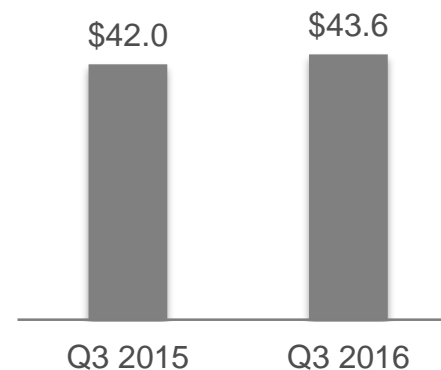
+\$9.2 million (14.0%)



- Increase of approximately \$7 million in revenue recognition from our new projects in Turkey
- Timing of revenue recognition
- A different product mix

Cost of Revenues

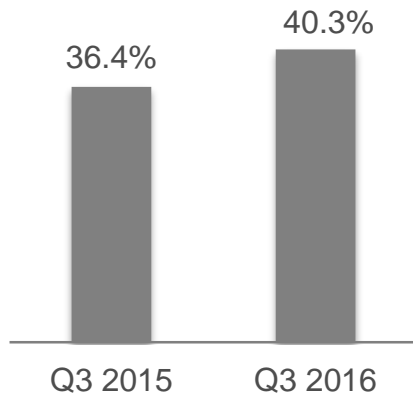
+\$1.6 million (3.9%)



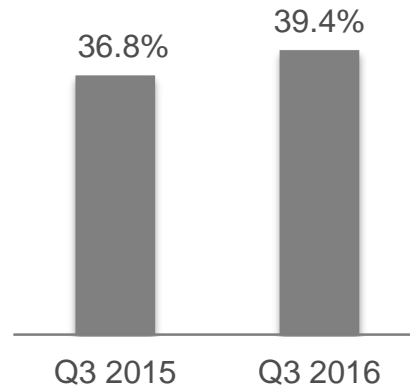
- This increase was primarily attributable to the increase in Product segment revenues

Gross Margin

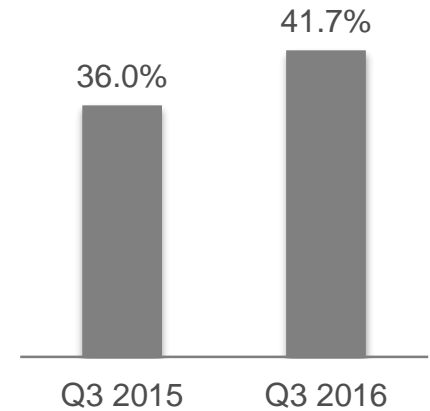
Combined



Electricity Segment



Product Segment

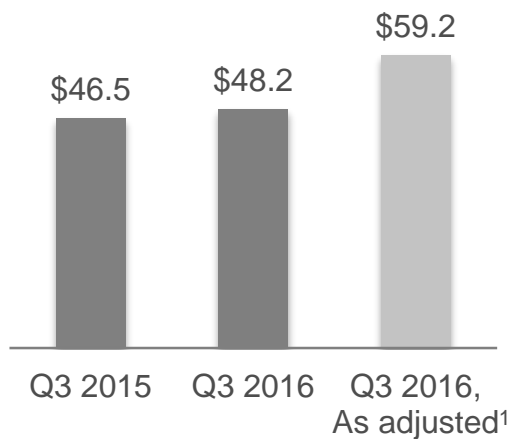


Operating Income

Total

+\$1.7million (3.8%)

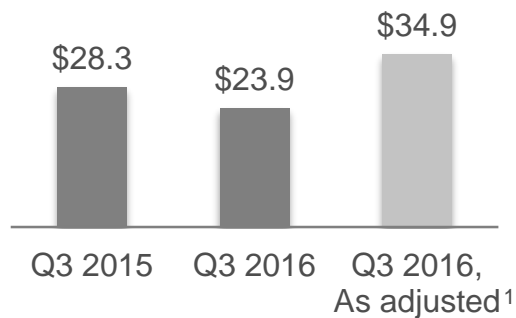
As adjusted +\$12.7million (27.4%)



Electricity Segment

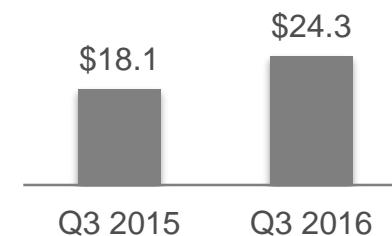
- \$4.4 million (15.7%)

As adjusted +\$6.6 million (23.1%)



Product Segment

+\$6.2 million (34.1%)



1. Operating income, as adjusted, excludes \$11.0 million of one-time settlement expense.

All amounts in million USD

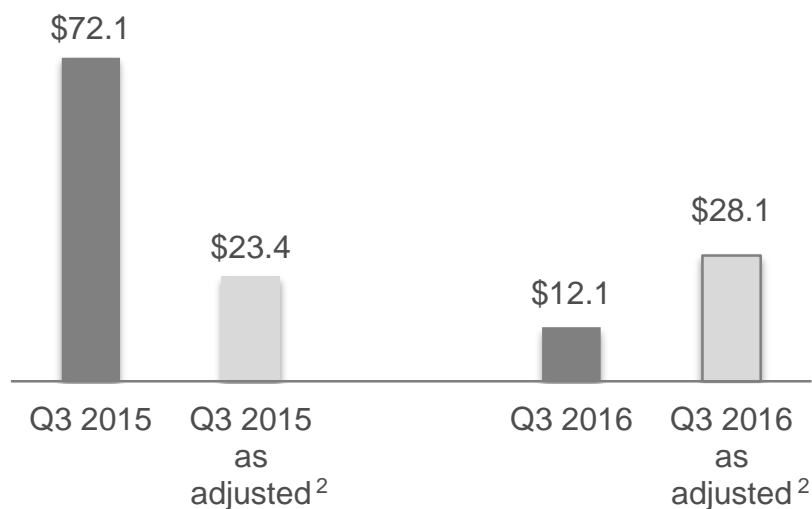
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Net Income Attributable to the Company's Stockholders & EPS¹

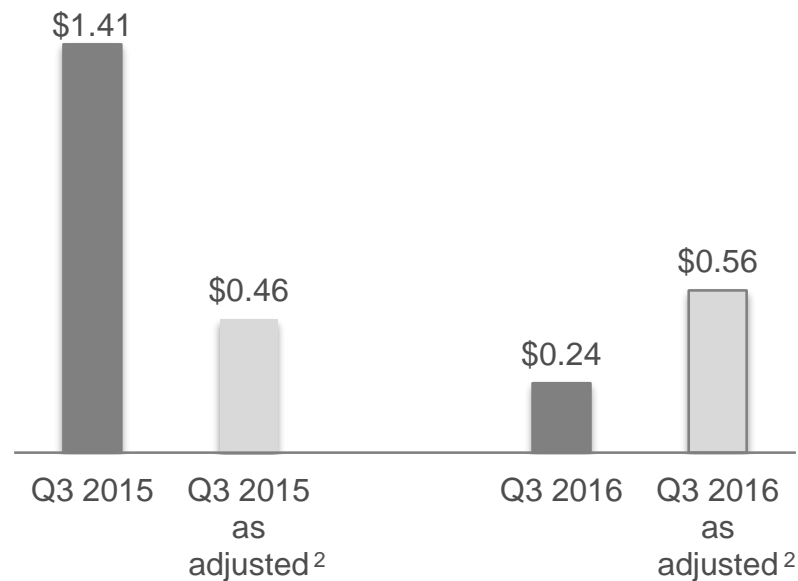
Net Income Attributable to the Company's Stockholders

-\$60.1 million (83.2%)

As adjusted +\$4.6 million (19.8%)



Earnings per Share (Diluted)



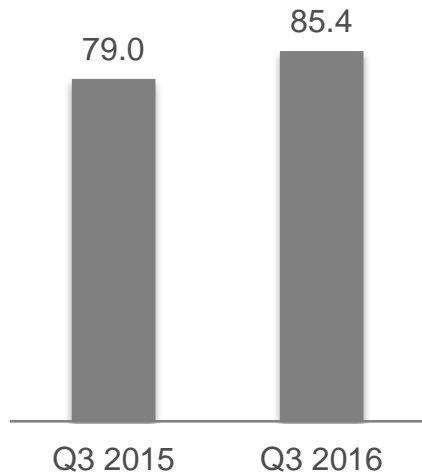
1. All amounts in million USD, except per share data; For EPS reconciliation see appendix. Weighted average number of shares in thousands used in computation of earnings per share (diluted) attributable to the Company's stockholders is 50,289 for Q3 2016 and 51,113 for Q3 2015

2. Net Income Attributable to the Company's Stockholders and EPS, as adjusted, excludes \$11.0 million one-time settlement expenses and \$5.0 million one-time prepayment fees for the third quarter of 2016 and \$48.7 million tax benefit for the third quarter of 2015.

Adjusted EBITDA¹

Total²

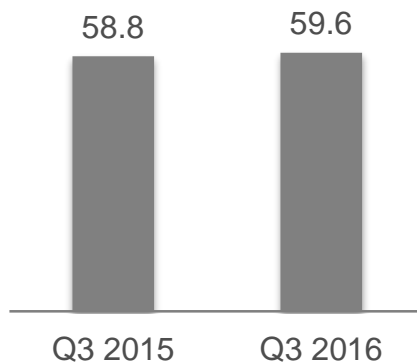
+\$6.4 million (8.1%)



	Q3-15	Q3-16
D&A ³	25.4	25.1

Electricity Segment²

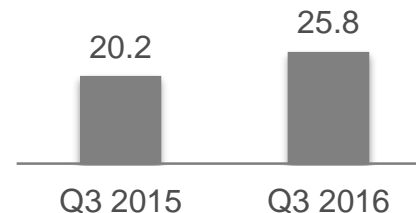
+\$0.8 million (1.4 %)



	Q3-15	Q3-16
D&A ³	24.5	24.3

Product Segment

+\$5.6 million (27.7%)



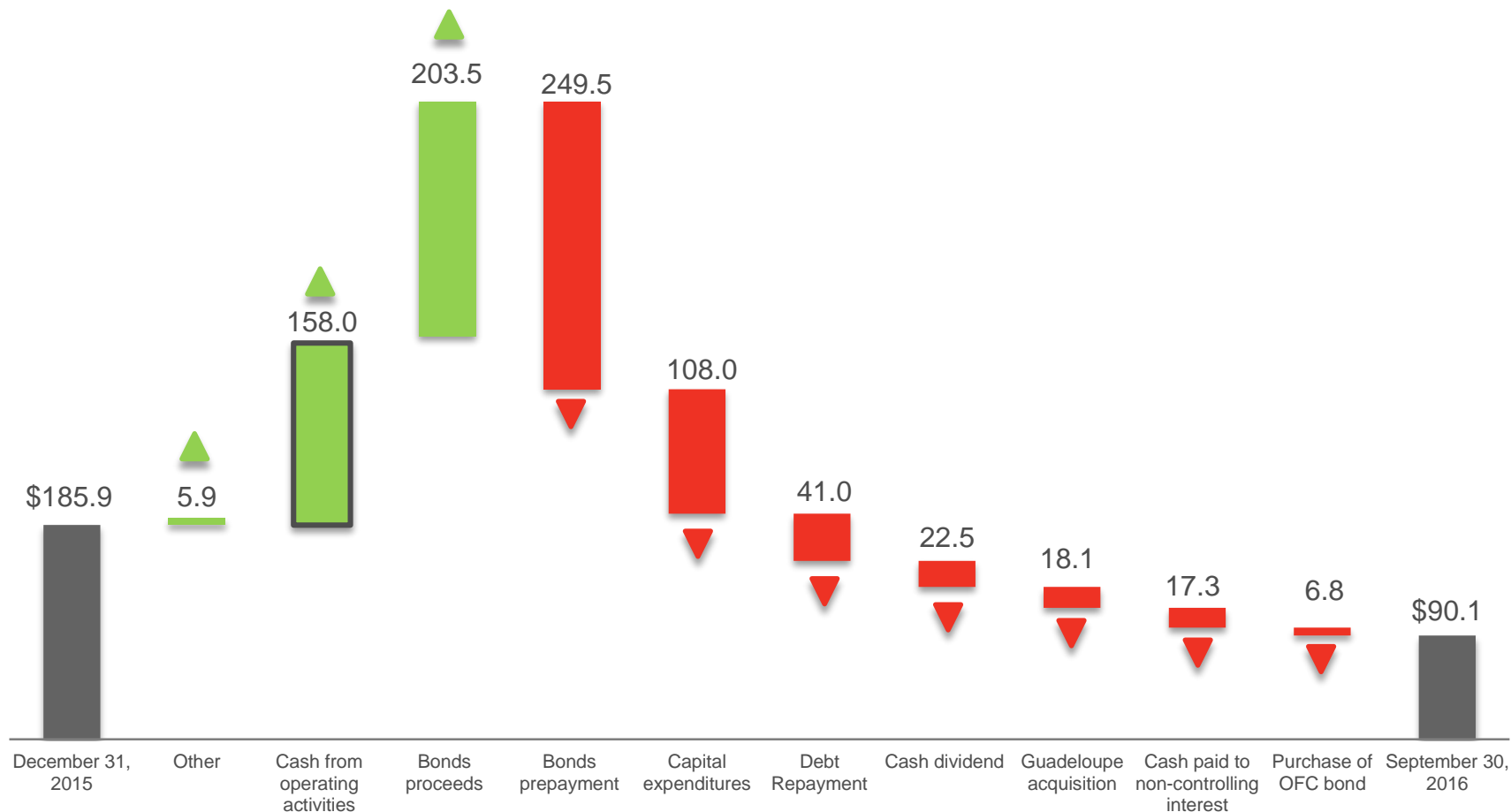
	Q3-15	Q3-16
D&A ³	0.9	0.8

1. All amounts in million USD; For EBITDA and Adjusted EBITDA reconciliation see appendix

2. Adjusted EBITDA for the third quarter of 2016 include \$3.5 million of income attributable to sale of tax benefits compared to \$8.6 million for the third quarter of 2015.

3. D&A is excluding deferred financing costs

Cash and Cash Equivalents



Payment of Principal Due by Period

The average interest rate for the total debt is 5.3%

	<u>Q4-2016</u>	<u>Year 2016</u>
Long-term non-recourse debt & limited recourse debt	5,374	5,374
Senior Secured Notes (non-recourse)	11,656	11,656
Long-term loans (full recourse)	4,214	4,214
Total	\$21,244	\$21,244

	<u>Remaining Total</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
Long-Term non-recourse & limited recourse debt	295,526	5,374	21,495	21,495	21,495	21,495	204,172
Senior Secured Notes (non-recourse)	311,094	11,656	28,211	27,380	27,579	28,046	188,222
Total non-recourse debt (73%)	606,620	17,030	49,706	48,875	49,074	49,541	392,394
Long-term Loans (full-recourse)	24,963	4,214	12,306	8,443	0	0	0
Senior Unsecured Bonds (full-recourse)	204,332	0	0	0	0	67,204	137,128
Total full-recourse debt (27%)	229,295	4,214	12,306	8,443	0	67,204	137,128
Total	\$ 835,915	\$ 21,244	\$ 62,012	\$ 57,318	\$ 49,074	\$116,745	\$ 529,522

1. All amounts are in thousands USD and are including deferred financing costs

New Financing Update

- New Bonds issuance (Series 2 & 3) - \$204 million
 - Series 2: \$67 million will mature in September 2020 and bear interest at a fixed rate of 3.7% per annum
 - Series 3: \$137 million will mature in September 2022 and bear interest at a fixed rate of 4.45% per annum
 - Series 2 & 3 are payable semi-annually
- Repurchase of \$6.8 million of OFC senior secured bonds
- Finalizing the sale of minority interest in the second phase of the Don A. Campbell
 - Upon closing Northleaf should pay \$43 million
 - Closing expected in Nov. 2016

Operations & Business Updates

Isaac Angel, CEO

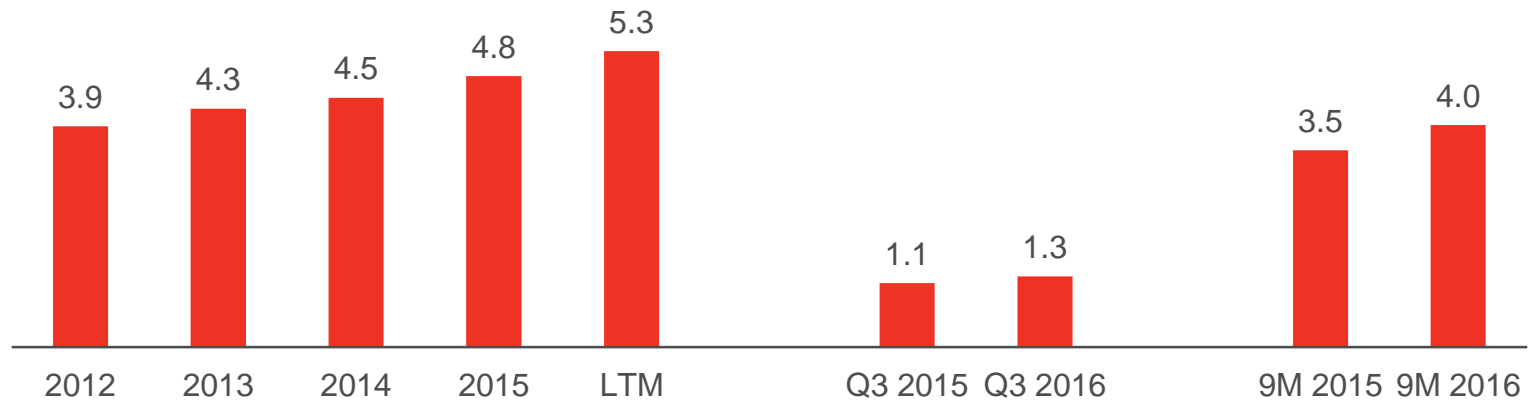


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Organic Growth

- Generation increased by 10.8% QoQ due to commencement of commercial operation of:
 - The second phase of Don A. Campbell power plant in Nevada in September 2015
 - Plant 4 at the Olkaria III complex in Kenya in January 2016
 - Consolidation of the acquired Bouillante power plants in Guadeloupe, effective July 5, 2016

Generation (million MWh)



Organic Growth and M&A

- Expanding geographical footprint and diversifying technologies
 - Added 10 MW in July 2016 - Bouillante, Guadeloupe
 - Increased the output of this power plant to 13MW
 - Added 29 MW in January 2016 - Olkaria III, Plant 4, Kenya
 - Expect to add between 150MW and 180MW by YE 2018



Project	Projected Capacity	Expected COD
Indonesia - Sarulla Project, Phase 1, (330 MW project)	14 MW ¹	Q1 2017
Guadeloupe- Bouillante	5 MW	2017
Honduras, Platanares	35 MW	2017
U.S. - Tungsten	24 MW	2017
U.S. - Dixie Meadows	15 MW -20 MW	2018
Indonesia - Sarulla Project, Phases 2&3, (330 MW project)	28 MW ¹	2018

¹ Ormat's share is 12.75% in Sarulla

Support for New Geothermal Development

- City of Los Angeles is setting a course for 100% renewable energy
- DOE issues RFI for new 100-250 MW geothermal power plants in California
- BLM held geothermal competitive lease sale
 - Ormat acquired seven new leased in Nevada and Utah in addition to five new privately owned lease acquired in 2016

CapEx for the Remainder of 2016

CapEx (\$ millions)

57 Construction & enhancements

10 Development & Exploration

10 Maintenance CapEx

\$77 Total CapEx

\$21 Debt repayment

\$98 Total

Product Segment

- Backlog of \$204 million as of Nov. 7, 2016
 - Including revenues for the period between Oct. 1 and Nov.7,2016
- Finalizing contracts with an aggregated amount of approximately \$100 million dollars, for which we already received down payments and set delivery dates
- Demonstrating our strategic focus to expand global footprint
 - Signed for the first time a contracts for a 16 MW geothermal power plant in China

2016 Guidance Update

- We are increasing our 2016 full-year revenue guidance:
- **2016 revenues guidance to be between \$637 and \$647 million**
 - Electricity Segment - between \$422 and \$427 million
 - Product Segment - between \$215 and \$220 million
- We are increasing our adjusted EBITDA guidance:
- **Adjusted EBITDA 2016 guidance between \$318 and \$323 million**

Reconciliation of 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 cost, (vi) stock-based compensation, (vii) gains or losses from extinguishment of liability, (viii) gains or losses on sale of subsidiary and property, plant and equipment and (ix) settlement expenses. 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 (used in) operating activities and net income to EBITDA and Adjusted EBITDA for the three-month periods ended September 30, 2016 and 2015

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Net cash provided by operating activities.....	\$ 38,454	\$ 10,239	\$ 158,027	\$ 122,965
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs).....	15,977	15,244	47,269	47,571
Interest income.....	(266)	(53)	(831)	(106)
Income tax provision	11,988	(38,211)	29,387	(26,696)
Adjustments to reconcile net income or loss to net cash provided by operating activities (excluding depreciation and amortization).....	2,259	91,326	(10,178)	56,699
EBITDA.....	\$ 68,412	\$ 78,545	\$ 223,674	\$ 200,433
Mark-to-market gains or losses from accounting for derivatives	(1,697)	(645)	797	2,794
Stock-based compensation	1,724	921	3,383	3,077
Gains or losses on sale of subsidiary and property, plant and equipment	(686)	—	(686)	—
Termination fees	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Gains or losses from extinguishment of liability	5,780	—	5,780	1,710
Merger and acquisition transaction cost	(412)	—	235	3,800
Settlement expenses	11,000	—	11,000	—
Write-off of unsuccessful exploration activities	1,294	185	2,714	359
Adjusted EBITDA.....	\$ 85,415	\$ 79,006	\$ 246,897	\$ 212,173
Net cash used in investing activities.....	\$ (69,900)	\$ 2,895	\$ (125,189)	\$ (76,538)
Net cash provided by (used in) financing activities.....	\$ (71,044)	\$ 20,742	\$ (128,691)	\$ 84,884

Reconciliation of 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 cost, (vi) stock-based compensation, (vii) gains or losses from extinguishment of liability, (viii) gains or losses on sale of subsidiary and property, plant and equipment and (ix) settlement expenses. 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 (used in) operating activities and net income to EBITDA and Adjusted EBITDA for the three-month periods ended September 30, 2016 and 2015

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
	(in thousands)		(in thousands)	
Net income	\$ 14,406	\$ 73,661	\$ 70,284	\$ 99,201
Adjusted for:				
Interest expense, net (including amortization of deferred financing costs)	16,871	17,695	50,730	54,329
Income tax provision	11,988	(38,211)	29,387	(26,696)
Depreciation and amortization.....	25,147	25,400	73,273	73,599
EBITDA.....	\$ 68,412	\$ 78,545	\$ 223,674	\$ 200,433
Mark-to-market gains or losses from accounting for derivatives	(1,697)	(645)	797	2,794
Stock-based compensation	1,724	921	3,383	3,077
Gains or losses on sale of subsidiary and property, plant and equipment	(686)	—	(686)	—
Termination fees	—	—	—	—
Impairment of long-lived assets	—	—	—	—
Gains or losses from extinguishment of liability	5,780	—	5,780	1,710
Merger and acquisition transaction cost	(412)	—	235	3,800
Settlement expenses	11,000	—	11,000	—
Write-off of unsuccessful exploration activities	1,294	185	2,714	359
Adjusted EBITDA.....	\$ 85,415	\$ 79,006	\$ 246,897	\$ 212,173

Reconciliation of EPS

	Three Months Ended September 30	
	2016	2015
	(in thousands)	
Net income attributable to the Company's stockholders	\$ 12,080	\$ 72,139
One-time settlement expenses	11,000	—
One-time prepayment fees	5,000	—
One-time tax benefit	—	(48,700)
Adjusted net income attributable to the Company's stockholders	\$ 28,080	\$ 23,439
Weighted average number of shares diluted used in computation of earnings per share attributable to the Company's stockholders:	50,289	51,113
Adjusted earnings per share attributable to the Company's stockholders diluted:	0.56	0.46