

Ormat Technologies, Inc. Third Quarter 2015 Earnings Call

November 4, 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 Third quarter prepared remarks
 - Q3 2015 highlights: Isaac Angel, CEO
 - Financial overview: Doron Blachar, CFO
 - Operations & business updates: Isaac Angel, CEO
- Q & A

Q3 2015 Highlights and Recent Developments

- Total revenues increased 16.1% to a quarterly record of \$162.9 million, vs. \$140.2 million in the third quarter of 2014
- Product segment revenues increased 73.9% to \$65.6 million, vs. \$37.7 million in the third quarter of 2014
- Electricity revenues of \$97.2 million, vs. \$102.5 million in the third quarter of 2014; reduction is mainly due to lower oil and natural gas prices offset by higher generation from new projects that came online
- Income tax benefit that includes deferred tax asset and related expenses of \$48.7 million relating to a new tax law in Kenya which extended the period of utilizing investment deductions for the Olkaria 3 power plant from five years to 10 years
- Total book equity exceeded \$1 billion
- Net income attributable to the company's shareholders of \$72.1 million or \$1.41 per diluted share; excluding the deferred tax asset and related expenses, net income was \$23.4 million or \$0.46 per diluted share vs. \$16.5 million or \$0.36 per diluted share in the third quarter of 2014
- Adjusted EBITDA increased 14.3% to a quarterly record of \$79.0 million, vs. \$69.1 million in the third quarter of 2014
- Declared a quarterly dividend of \$0.06 per share for the third quarter of 2015
- Began commercial operation of Don A. Campbell Phase 2 geothermal power plant in Nevada ahead of schedule; and
- Signed a collaboration agreement with Toshiba Corporation to develop strategic opportunities for collaboration in the areas of geothermal power generation systems and related equipment

Financial Results

Doron Blachar, CFO



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Total Revenues

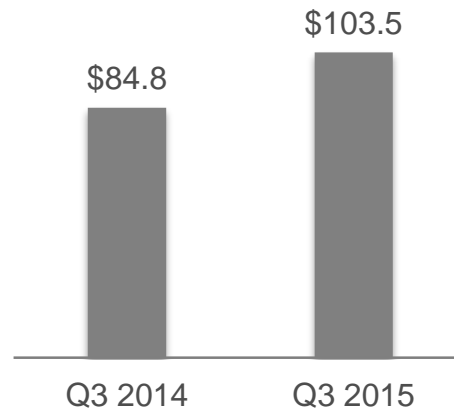
Total Revenues

+22.6 million (16.1%)

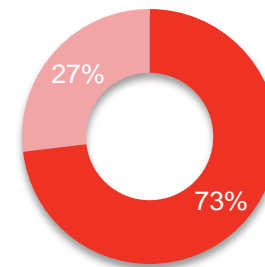


Total Cost of Revenues

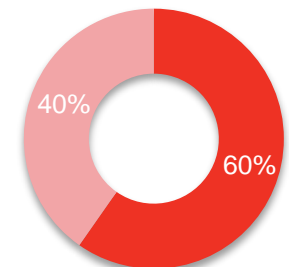
+18.8 million (22.1%)



Segment Contribution



Q3 2014



Q3 2015

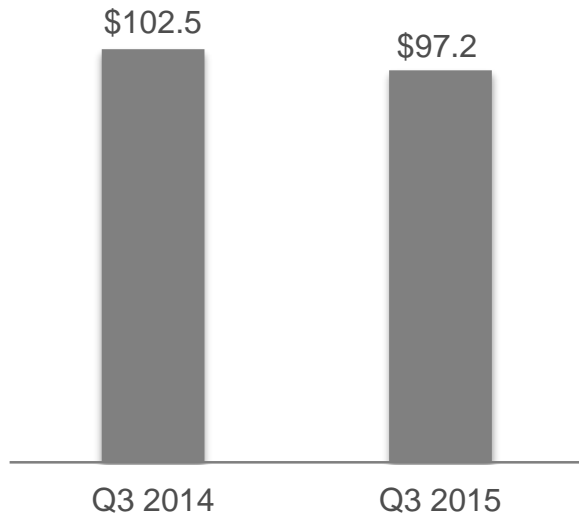
■ Electricity Segment

■ Product Segment

Electricity Segment

Revenues

-5.3 million (5.1%)



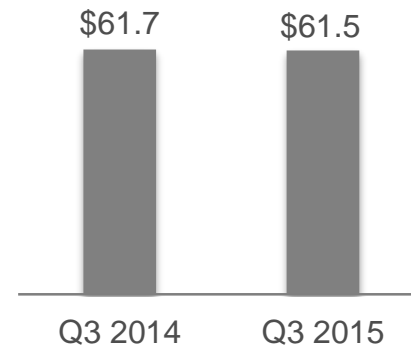
- Lower energy rates due to actual natural gas and oil prices
- Reduction in net gain on derivative contracts

The decrease was partially offset by

- The commencement of operations of second phase of McGinness Hills and Don A. Campbell

Cost of Revenues

-0.2 million (0.4%)



- Decrease in O&M costs in many of our power plants

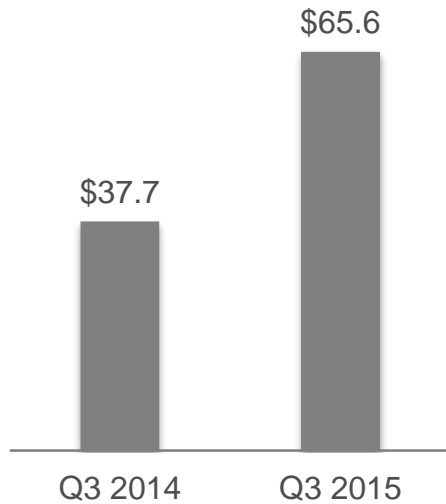
Offset by:

- Additional cost of revenues from second phase of the McGinness Hills

Product Segment

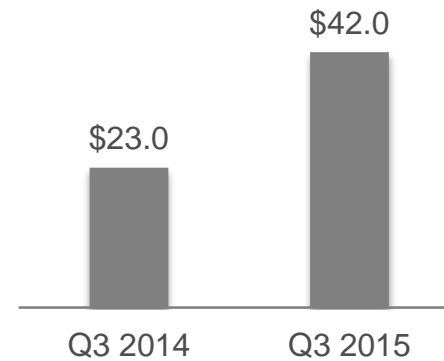
Revenues

+27.9 million (73.9%)



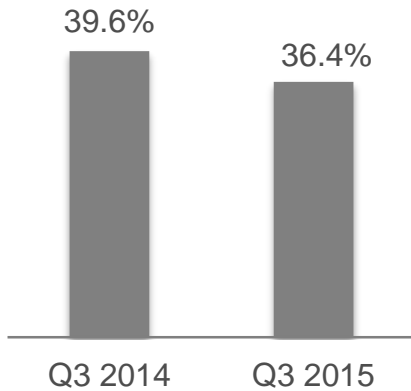
Cost of Revenues

+19.0 million (82.4%)

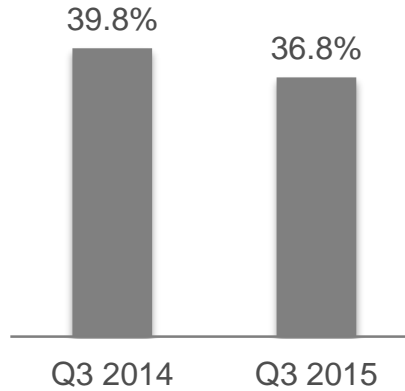


Gross Margin

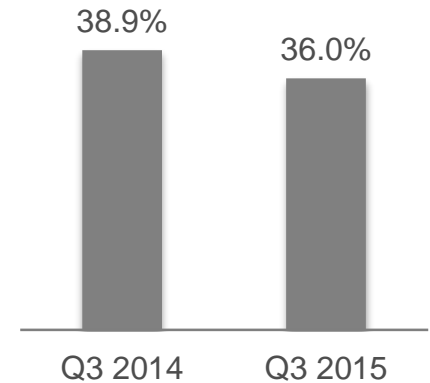
Combined



Electricity Segment



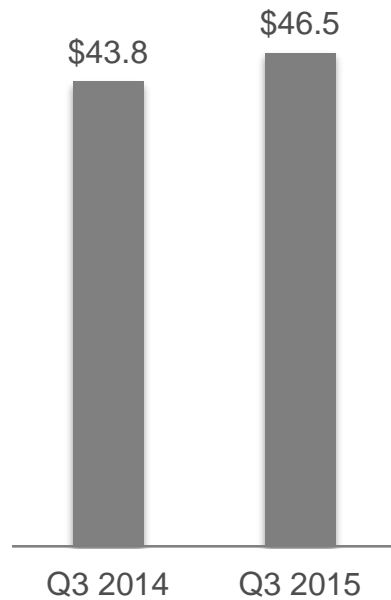
Product Segment



Operating Income

Total

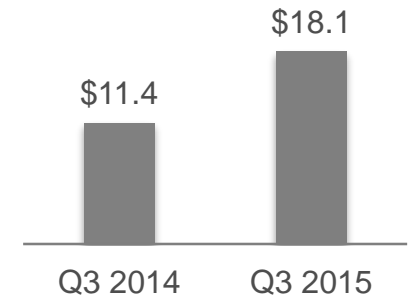
+2.7 million (6.1%)



Electricity Segment



Product Segment



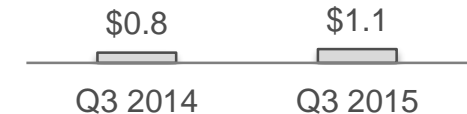
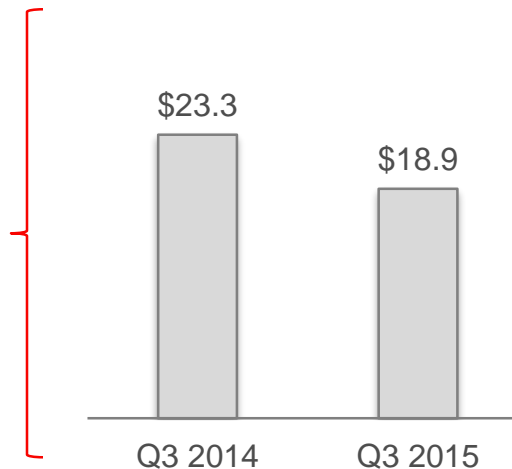
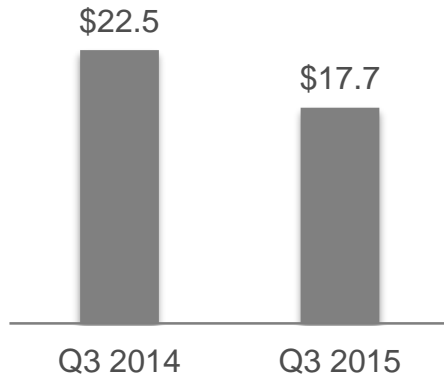
Interest Expense, Net

Interest Expense, Net

-4.7 million (21.1%)

Gross Interest Expense

Capitalized Interest



Decrease was primarily due to

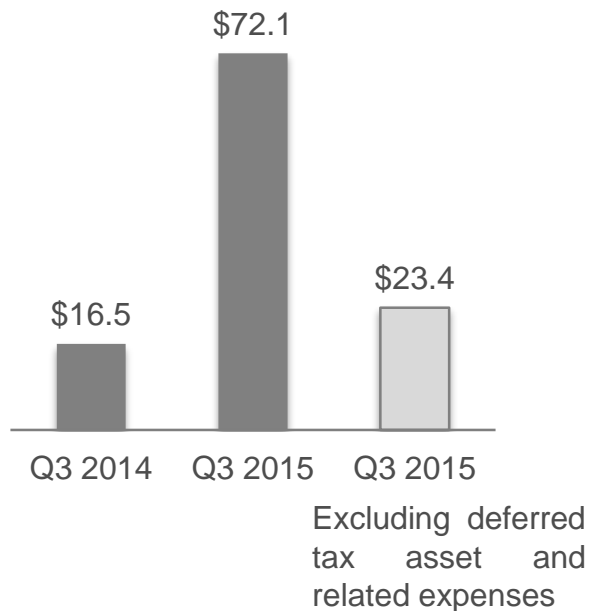
- Lower interest expense as a result of debt payment
- \$1.1 million decrease in interest expense related to sale of tax benefits

Partially offset by

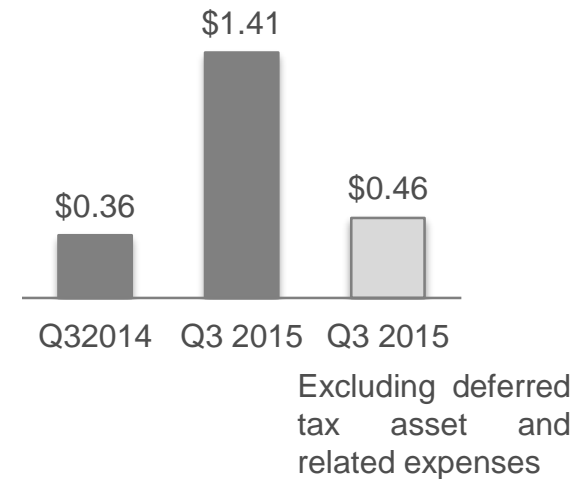
- Increase in interest expense related to a new loan from August 2014

Net Income Attributable to the Company's Stockholders & EPS

Net Income Attributable to the Company's Stockholders

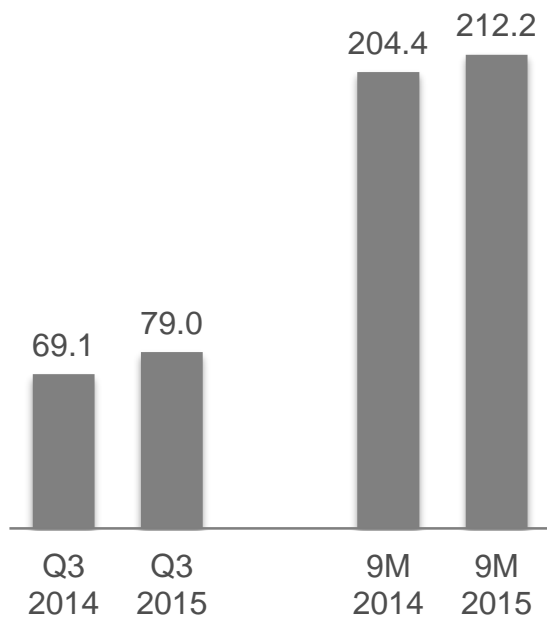


Earnings per Share (Diluted)



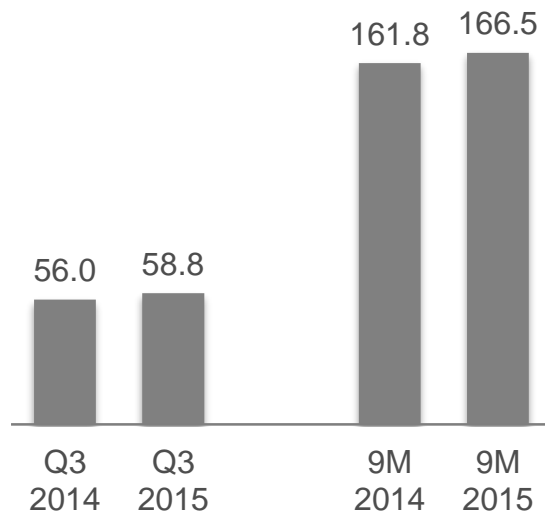
Adjusted EBITDA

Total



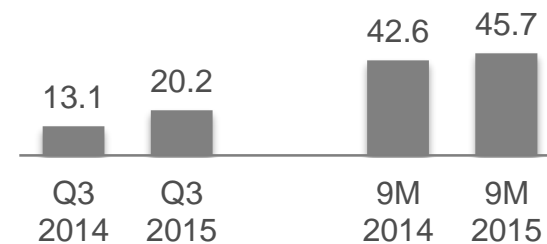
	Q3-14	Q3-15	9M-14	9M-15
D&A	23.6	25.4	69.1	73.6

Electricity Segment



	Q3-14	Q3-15	9M-14	9M-15
D&A	22.8	24.5	66.9	71.1

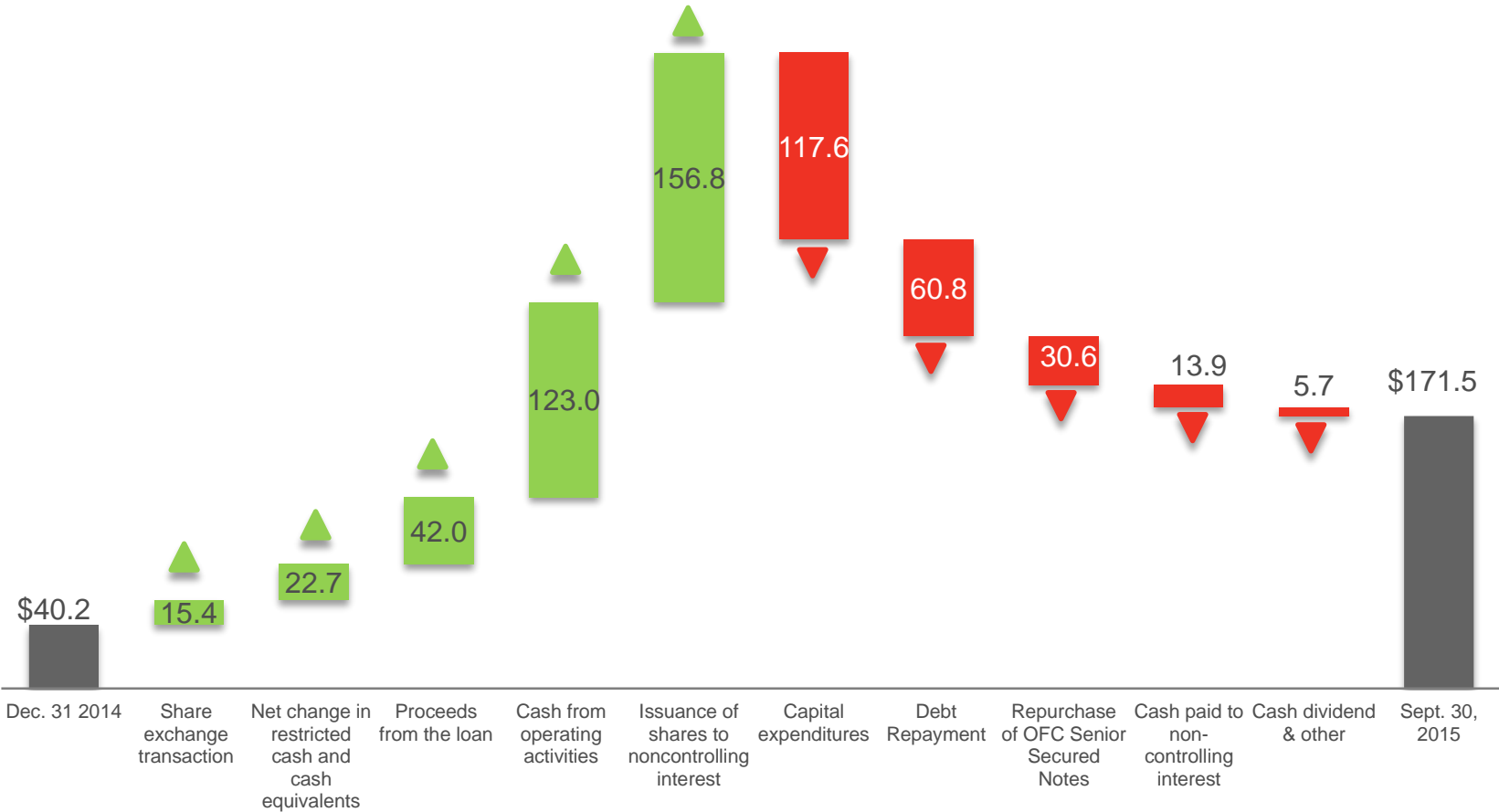
Product Segment



	Q3-14	Q3-15	9M-14	9M-15
D&A	0.8	0.9	2.2	2.5

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

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



Payment of Principal Due by Period

The average interest rate for the total debt is 6.06%

	<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	0	0	5,373	5,373		
Senior Secured Notes (non-recourse) due 2020	0	0	0	15,849	15,849		
Long-term loans (full recourse)	0	0	0	9,948	9,948		
Total	\$0	\$0	\$0	\$31,170	\$31,170		
	Remaining	2015	2016	2017	2018	2019	Thereafter
	<u>Total</u>						
Long-Term non-recourse & limited recourse debt	310,248	5,373	21,495	21,495	21,495	21,495	218,895
Senior secured notes (non-recourse)	351,106	15,849	29,932	30,163	28,771	28,830	217,560
Total non-recourse debt (69%)	661,354	21,222	51,427	51,658	50,266	50,325	436,455
Long-term Loans (full-recourse)	40,298	9,948	11,228	11,228	7,894	0	0
Senior Unsecured Bonds (full-recourse)	250,058	0	0	250,058	0	0	0
Total full-recourse debt (31%)	290,356	9,948	11,228	261,286	7,894	0	0
Total	\$ 951,710	\$ 31,170	\$ 62,655	\$312,944	\$ 58,160	\$ 50,325	\$ 436,455

Operations & Business Updates

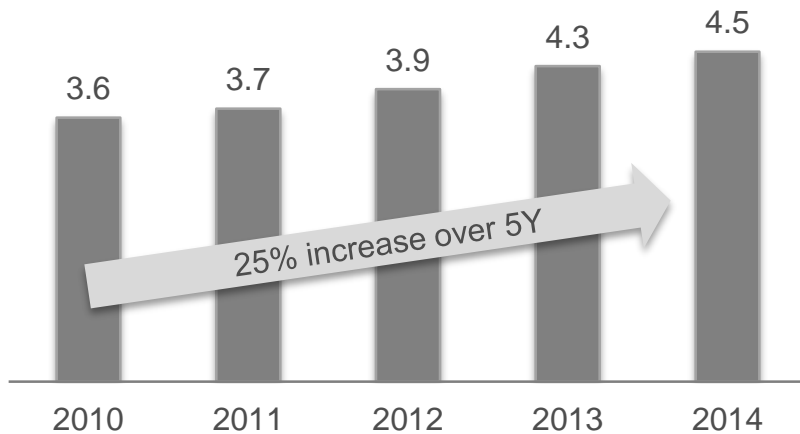
Isaac Angel, CEO



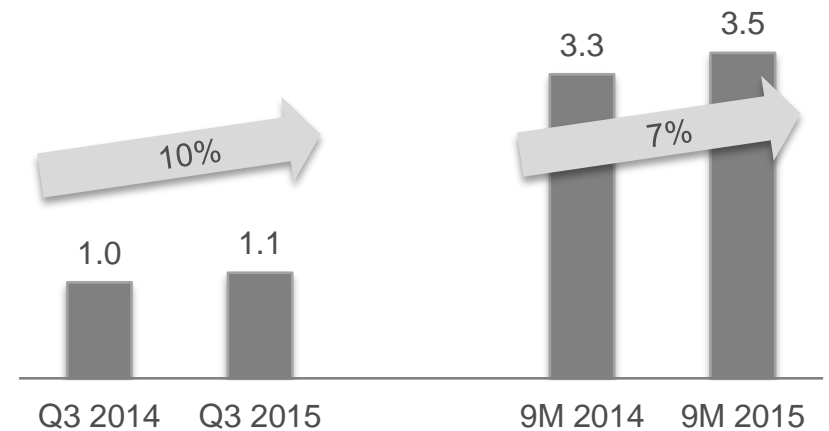
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Operations Update

Annual Generation¹



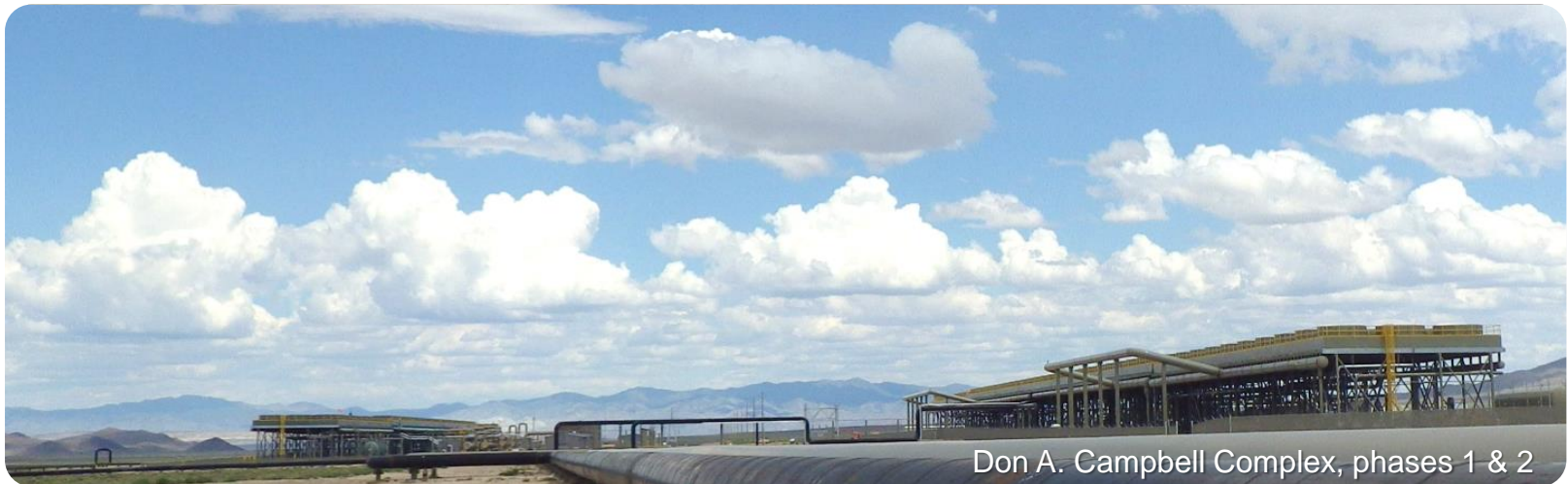
Quarterly Generation¹



¹Million MWh

Operation Update

- Completed 19 MW Don A. Campbell phase 2, Nevada
 - Began commercial operation on September 17, 2015
 - Rapid execution - six months ahead of our original schedule
 - Northleaf Capital Partners will purchase 36.75% equity interest in the project once testing is completed



Don A. Campbell Complex, phases 1 & 2

Construction Updates

- Plant 4, Olkaria III, Kenya
 - 24 MW expected in Q1 2016
- Sarulla, phase 1, Indonesia
 - 14 MW¹ expected in toward YE 2016
- Above listed and additional projects are expected to add between 70 and 95 MW¹ by the end of 2017



CapEx Needs for the Remainder of 2015

As of Sept. 30, 2015

Capital Needs (\$ millions)

9 Construction & enhancements

2 Development & exploration

7 Maintenance CapEx

\$18 Total CapEx

\$31 Debt repayment

\$49 Total

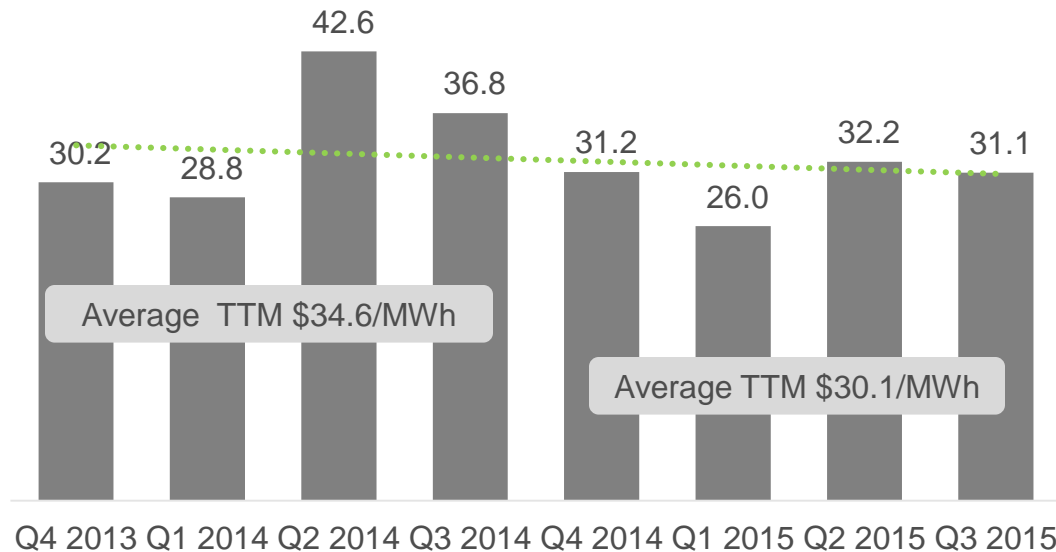
Product Segment

- Backlog of approximately \$282 million as of November 3, 2015
 - Includes revenues for the period between October 1 and November 3, 2015
 - Revenues are expected to be recognized in the years 2015-2017



Execution of Near-Term Strategic Plan

- Focus on profitable growth by enhancing existing operations
- Reduced the operating cost per MWh¹



¹ Operating cost excludes depreciation

Execution of Near-Term Strategic Plan

- Continued diversification of technologies
 - Signed a strategic collaboration agreement (SCA) with Toshiba to develop strategic opportunities for collaboration in the areas of geothermal power generation systems and related equipment
 - Significant step in our long-term strategy to expand our presence in the geothermal space and ultimately target the larger renewable energy market
 - The collaboration of two market leaders, each with its own area of expertise, will enhance the value proposition to our clients, expand the market opportunities and accelerate the growth

Regulatory Updates

Continued support for renewables & geothermal

- California - October 2015
 - Governor Brown signs 50% renewable portfolio standard into law
 - California expanded on its historic 33% by 2020 renewable portfolio standard (RPS) policy to 50% by 2030
- Hawaii - June 2015
 - Governor David Ige signed a bill that sets the state's renewable energy goal at 100% by 2045

2015 Guidance

- **Increase and narrow 2015 revenue guidance to be between \$570 and \$585 million**
 - Product Segment - between \$195 and \$205 million
 - Electricity Segment - between \$375 and \$380 million

- **Increase Adjusted EBITDA 2015 guidance:**
 - Between \$282 and \$292 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) 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, (iv) stock-based compensation, and (vii) gain from extinguishment of liability. 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 nine and three-month period ended September 30, 2015 and September 30, 2014:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net cash provided by operating activities	\$ 10,239	\$ 75,191	\$ 122,965	\$ 178,770
Adjusted for:				
Interest expense, net (excluding amortization of deferred financing costs)	15,244	20,038	47,571	59,366
Interest income	(53)	(35)	(106)	(236)
Income tax provision	(38,211)	6,444	(26,696)	17,731
Minority interest in earnings of subsidiaries	-	-	-	-
Adjustments to reconcile net income to net cash provided by operating activities (excluding depreciation and amortization)	91,326	(32,404)	56,699	(56,062)
EBITDA	78,545	69,234	200,433	199,569
Mark-to-market on derivatives which represent swap contracts on natural gas and oil prices	-	(4,165)	4,129	(4,467)
Stock-based compensation	921	1,502	3,077	4,308
Gain on sale of a subsidiary and property, plant and equipment	-	-	-	(7,628)
Loss from extinguishment of liability	-	-	1,710	-
Share exchange transaction costs	-	-	3,800	-
Write-off of unsuccessful exploration activities	185	-	359	8,107
Mark-to-market on derivatives which represent currency forward contracts	(645)	2,537	(1,335)	4,473
Adjusted EBITDA	\$ 79,006	\$ 69,108	\$ 212,173	\$ 204,362
Net cash used in investing activities	\$ 2,895	\$ (106,423)	\$ (76,538)	\$ (135,435)
Net cash used in financing activities	\$ 20,742	\$ (6,437)	\$ 84,884	\$ (58,238)