

Section 1: 10-Q (FORM 10-Q)

[Table of Contents](#)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from _____ to _____

Commission file number: 001-32347

ORMAT TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

88-0326081
*(I.R.S. Employer
Identification Number)*

6140 Plumas Street, Reno, Nevada
Address of principal executive offices)

89519-6075
(Zip Code)

(775) 356-9029

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of May 6, 2019, the number of outstanding shares of common stock, par value \$0.001 per share, was 50,752,101.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	ORA	NYSE

ORMAT TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2019

PART I — FINANCIAL INFORMATION

ITEM 1.	<u>FINANCIAL STATEMENTS</u>	4
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	27
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	45
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	45

PART II — OTHER INFORMATION

ITEM 1.	<u>LEGAL PROCEEDINGS</u>	46
ITEM 1A.	<u>RISK FACTORS</u>	46
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	46
ITEM 3.	<u>DEFAULTS UPON SENIOR SECURITIES</u>	46
ITEM 4.	<u>MINE SAFETY DISCLOSURES</u>	46
ITEM 5.	<u>OTHER INFORMATION</u>	46
ITEM 6.	<u>EXHIBITS</u>	46

SIGNATURES

47

[Table of Contents](#)

Certain Definitions

Unless the context otherwise requires, all references in this quarterly report to “Ormat”, “the Company”, “we”, “us”, “our company”, “Ormat Technologies” or “our” refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2019	December 31, 2018
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 79,366	\$ 98,802
Restricted cash and cash equivalents (primarily related to VIEs)	93,098	78,693
Receivables:		
Trade	139,870	137,581
Other	18,319	19,393
Inventories	42,982	45,024
Costs and estimated earnings in excess of billings on uncompleted contracts	29,762	42,130
Prepaid expenses and other	18,224	51,441
Total current assets	421,621	473,064
Investment in an unconsolidated company	71,885	71,983
Deposits and other	18,154	18,209
Deferred income taxes	109,821	113,760
Property, plant and equipment, net (\$1,843,823 and \$1,859,228 related to VIEs, respectively)	1,962,580	1,959,578
Construction-in-process (\$110,907 and \$104,085 related to VIEs, respectively)	266,083	261,690
Operating leases right of use	60,656	—
Finance leases right of use (\$8,396 related to VIEs)	14,433	—
Deferred financing and lease costs, net	1,733	3,242
Intangible assets, net	196,125	199,874
Goodwill	20,123	19,950
Total assets	\$ 3,143,214	\$ 3,121,350
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 108,309	\$ 116,362
Short term revolving credit lines with banks (full recourse)	60,900	159,000
Billings in excess of costs and estimated earnings on uncompleted contracts	15,508	18,402
Current portion of long-term debt:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes	33,639	33,493
Other loans	29,687	29,687
Full recourse	9,368	5,000
Operating lease liabilities	7,532	—
Finance lease liabilities	3,147	—
Total current liabilities	268,090	361,944
Long-term debt, net of current portion:		
Limited and non-recourse (primarily related to VIEs):		
Senior secured notes (less deferred financing costs of \$7,149 and \$7,434, respectively)	367,142	375,337
Other loans (less deferred financing costs of \$9,262 and \$9,354, respectively)	312,779	320,242
Full recourse:		
Senior unsecured bonds (less deferred financing costs of \$706 and \$758, respectively)	353,626	303,575
Other loans (less deferred financing costs of \$1,483 and \$921, respectively)	78,149	41,579
Operating lease liabilities	17,667	—
Finance lease liabilities	11,954	—
Liability associated with sale of tax benefits	68,852	69,893
Deferred lease income	47,658	48,433
Deferred income taxes	68,005	61,323
Liability for unrecognized tax benefits	12,482	11,769
Liabilities for severance pay	18,400	17,994
Asset retirement obligation	41,246	39,475
Other long-term liabilities	5,464	16,087
Total liabilities	1,671,514	1,667,651
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	8,705	8,603
Equity:		
The Company's stockholders' equity:		
Common stock, par value \$0.001 per share; 200,000,000 shares authorized; 50,752,101 and 50,699,781 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	51	51
Additional paid-in capital	903,723	901,363
Retained earnings	442,531	422,222
Accumulated other comprehensive income (loss)	(5,956)	(3,799)
Total stockholders' equity attributable to Company's stockholders	1,340,349	1,319,837
Noncontrolling interest	122,646	125,259
Total equity	1,462,995	1,445,096

Total liabilities, redeemable noncontrolling interest and equity

\$ 3,143,214

\$ 3,121,350

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

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

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands, except per share data)	
Revenues:		
Electricity	\$ 142,908	\$ 132,489
Product	52,128	48,672
Other	4,002	2,862
Total revenues	199,038	184,023
Cost of revenues:		
Electricity	77,543	73,482
Product	42,106	33,726
Other	5,210	3,443
Total cost of revenues	124,859	110,651
Gross profit	74,179	73,372
Operating expenses:		
Research and development expenses	900	1,108
Selling and marketing expenses	3,865	3,699
General and administrative expenses	15,689	13,849
Write-off of unsuccessful exploration activities	—	123
Operating income	53,725	54,593
Other income (expense):		
Interest income	293	113
Interest expense, net	(21,223)	(14,344)
Derivatives and foreign currency transaction gains (losses)	472	(1,599)
Income attributable to sale of tax benefits	7,764	7,361
Other non-operating income (expense), net	91	(20)
Income from operations before income tax and equity in earnings (losses) of investees	41,122	46,104
Income tax (provision) benefit	(14,039)	26,942
Equity in earnings (losses) of investees, net	1,047	1,210
Net income	28,130	74,256
Net income attributable to noncontrolling interest	(2,184)	(4,748)
Net income attributable to the Company's stockholders	\$ 25,946	\$ 69,508
Comprehensive income:		
Net income	28,130	74,256
Other comprehensive income (loss), net of related taxes:		
Change in foreign currency translation adjustments	(1,348)	1,528
Change in unrealized gains or losses in respect of the Company's share in derivatives instruments of unconsolidated investment	(1,145)	2,634
Loss in respect of derivative instruments designated for cash flow hedge	22	20
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge	(8)	(15)
Comprehensive income	25,651	78,423
Comprehensive income attributable to noncontrolling interest	(1,862)	(5,118)
Comprehensive income attributable to the Company's stockholders	\$ 23,789	\$ 73,305
Earnings per share attributable to the Company's stockholders:		
Basic:		
Net income	\$ 0.51	\$ 1.37
Diluted:		
Net income	\$ 0.51	\$ 1.36
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:		
Basic	50,709	50,614
Diluted	51,012	51,051

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

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

	<u>The Company's Stockholders' Equity</u>								
	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Accumulated Deficit)</u>	<u>Accumulated Other Income (Loss)</u>	<u>Total</u>	<u>Noncontrolling Interest</u>	<u>Total Equity</u>	
	<u>Shares</u>	<u>Amount</u>							
(Dollars in thousands, except per share data)									
Balance at December 31, 2017	50,609	\$ 51	\$ 888,778	\$ 327,255	\$ (4,706)	\$1,211,378	\$ 84,322	\$1,295,700	
Cumulative effect of changes in accounting principles	—	—	—	25,635	—	25,635	—	25,635	
Adjusted balance as of the beginning of the year	50,609	51	888,778	352,890	(4,706)	1,237,013	84,322	1,321,335	
Stock-based compensation	—	—	1,707	—	—	1,707	—	1,707	
Exercise of options by employees and directors	8	—	—	—	—	—	—	—	
Cash paid to noncontrolling interest	—	—	—	—	—	—	(4,674)	(4,674)	
Cash dividend declared, \$0.23 per share	—	—	—	(11,640)	—	(11,640)	—	(11,640)	
Net income	—	—	—	69,508	—	69,508	4,482	73,990	
Other comprehensive income (loss), net of related taxes:									
Currency translation adjustment	—	—	—	—	1,158	1,158	370	1,528	
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of \$13)	—	—	—	—	20	20	—	20	
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of \$0)	—	—	—	—	2,634	2,634	—	2,634	
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$9)	—	—	—	—	(15)	(15)	—	(15)	
Balance at March 31, 2018	50,617	\$ 51	\$ 890,485	\$ 410,758	\$ (909)	\$1,300,385	\$ 84,500	\$1,384,885	
Balance at December 31, 2018	50,700	\$ 51	\$ 901,363	\$ 422,222	\$ (3,799)	\$1,319,837	\$ 125,259	\$1,445,096	
Cumulative effect of changes in accounting principles	—	—	—	(58)	—	(58)	—	(58)	
Adjusted balance as of the beginning of the year	50,700	51	901,363	422,164	(3,799)	1,319,779	125,259	1,445,038	
Stock-based compensation	—	—	2,360	—	—	2,360	—	2,360	
Exercise of options by employees and directors	52	—	—	—	—	—	—	—	
Cash paid to noncontrolling interest	—	—	—	—	—	—	(4,146)	(4,146)	
Cash dividend declared, \$0.11 per share	—	—	—	(5,579)	—	(5,579)	—	(5,579)	
Net income	—	—	—	25,946	—	25,946	1,855	27,801	
Other comprehensive income (loss), net of related taxes:									
Currency translation adjustment	—	—	—	—	(1,026)	(1,026)	(322)	(1,348)	
Loss in respect of derivative instruments designated for cash flow hedge (net of related tax of \$24)	—	—	—	—	22	22	—	22	
Change in unrealized gains or losses in respect of the Company's share in derivative instruments of unconsolidated investment (net of related tax of \$0)	—	—	—	—	(1,145)	(1,145)	—	(1,145)	
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of \$18)	—	—	—	—	(8)	(8)	—	(8)	
Balance at March 31, 2019	50,752	\$ 51	\$ 903,723	\$ 442,531	\$ (5,956)	\$1,340,349	\$ 122,646	\$1,462,995	

Dividend per share of \$0.11 and \$0.23 was declared for the three months ended March 31, 2019 and 2018, respectively.

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

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

	Three Months Ended March 31,	
	2019	2018
(Dollars in thousands)		
Cash flows from operating activities:		
Net income	\$ 28,130	\$ 74,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,901	30,553
Accretion of asset retirement obligation	651	529
Stock-based compensation	2,360	1,707
Amortization of deferred lease income	(775)	(775)
Income attributable to sale of tax benefits, net of interest expense	(4,314)	(6,295)
Equity in losses (earnings) of investees	(1,047)	(1,210)
Mark-to-market of derivative instruments	(1,209)	962
Loss on disposal of property, plant and equipment	377	—
Write-off of unsuccessful exploration activities	—	123
Loss (gain) on severance pay fund asset	(330)	129
Deferred income tax provision	10,469	(29,467)
Liability for unrecognized tax benefits	713	184
Changes in operating assets and liabilities, net of businesses acquired:		
Receivables	(1,119)	9,777
Costs and estimated earnings in excess of billings on uncompleted contracts	12,368	(189)
Inventories	2,018	(503)
Prepaid expenses and other	(2,105)	(2,005)
Operating lease right of use asset	1,698	—
Deposits and other	26	62
Accounts payable and accrued expenses	(4,271)	(49,027)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,894)	(9,783)
Liabilities for severance pay	406	(267)
Other long-term liabilities	(616)	1,008
Net cash provided by operating activities	<u>77,437</u>	<u>19,769</u>
Cash flows from investing activities:		
Capital expenditures	(51,303)	(66,962)
Investment in unconsolidated companies	—	(1,275)
Decrease (increase) in severance pay fund asset, net of payments made to retired employees	359	203
Net cash used in investing activities	<u>(50,944)</u>	<u>(68,034)</u>
Cash flows from financing activities:		
Proceeds from long-term loans, net of transaction costs	91,500	100,000
Proceeds from revolving credit lines with banks	914,700	860,800
Repayment of revolving credit lines with banks	(1,012,800)	(873,800)
Cash received from noncontrolling interest	3,346	4,134
Repayments of long-term debt	(15,757)	(16,687)
Cash paid to noncontrolling interest	(4,459)	(4,674)
Payments of finance leases	(767)	(436)
Deferred debt issuance costs	(1,223)	(1,020)
Cash dividends paid	(5,579)	(11,640)
Net cash provided by (used in) financing activities	<u>(31,039)</u>	<u>56,677</u>
Effect of exchange rate changes	(485)	—
Net change in cash and cash equivalents and restricted cash and cash equivalents	(5,031)	8,412
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	177,495	96,643
Cash and cash equivalents and restricted cash and cash equivalents at end of period	<u>\$ 172,464</u>	<u>\$ 105,055</u>
Supplemental non-cash investing and financing activities:		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	\$ 153	\$ (1,673)
Accrued liabilities related to financing activities	<u>\$ 2,154</u>	<u>\$ —</u>

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

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 — GENERAL AND BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements of Ormat Technologies, Inc. and its subsidiaries (collectively, the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial statements. Accordingly, they do not contain all information and notes required by U.S. GAAP for annual financial statements. In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments, which include normal recurring adjustments, necessary for a fair statement of the Company’s consolidated financial position as of March 31, 2019, the consolidated results of operations and comprehensive income (loss), consolidated statements of equity and consolidated statements of cash flows for the three-month periods ended March 31, 2019 and 2018.

The financial data and other information disclosed in the notes to the condensed consolidated financial statements related to these periods are unaudited. The results for the periods presented are not necessarily indicative of the results to be expected for the year.

These condensed unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018. The condensed consolidated balance sheet data as of December 31, 2018 was derived from the Company’s audited consolidated financial statements for the year ended December 31, 2018 but does not include all disclosures required by U.S. GAAP.

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

Puna

On May 3, 2018, the Kilauea volcano located in close proximity to our Puna 38 MW geothermal power plant in the Puna district of Hawaii’s Big Island erupted following a significant increase in seismic activity in the area. Before it stopped flowing, the lava covered the wellheads of three geothermal wells, monitoring wells and the substation of the Puna complex and an adjacent warehouse that stored a drilling rig that was also consumed by the lava. The insurance policy coverage for property and business interruption is provided by a consortium of insurers. All the insurers accepted and started paying for the costs to rebuild the destroyed substation, and during the first quarter of 2019, we received an additional \$1.5 million of such proceeds. However only some of the insurers accepted that the business interruption coverage started in May 2018 and during the first quarter of 2019, we recorded an additional \$1.3 million of such proceeds which were included under cost of revenues in the condensed consolidated statements of operations and comprehensive income for the three months ended March 31, 2019. The Company is still in discussions to reach an understanding with all insurers to start paying for the business interruption as of May 2018. In April 2019 the Company reached an agreement with another insurance company and received an additional \$4.1 million for current and future business interruption loss. The business interruption coverage compensates the Company for the loss of profits that resulted from the inability of the on-surface property to generate electricity.

The Company is still assessing the damages in the Puna facilities and continue to coordinate with Hawaii Electric Light Company (“HELCO”) and local authorities to bring the power plant back to operation. The Company continues to assess the accounting implications of this event on the assets and liabilities on its balance sheet and whether an impairment will be required. Any significant damage to the geothermal resource or continued shut-down following the lava event at the Puna facilities could have an adverse impact on the power plant’s electricity generation and availability, which in turn could have a material adverse impact on our business and results of operations.

DEG 3 Loan

On January 4, 2019, an indirect subsidiary of the Company (“OrPower 4”) entered into an additional \$41.5 million subordinated loan agreement with DEG (the “DEG 3 Loan Agreement”) and on February 28, 2019, OrPower 4 completed a drawdown of the full loan amount, with a fixed interest rate of 6.04% for the duration of the loan (the “DEG 3 Loan”). The DEG 3 Loan will be repaid in 19 equal semi-annual principal installments commencing June 21, 2019, with a final maturity date of June 21, 2028. Proceeds of the DEG 3 Loan were used by OrPower 4 to refinance upgrades to Plant 1 of the Olkaria III Complex, which were originally financed using equity. The DEG 3 Loan is subordinated to the senior loan provided by OPIC for Plants 1-3 of the Olkaria III Complex. The DEG 3 Loan is guaranteed by the Company.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Migdal Senior Unsecured Loan

On March 25, 2019, the Company entered into a first addendum (“First Addendum”) to the loan agreement (the “Migdal Loan Agreement”) with Migdal Insurance Company Ltd., Migdal Makefet Pension and Provident Funds Ltd. and Yozma Pension Fund of Self-Employed Ltd., all entities within the Migdal Group, a leading insurance company and institutional investor in Israel dated March 22, 2018. The First Addendum provides for an additional loan by the lenders to the Company in an aggregate principal amount of \$50.0 million (the “Additional Migdal Loan”). The Additional Migdal Loan will be repaid in 15 semi-annual payments of \$2.1 million each, commencing on September 15, 2021, with a final payment of \$18.5 million on March 15, 2029. The Additional Migdal Loan bears interest at a fixed rate of 4.6% per annum, payable semi-annually, subject to adjustment in certain circumstances as described below.

The Additional Migdal Loan was entered into under substantially the same terms and conditions of the Migdal Loan Agreement as disclosed in the Company’s Form 10-K for the year ended December 31, 2018.

Write-offs of unsuccessful exploration activities

There were no write-offs of unsuccessful exploration activities for the three months ended March 31, 2019. Write-offs of unsuccessful exploration activities for the three months ended March 31, 2018 were \$0.1 million.

Reconciliation of Cash and cash equivalents and Restricted cash and cash equivalents

The following table provides a reconciliation of Cash and cash equivalents and Restricted cash and cash equivalents reported on the balance sheet that sum to the total of the same amounts shown on the statement of cash flows:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
	(Dollars in thousands)		
Cash and cash equivalents	\$ 79,366	\$ 98,802	\$ 54,723
Restricted cash and cash equivalents	93,098	78,693	50,332
Total Cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 172,464</u>	<u>\$ 177,495</u>	<u>\$ 105,055</u>

Concentration of credit risk

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

The Company places its temporary cash investments with high credit quality financial institutions located in the United States (“U.S.”) and in foreign countries. At March 31, 2019 and December 31, 2018, the Company had deposits totaling \$28.6 million and \$31.3 million, respectively, in ten U.S. financial institutions that were federally insured up to \$250,000 per account. At March 31, 2019 and December 31, 2018, the Company’s deposits in foreign countries amounted to approximately \$75.9 million and \$93.9 million, respectively.

At March 31, 2019 and December 31, 2018, accounts receivable related to operations in foreign countries amounted to approximately \$106.8 million and \$102.0 million, respectively. At March 31, 2019 and December 31, 2018, accounts receivable from the Company’s primary customers amounted to approximately 55% and 56% of the Company’s accounts receivable, respectively.

Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 18.2% and 17.4% of the Company’s total revenues for the three months ended March 31, 2019 and 2018, respectively.

Southern California Public Power Authority (“SCPPA”) accounted for 19.4% and 16.3% of the Company’s total revenues for the three months ended March 31, 2019 and 2018, respectively.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Kenya Power and Lighting Co. Ltd. accounted for 15.3% and 15.1% of the Company's total revenues for the three months ended March 31, 2019 and 2018, respectively.

We have historically been able to collect on substantially all of our receivable balances. Recently, we have been receiving late payments from KPLC in Kenya related to our Olkaria Complex and from ENNE in Honduras related to our Platanares power plant. As of March 31, 2019, the amounts overdue are \$29.4 million and \$18.0 million related to KPLC and ENNE, respectively, of which \$20.4 million and \$3.0 million, respectively, were paid during April 2019. As we believe we will be able to collect all past due amounts, no provision for doubtful accounts has been recorded.

Additionally, Pacific Gas and Electric Corporation ("PG&E Corporation") and its subsidiary Pacific Gas and Electric Company ("PG&E"), which accounts for 1.2% of our total revenues for the three months ended March 31, 2019, are facing extraordinary challenges relating to a series of catastrophic wildfires that occurred in Northern California in 2017 and 2018. As a result, on January 29, 2019, PG&E Corporation and its subsidiary, PG&E, voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We are closely monitoring our PG&E account to ensure cash receipts are received timely each month. Our monthly invoice relating to January 2019 was not paid as it occurred before PG&E filed for reorganization under Chapter 11 bankruptcy, but cash was received for the February and March invoices.

Revenues from Contracts with Customers

Contract assets related to our Product segment reflect revenue recognized and performance obligations satisfied in advance of customer billing. Contract liabilities related to our Product segment reflect payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. Total contract assets and contract liabilities as of March 31, 2019 and December 31, 2018 are as follows:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>(Dollars in thousands)</u>	
Contract assets (*)	\$ 29,762	\$ 42,130
Contract liabilities (*)	(15,508)	(18,402)
Contract assets, net	<u>\$ 14,254</u>	<u>\$ 23,728</u>

(*) Contract assets and contract liabilities are presented as "Costs and estimated earnings in excess of billings on uncompleted contracts" and "Billings in excess of costs and estimated earnings on uncompleted contracts", respectively, on the consolidated balance sheets.

On March 31, 2019, we had approximately \$226.1 million of remaining performance obligations not yet satisfied or partly satisfied related to our Product segment. We expect to recognize approximately 100% of this amount as Product revenues during the next 24 months.

NOTE 2 — NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements effective in the three-month period ended March 31, 2019

Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This new standard introduced a number of changes and simplified previous guidance, primarily the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. The new standard retained the distinction between finance leases and operating leases and the classification criteria between the two types remains substantially similar. Also, lessor accounting remained largely unchanged from previous guidance. However, key aspects of the new standard were aligned with the revenue recognition guidance in Topic 606. Additionally, the new standard defined a lease as a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (a) the right to obtain substantially all of the economic benefits from the use of the asset and (b) the right to direct the use of the asset. The Company adopted this new standard as of January 1, 2019 using the modified retrospective approach and accordingly recognized a cumulative-effect adjustment to the opening balance of retained earnings, which was an immaterial amount, with no restatement of comparative information.

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

In accordance with the new standard, for agreements in which the Company is the lessee, the Company applies a unified accounting model by which it recognizes a right-of-use asset ("ROU") and a lease liability at the commencement date of the lease contract for all the leases in which the Company has a right to control identified assets for a specified period of time. The classification of the lease as a finance lease or an operating lease determines the subsequent accounting for the lease arrangement.

Upon the adoption of the new standard the Company, both as a lessee and as a lessor, chose to apply the following permitted practical expedients:

1. Not reassess whether any existing contracts are or contain a lease;
2. Not reassess the classification of leases that commenced before the effective date (for example, all existing leases that were classified as operating leases in accordance with Topic 840 will continue to be classified as operating leases, and all existing leases that were classified as capital leases in accordance with Topic 840 will continue to be classified as finance leases);
3. Exclude initial direct costs from measurement of the ROU asset at the date of initial application;
4. Applying the practical expedient (for a lessor) to not separate non-lease components accounted for under Topic 606 from lease components and, instead, to account for each separate lease component and the non-lease components associated with that lease component as a single component. If the non-lease components are the predominant components, the Company will account for the combined component as a single performance obligation entirely in accordance with Topic 606. Otherwise, the combined component will be accounted as an operating lease entirely in accordance with the new standard.
5. Applying the practical expedient (for a lessee) regarding the recognition and measurement of short-term leases, for leases for a period of up to 12 months from the commencement date. Instead, the Company will continue to recognize the lease payments for those leases in statement of operations on a straight-line basis over the lease term.

Since the Company elected to apply the practical expedients above, it applied the new standard to all contracts entered into before January 1, 2019 and identified as leases in accordance with Topic 840.

The new significant accounting policies regarding leases that were applied as from January 1, 2019 following the application of the new standard are as follows:

1. Determining whether an arrangement contains a lease

On the inception date of the lease, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2. The Company as a lessee

a. Lease classification:

At the commencement date, a lease is a finance lease if it meets any one of the criteria below; otherwise the lease is an operating lease:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The lease term is for the major part of the remaining economic life of the underlying asset.
- The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of lease term.

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

b. Leased assets and lease liabilities - initial recognition

Upon initial recognition, the Company recognizes a liability at the present value of the lease payments to be made over the lease term, and concurrently recognizes a ROU asset at the same amount of the liability, adjusted for any prepaid or accrued lease payments, plus initial direct costs incurred in respect of the lease. Since the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate of the Company is used. The subsequent measurement depends of whether the lease is classified as a finance lease or an operating lease.

c. The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option if it is reasonably certain that the Company will exercise the option.

d. Subsequent measurement of operating leases

After lease commencement, the Company measures the lease liability at the present value of the remaining lease payments using the discount rate determined at lease commencement (as long as the discount rate hasn't been updated as a result of a reassessment event).

The Company subsequently measures the ROU asset at the present value of the remaining lease payments, adjusted for the remaining balance of any lease incentives received, any cumulative prepaid or accrued rent if the lease payments are uneven throughout the lease term and any unamortized initial direct costs.

Further, the Company will recognize lease expense on a straight-line basis over the lease term.

e. Subsequent measurement of finance leases

After lease commencement, the Company measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made during the period. The Company shall determine the interest on the lease liability in each period during the lease term as the amount that produces a constant periodic discount rate on the remaining balance of the liability, taking into consideration the reassessment requirements.

After lease commencement, the Company measures the ROU assets at cost less any accumulated amortization and any accumulated impairment losses, taking into consideration the reassessment requirements. The Company amortizes the ROU asset on a straight-line basis, unless another systematic basis better represents the pattern in which the Company expects to consume the ROU asset's future economic benefits. The ROU asset is amortized over the shorter of the lease term or the useful life of the ROU asset as follows:

	(in years)
Land	1 - 35
Automobiles	5
Building	15

The total periodic expense (the sum of interest and amortization expense) of a finance lease is typically higher in the early periods and lower in the later periods.

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

f. Variable lease payments:

Variable lease payments that depend on an index or a rate

On the commencement date, the lease payments shall include variable lease payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), initially measured using the index or rate at the commencement date.

The Company does not remeasure the lease liability for changes in future lease payments arising from changes in an index or rate unless the lease liability is remeasured for another reason. Therefore, after initial recognition, such variable lease payments are recognized in profit or loss as they are incurred.

Other variable lease payments:

Variable payments that depends on performance or use of the underlying asset are not included in the lease payments. Such variable payments are recognized in profit or loss in the period in which the event or condition that triggers the payment occurs.

3. The Company as a lessor

At lease commencement, the Company as a lessor classifies leases as either finance or operating leases. Finance leases are further classified as a sales-type lease or as a direct financing lease.

Under an operating lease, the Company recognizes the lease payment as income over the lease term, generally on a straight-line basis.

4. Impact of the new standard

a) Effects of the initial application of the new standard on the Company's consolidated balance sheet as of January 1, 2019:

	According to the previous accounting policy	The change	As presented according to Topic 842
	(Dollars in thousands)		
As of January 1, 2019:			
Prepaid expenses and other	\$ 51,441	\$ (35,385)	\$ 16,056
Deferred financing and lease costs, net	3,242	(1,659)	1,583
Property, plant and equipment, net	1,959,578	(12,855)	1,946,723
Operating leases right of use	-	62,244	62,244
Finance leases right of use	-	13,476	13,476
Accounts payable and accrued expenses	116,362	(2,860)	113,502
Current maturity of operating lease liabilities	-	7,532	7,532
Current maturity of finance lease liabilities	-	2,841	2,841
Other long-term liabilities	16,087	(9,970)	6,117
Long term portion of operating lease liabilities	-	17,668	17,668
Long term portion of finance lease liabilities	-	10,668	10,668
Retained earnings	422,222	(58)	422,164

The Operating leases right of use is higher than the related lease liabilities as a result of prepayments of leases, including the Puna lease and deferred financing lease costs.

b) A weighted-average nominal incremental interest rate of 5% and 7% was used to discount future lease payments in the calculation of the operating and finance lease liabilities, respectively.

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

Derivatives and Hedging

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. To meet that objective, the amendments expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU 2018-02, Income Statement – Reporting Comprehensive Income (Topic 220). The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The guidance is effective for the fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

New accounting pronouncements effective in future periods

Financial Instruments—Credit Losses

In June 2016, the FASB issued ASU 2016-13 "Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments." This guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance will be effective beginning on January 1, 2020, including interim periods within that year. The Company is currently evaluating the potential effect on its consolidated financial statements.

NOTE 3 — INVENTORIES

Inventories consist of the following:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	\$ 28,749	\$ 26,914
Self-manufactured assembly parts and finished products	14,233	18,110
Total	<u>\$ 42,982</u>	<u>\$ 45,024</u>

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

NOTE 4 — LEASES

A. Leases in which the Company is a lessee

The table below presents the effects on the amounts relating to the Company’s total lease cost:

	Three months ended March 31, 2019
	(Dollars in thousands)
Lease cost	
Finance lease cost:	
Amortization of right-of-use assets	\$ 787
Interest on lease liabilities	306
Operating lease cost	2,134
Variable lease cost	278
Total lease cost	\$ 3,505
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	\$ -
Operating cash flows from operating leases	1,012
Financing cash flows from finance leases	767
Right-of-use assets obtained in exchange for new finance lease liabilities	2,154
Right-of-use assets obtained in exchange for new operating lease liabilities	-
Weighted-average remaining lease term — finance leases	4.0
Weighted-average remaining lease term — operating leases	5.7

Future minimum lease payments under non-cancellable leases as of March 31, 2019 were as follows:

	Operating Leases	Finance Leases
	(Dollars in thousands)	
Year ending December 31,		
2019 (excluding the three months ended March 31, 2019)	\$ 7,513	\$ 3,400
2020	4,109	3,715
2021	3,400	2,720
2022	2,419	2,421
2023	1,590	1,834
Thereafter	12,061	2,692
Total future minimum lease payments	31,092	16,782
Less imputed interest	5,893	1,681
Total	\$ 25,199	\$ 15,101

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

Future minimum lease payments under non-cancellable leases as of December 31, 2018, under ASC 840, Leases were as follows:

	(Dollars in thousands)
Year ending December 31,	
2019	\$ 10,889
2020	7,515
2021	5,758
2022	4,415
2023	2,910
Thereafter	9,292
Total	\$ 40,779

B. Leases in which the Company is a lessor

The table below presents the revenues accounted under ASC 842, Leases, as lessors:

	Three months ended March 31, 2019
	(Dollars in thousands)
Revenues accounted under ASC 842, Leases	125,908
Lease income relating to variable lease payments not included in the measurement of the lease	-
Total	125,908

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

NOTE 5— FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The following table sets forth certain fair value information at March 31, 2019 and December 31, 2018 for financial assets and liabilities measured at fair value by level within the fair value hierarchy, as well as cost or amortized cost. As required by the fair value measurement guidance, assets and liabilities are classified in their entirety based on the lowest level of inputs that is significant to the fair value measurement.

	Carrying Value at March 31, 2019	March 31, 2019 Fair Value			
		Total	Level 1	Level 2	Level 3
(Dollars in thousands)					
Assets:					
Current assets:					
Cash equivalents (including restricted cash accounts)	\$ 21,552	\$ 21,552	\$ 21,552	\$ —	\$ —
Derivatives:					
Contingent receivable ⁽¹⁾	101	101	—	—	101
Currency forward contracts ⁽²⁾	169	169	—	169	—
Liabilities:					
Current liabilities:					
Derivatives:					
Contingent payable ⁽¹⁾	(3,351)	(3,351)	—	—	(3,351)
	<u>\$ 18,471</u>	<u>\$ 18,471</u>	<u>\$ 21,552</u>	<u>\$ 169</u>	<u>\$ (3,250)</u>

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

	Carrying Value at December 31, 2018	December 31, 2018			
		Fair Value			
		Total	Level 1	Level 2	Level 3
(Dollars in thousands)					
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	\$ 18,787	\$ 18,787	\$ 18,787	\$ —	\$ —
Derivatives:					
Contingent receivable ⁽¹⁾	104	104	—	—	104
Liabilities:					
Current liabilities:					
Derivatives:					
Contingent payable ⁽¹⁾	(3,424)	(3,424)	—	—	(3,424)
Currency forward contracts ⁽²⁾	(1,040)	(1,040)	—	(1,040)	—
	<u>\$ 14,427</u>	<u>\$ 14,427</u>	<u>\$ 18,787</u>	<u>\$ (1,040)</u>	<u>\$ (3,320)</u>

(1) These amounts relate to contingent receivables and payables relating to acquisition of the Guadeloupe power plant, valued primarily based on unobservable inputs and are included within “Prepaid expenses and other”, “Accounts payable and accrued expenses” and “Other long-term liabilities” on March 31, 2019 and December 31, 2018 in the consolidated balance sheets with the corresponding gain or loss being recognized within “Derivatives and foreign currency transaction gains (losses)” in the consolidated statement of operations and comprehensive income.

(2) These amounts relate to currency forward contracts valued primarily based on observable inputs, including forward and spot prices for currencies, net of contracted rates and then multiplied by notional amounts, and are included within “Prepaid expenses and other” and “Accounts payable and accrued expenses”, as applicable, on March 31, 2019 and December 31, 2018, in the consolidated balance sheet with the corresponding gain or loss being recognized within “Derivatives and foreign currency transaction gains (losses)” in the consolidated statement of operations and comprehensive income.

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

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

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

Derivatives not designated as hedging instruments	Location of recognized gain (loss)	Amount of recognized gain (loss)	
		Three Months Ended March 31, 2019	2018
	Derivative and foreign currency and transaction gains		
Currency forward contracts	(losses)	\$ 1,083	\$ (546)
		<u>\$ 1,083</u>	<u>\$ (546)</u>

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

There were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 during the three months ended March 31, 2019.

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

	Fair Value		Carrying Amount	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
	(Dollars in millions)		(Dollars in millions)	
Olkaria III Loan - OPIC	210.0	211.8	206.1	210.6
Olkaria IV Loan - DEG 2	48.6	47.2	47.5	47.5
Olkaria IV Loan - DEG 3	42.5	—	41.5	—
Platanares Loan - OPIC	118.5	119.1	110.6	112.7
Amatitlan Loan	29.0	29.9	28.9	29.8
Senior Secured Notes:				
OrCal Geothermal Inc. ("OrCal")	19.2	19.0	18.7	18.7
OFC 2 LLC ("OFC 2")	213.4	214.5	213.2	217.8
Don A. Campbell 1 ("DAC 1")	78.6	78.8	81.7	83.3
USG Prudential - NV	29.9	29.4	27.8	27.8
USG Prudential - ID	18.0	18.6	18.4	18.9
USG DOE	47.3	48.3	49.8	51.4
Senior Unsecured Bonds	199.3	199.4	204.3	204.3
Senior Unsecured Loan	153.6	102.2	150.0	100.0
Other long-term debt	5.3	5.4	6.2	6.2

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

The fair value of the long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of current borrowing rates. The fair value of revolving lines of credit is determined using a comparison of market-based price sources that are reflective of similar credit ratings to those of the Company.

The carrying value of financial instruments such as revolving lines of credit and deposits approximates fair value.

The following table presents the fair value of financial instruments as of March 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(Dollars in millions)			
Olkaria III - OPIC	—	—	210.0	210.0
Olkaria IV - DEG 2	—	—	48.6	48.6
Olkaria IV Loan - DEG 3	—	—	42.5	42.5
Platanares Loan - OPIC	—	—	118.5	118.5
Amatitlan Loan	—	29.0	—	29.0
Senior Secured Notes:				
OrCal Senior Secured Notes	—	—	19.2	19.2
OFC 2 Senior Secured Notes	—	—	213.4	213.4
DAC 1 Senior Secured Notes	—	—	78.6	78.6
USG Prudential - NV	—	—	29.9	29.9
USG Prudential - ID	—	—	18.0	18.0
USG DOE	—	—	47.3	47.3
Senior Unsecured Bonds	—	—	199.3	199.3
Senior Unsecured Loan	—	—	153.6	153.6
Other long-term debt	—	—	5.3	5.3
Revolving lines of credit	—	60.9	—	60.9
Deposits	11.9	—	—	11.9

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

The following table presents the fair value of financial instruments as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	(Dollars in millions)			
Olkaria III Loan - OPIC	—	—	211.8	211.8
Olkaria IV - DEG 2	—	—	47.2	47.2
Platanares Loan - OPIC	—	—	119.1	119.1
Amatitlan Loan	—	29.9	—	29.9
Senior Secured Notes:				
OrCal Senior Secured Notes	—	—	19.0	19.0
OFC 2 Senior Secured Notes	—	—	214.5	214.5
DAC 1 Senior Secured Notes	—	—	78.8	78.8
USG Prudential - NV	—	—	29.4	29.4
USG Prudential - ID	—	—	18.6	18.6
USG DOE	—	—	48.3	48.3
Senior Unsecured Bonds	—	—	199.4	199.4
Senior Unsecured Loan	—	—	102.2	102.2
Other long-term debt	—	—	5.4	5.4
Revolving lines of credit	—	159.0	—	159.0
Deposits	12.0	—	—	12.0

NOTE 6 — STOCK-BASED COMPENSATION

No material grants were provided under the 2018 Incentive Plan during the first quarter of 2019.

NOTE 7 — INTEREST EXPENSE, NET

The components of interest expense are as follows:

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
	(Dollars in thousands)	
Interest related to sale of tax benefits	\$ 3,661	\$ 1,409
Interest expense	17,562	13,306
Less — amount capitalized	—	(371)
	<u>\$ 21,223</u>	<u>\$ 14,344</u>

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

NOTE 8 — EARNINGS PER SHARE

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

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

	Three Months Ended March 31,	
	2019	2018
Weighted average number of shares used in computation of basic earnings per share	50,709	50,614
Add:		
Additional shares from the assumed exercise of employee stock options	<u>303</u>	<u>437</u>
Weighted average number of shares used in computation of diluted earnings per share	<u>51,012</u>	<u>51,051</u>

The number of stock-based awards that could potentially dilute future earnings per share and that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was 249,908 and 62,409 for the three months ended March 31, 2019 and 2018, respectively.

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

NOTE 9 — BUSINESS SEGMENTS

The Company has three reporting segments: the Electricity segment, the Product segment and the Other segment. These segments are managed and reported separately as each offers different products and serves different markets. The Electricity segment is engaged in the sale of electricity from the Company's power plants pursuant to PPAs. The Product segment is engaged in the manufacture, including design and development, of turbines and power units for the supply of electrical energy and in the associated construction of power plants utilizing the power units manufactured by the Company to supply energy from geothermal fields and other alternative energy sources. The Other segment is engaged in management of curtailable customer loads under contracts with U.S. retail energy providers and directly with large commercial and industrial customers as well as battery storage as a service.

Transfer prices between the operating segments are determined based on current market values or cost-plus markup of the seller's business segment.

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

	<u>Electricity</u>	<u>Product</u>	<u>Other</u>	<u>Consolidated</u>
	(Dollars in thousands)			
Three Months Ended March 31, 2019:				
Revenues from external customers:				
United States ⁽¹⁾	\$ 91,528	\$ 11,243	\$ 4,002	\$ 106,773
Foreign ⁽²⁾	51,380	40,885	—	92,265
Net revenues from external customers	142,908	52,128	4,002	199,038
Intersegment revenues	—	18,261	—	18,261
Operating income (loss)	51,551	4,252	(2,078)	53,725
Segment assets at period end ^{(3) (*)}	2,950,444	125,248	67,522	3,143,214
* Including unconsolidated investments	71,885	—	—	71,885
Three Months Ended March 31, 2018:				
Revenues from external customers:				
United States ⁽¹⁾	\$ 83,683	\$ 194	\$ 2,862	\$ 86,739
Foreign ⁽²⁾	48,806	48,478	—	97,284
Net revenues from external customers	132,489	48,672	2,862	184,023
Intersegment revenues	—	24,827	—	24,827
Operating income	46,412	9,553	(1,372)	54,593
Segment assets at period end ^{(3) (*)}	2,542,154	114,815	53,848	2,710,817
* Including unconsolidated investments	63,109	—	—	63,109

- (1) Electricity segment revenues in the United States are all accounted under ASC 842, Leases, except for \$17.0 million in the three months ended March 31, 2019 that are accounted under ASC 606. For the three months ended March 31, 2018, Electricity segment revenues in the United States are all accounted under ASC 840, Leases, except for \$6.7 million that are accounted under ASC 606.
- (2) For the three months ended March 31, 2019, Electricity segment revenues in foreign countries are all accounted under ASC 842, Leases, and Product revenues in foreign countries are accounted under ASC 606. For the three months ended March 31, 2018, Electricity segment revenues in foreign countries are all accounted under ASC 840, Leases, and Product revenues in foreign countries are accounted under ASC 606.
- (3) Electricity segment assets include goodwill in the amount of \$20.1 million and \$7.8 million as of March 31, 2019 and 2018, respectively. Other segment assets include goodwill in the amount of \$13.5 million as of March 31, 2018. No goodwill is included in the Other segments assets as of March 31, 2019.

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

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

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Revenue:		
Total segment revenue	\$ 199,038	\$ 184,023
Intersegment revenue	18,261	24,827
Elimination of intersegment revenue	(18,261)	(24,827)
Total consolidated revenue	<u>\$ 199,038</u>	<u>\$ 184,023</u>
Operating income:		
Operating income	\$ 53,725	\$ 54,593
Interest income	293	113
Interest expense, net	(21,223)	(14,344)
Derivatives and foreign currency transaction gains (losses)	472	(1,599)
Income attributable to sale of tax benefits	7,764	7,361
Other non-operating income (expense), net	91	(20)
Total consolidated income from operations before income taxes and equity in earnings of investees	<u>\$ 41,122</u>	<u>\$ 46,104</u>

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

NOTE 10 — COMMITMENTS AND CONTINGENCIES

- On May 21, 2018, a motion to certify a class action was filed in Tel Aviv District Court against Ormat Technologies, Inc. and 11 officers and directors. The alleged class is defined as "All persons who purchased Ormat shares on the Tel Aviv Stock Exchange between August 3, 2017 and May 13, 2018". The motion alleges that the Company violated Sections 31(a)(1) and 38C of the Israeli Securities Law because it allegedly: (1) misled investors by stating in its financial statements that it maintains effective internal controls over its accounting policies and procedures, however the Company's internal controls had material weaknesses which led to erroneous accounting in its 2017 unaudited quarterly reports that had to be restated, including adjustments to the Company's net income and shareholders' equity; and (2) failed to issue an immediate report in Israel until May 16, 2018, analogous to the report that was released in the United States on May 11, 2018 stating, inter alia, that the errors in its financial reports affected its balance sheet and would be remedied in its 2017 annual report. The Company filed an agreed motion to the Tel Aviv District Court to stay the proceedings in Israel until a final decision in the U.S. case (Mac Costas) is adjudicated.
- On June 11, 2018, a putative class action was filed by Mac Costas on behalf of alleged shareholders that purchased or acquired the Company's ordinary shares between August 8, 2017 and May 15, 2018 was commenced in the U.S. District Court for the District of Nevada against the Company and its Chief Executive Officer and Chief Financial Officer. The complaint asserts claim against all defendants pursuant to Section 10 (b) of the Exchange Act, as amended, and Rule 10b-5 thereunder and against its officers pursuant to Section 20(a) of the Exchange Act. The complaint alleges that the Company's Form 10-K for the years ended December 31, 2016 and 2017, and Form 10-Qs for each of the quarters in the nine months ended September 30, 2017 contained material misstatements or omissions, among other things, with respect to the Company's tax provisions and the effectiveness of its internal control over financial reporting, and that, as a result of such alleged misstatements and omissions, the plaintiffs suffered damages. Following the Mac Costas filing and in accordance with the terms of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), a number of law firms filed applications on behalf of entities purporting to hold shares in the Company, seeking to be appointed as lead plaintiff and lead counsel in the action. On March 12, 2019 the court appointed Phoenix Insurance Company Ltd. ("Phoenix Insurance") as lead plaintiff and approved their selection of lead counsel. Pursuant to a scheduling stipulation entered between the parties, Phoenix Insurance must file a consolidated amended complaint by May 13, 2019, the Company's motion to dismiss must be filed by July 12, 2019, Phoenix Insurance must file their Opposition by August 26, 2019, and the Company must file their reply by September 25, 2019. The Company believes that it has valid defenses under law and intends to defend itself vigorously.
- On September 11, 2018, the Klein derivative action ("Klein Action") was filed against the Company, our board and our Chief Executive Officer and Chief Financial Officer in the U.S. District Court for the District of Nevada, and on October 22, 2018, the Matthew derivative action ("Matthew Action") was filed against the company, certain named present and former board members (Barniv, Beck, Boehm, Clark, Falk, Freeland, Granot, Joyal, Nishigori, Sharir, Stern and Wong) in the U.S. District Court, District of Nevada. The Klein complaint asserts four derivative causes of action generally arising from Ormat's restatement of its financial statements: (i) the individual defendants allegedly breached their fiduciary duties by allowing the company to improperly report its financials; (ii) the individual defendants allegedly were unjustly enriched by being compensated while breaching their fiduciary duties; (iii) the individual defendants allegedly committed corporate waste in paying officers and directors and by incurring legal costs and potential liability; and (iv) the director defendants allegedly breached Section 14(a) of the Exchange Act in connection with the issuance of 2018 proxy. The Matthew complaint similarly alleges derivatively a breach of fiduciary duties, abuse of control, gross mismanagement, and corporate waste by the named directors. On January 24, 2019, the Nevada Court entered an order consolidating the Klein Action and Matthew Action, and staying all deadlines and hearings in the consolidated action pending entry of an order on the motion to dismiss in the Mac Costas putative class action. Within thirty days of entry of an order on the motion to dismiss in the Mac Costas putative class action, the parties are required to meet and confer and to submit a proposed schedule for further proceedings in the consolidated action.

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

- Following the announcement of the Company’s acquisition of U.S. Geothermal Inc. (“USG”), a number of putative shareholder class action complaints were initially filed on behalf of USG shareholders between March 8, 2018 and March 30, 2018 against USG and the individual members of the USG board of directors. All of the purported class action suits filed in Federal Court in Idaho have been voluntarily dismissed. The single remaining class action complaint is a purported class action filed in the Delaware Chancery Court, entitled *Riche v. Pappas, et al.*, Case No. 2018-0177 (Del. Ch., Mar. 12, 2018). An amended complaint was filed on May 24, 2018 under seal, under a confidentiality agreement that was executed by plaintiff. The amended Riche complaint alleges state law claims for breach of fiduciary duty against former USG directors and seeks post-closing damages. The Company believes that it has valid defenses under law and intends to defend itself vigorously.
- On August 5, 2016, George Douvris, Stephanie Douvris, Michael Hale, Cheryl Cacocci, Hillary E. Wilt and Christina Bryan, acting for themselves and on behalf of all other similarly situated residents of the lower Puna District, filed a complaint in the Third Circuit Court for the State of Hawaii seeking certification of a class action for preliminary and permanent injunctive relief, consequential and punitive damages, attorney’s fees and statutory interest against Puna Geothermal Venture (“PGV”) and other presently unknown defendants. HELCO and other parties were later joined as co-defendants. The Parties have reached an amicable settlement in an immaterial amount which, on April 4, 2019, was recorded by the Court, and the claim dismissed.
- On March 29, 2016, a former local sales representative in Chile, Aquavant, S.A., filed a claim on the basis of unjust enrichment against Ormat’s subsidiaries in the 27th Civil Court of Santiago, Chile. The claim requests that the court order Ormat to pay Aquavant \$4.6 million in connection with its activities in Chile, including the EPC contract for the Cerro Pabellon project and various geothermal concessions, plus 3.75% of Ormat geothermal products sales in Chile over the next 10 years. Pursuant to various motions submitted by the defendants and the plaintiffs to various courts, including the Court of Appeals, the case was removed from the original court and then refiled before the 11th Civil Court of Santiago. The Civil Court has heard oral testimonies and the “factual” stage of the proceedings are completed. The Company believes that it has valid defenses under law and intends to defend itself vigorously.

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

NOTE 11 — INCOME TAXES

The Company’s effective tax rate expense (benefit) for the three months ended March 31, 2019 and 2018 was 34.1% and (58.4)%, respectively. The effective rate differs from the federal statutory rate of 21% for the three months ended March 31, 2019 due to: (i) the impact of the recently enacted global intangible low tax income (“GILTI”); (ii) the increase in the valuation allowance on the deferred tax assets related to the limitation on interest expense under the recently enacted IRC section 163(j); (iii) withholding taxes on future dividend distributions; (iv) mix of business in various countries with higher and lower statutory rates than the federal rate; partially offset by (v) forecasted generation of production tax credits.

The Company is required by the Tax Act to include in U.S. taxable income amounts on related to GILTI. The Company elected as an accounting policy in 2018 to treat taxes due on future U.S. inclusions in taxable income under GILTI as a period cost when incurred. The Company has elected and applied the tax law ordering approach when considering GILTI as part of the Company’s valuation allowance.

As a result of the Tax Act, the Company is also subject to certain statutory restrictions on its interest deductions under IRC section 163(j) which limits the interest deductions to business interest income plus 30% of adjusted taxable income. Disallowed interest expense does not expire but can only be utilized in future years when an adjusted taxable income provides excess limitation. The Company is projecting an \$8.8 million interest expense carryforward attribute which has a full valuation allowance.

NOTE 12 — SUBSEQUENT EVENTS

Cash dividend

On May 6, 2019, the Board of Directors of the Company declared, approved and authorized payment of a quarterly dividend of \$5.6 million (\$0.11 per share) to all holders of the Company’s issued and outstanding shares of common stock on May 20, 2019, payable on May 28, 2019.

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

Cautionary Note Regarding Forward-Looking Statements

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

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

- significant considerations, risks and uncertainties discussed in this quarterly report;
- geothermal resource risk (such as the heat content, useful life and geological formation of the reservoir);
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- financial market conditions and the results of financing efforts;
- weather and other natural phenomena including earthquakes, volcanic eruption, drought and other natural disasters;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in the United States ("U.S."), Turkey and other countries in which we operate and, in particular, possible import tariffs, possible late payments, the impact of recent and future federal, state and local regulatory proceedings and changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, public policies and government incentives that support renewable energy and enhance the economic feasibility of our projects at the federal and state level in the U.S., Turkey and elsewhere, and carbon-related legislation;
- risks and uncertainty with respect to our internal control over financial reporting, including the identification of a material weakness which, if not timely remediated, may adversely affect the accuracy and reliability of our financial statements;
- the impact of fluctuations in oil and natural gas prices under certain of our power purchase agreements ("PPAs")
- the competition with other renewable sources or a combination of renewable sources on the energy price component under future PPAs;
- risks and uncertainties with respect to our ability to implement strategic goals or initiatives in segments of the clean energy industry or new or additional geographic focus areas;
- risk and uncertainties associated with our future development of storage and geothermal projects which may operate as "merchant" facilities without long-term sales agreements, including the variability of revenues and profitability of such projects;

Table of Contents

- environmental constraints on operations and environmental liabilities arising out of past or present operations, including the risk that we may not have, and in the future may be unable to procure, any necessary permits or other environmental authorizations;
- construction or other project delays or cancellations;
- the enforceability of long-term PPAs for our power plants;
- contract counterparty risk, including late payments;
- changes in environmental and other laws and regulations to which our company is subject, as well as changes in the application of existing laws and regulations;
- current and future litigation;
- our ability to successfully identify, integrate and complete acquisitions;
- our ability to access the public markets for debt or equity capital quickly;
- competition from other geothermal energy projects and new geothermal energy projects developed in the future, and from alternative electricity producing technologies;
- market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;
- when, if and to what extent opportunities under our commercial cooperation agreement with ORIX Corporation may in fact materialize;
- the direct or indirect impact on our Company's business of various forms of hostilities including the threat or occurrence of war, terrorist incidents or cyber-attacks or responses to such threatened or actual incidents or attacks, including the effect on the availability of and premiums on insurance;
- our new strategic plan to expand our geographic markets, customer base and product and service offerings may not be implemented as currently planned or may not achieve our goals as and when implemented;
- development and construction of solar photovoltaic ("Solar PV") and energy storage projects, if any, may not materialize as planned; and
- the effect of and changes in current and future land use and zoning regulations, residential, commercial and industrial development and urbanization in the areas in which we operate.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our condensed consolidated financial statements and related notes included elsewhere in this report and the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Annual Report") and any updates contained herein as well as those set forth in our reports and other filings made with the Securities and Exchange Commission (the "SEC").

General

Overview

We are a leading vertically integrated company that is primarily engaged in the geothermal and recovered energy power businesses. We are also operating in the storage, demand response and energy management business.

We design, develop, build, sell, own, and operate clean, environmentally friendly geothermal and recovered energy-based power plants, usually using equipment that we design and manufacture. Our objective is to become a leading global provider of renewable energy and we have adopted a strategic plan to focus on several key initiatives to expand our business.

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

- *Electricity Segment.* In the Electricity segment we develop, build, own and operate geothermal and recovered energy-based power plants in the U.S. and geothermal power plants in other countries around the world and sell the electricity they generate;
- *Product Segment.* In the Product segment we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation and remote power units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal, Solar PV and recovered energy-based power plants; and
- *Other Segment.* In the Other segment, we provide energy storage, demand response and energy management related services as well as services relating to the engineering, procurement, construction, operation and maintenance of energy storage units through our Viridity Energy Solutions Inc. ("Viridity") business.

Our operations are conducted in the U.S. and the rest of the world. Our current generating portfolio includes geothermal power plants in the U.S., Kenya, Guatemala, Honduras, Guadeloupe and Indonesia, as well as recovered energy generation power plants and storage activity in the U.S.

Recent Developments

The most significant developments in our company and business since January 1, 2019 are described below.

- On March 25, 2019, we entered into a first addendum ("First Addendum") to the Migdal Loan Agreement with several entities within the Migdal Group, a leading insurance company and institutional investor in Israel dated March 22, 2018. The First Addendum provides us with an additional loan by the lenders in an aggregate principal amount of \$50.0 million that will be repaid in 15 semi-annual payments of \$2.1 million each, commencing on September 15, 2021, with a final payment of \$18.5 million on March 15, 2029. The \$50.0 million loan bears interest at a fixed rate of 4.6% per annum, payable semi-annually.
- On March 20, 2019, we announced the signing of a PPA between one of our subsidiaries and Southern California Public Power Authority (SCPPA). Under the PPA, SCPPA will purchase 16MW of power generated by the expected 30MW Casa Diablo-IV (CD4) geothermal project located in Mammoth Lakes, California. SCPPA will resell the output to the City of Colton. The CD4 power plant will be the first geothermal power plant built within the California Independent System Operator (CAISO) balancing authority in the last 30 years. The 16MW of energy deliveries under the PPA will begin no later than the end of 2021 with an extension option. The PPA is for a term of 25 years and has a fixed price of \$68 per MWh. We intend to sell the balance of 14MW to other offtakers or at the spot market.
- On January 4, 2019, we entered into a \$41.5 million subordinated loan agreement with Deutsche Investitions-und Entwicklungsgesellschaft mbH (DEG) and on February 28, 2019, we completed a drawdown of the full loan amount, with a fixed interest rate of 6.04% for the duration of the loan. The loan will be repaid in 19 equal semi-annual principal installments commencing June 21, 2019, with a final maturity date of June 21, 2028. Proceeds of the loan were used to refinance upgrades to Plant 1 of the Olkaria III Complex.

Trends and Uncertainties

Different trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee. However, we believe that our results of operations and financial condition for the foreseeable future will be primarily affected by trends, factors and uncertainties discussed in our 2018 Annual Report under "Part II - Item 7 – Management Discussion and Analysis of Financial Condition and Results of Operation" in addition to the information set forth in this report. These trends, factors and uncertainties are from time to time also subject to market cycles:

- Pacific Gas and Electric Corporation ("PG&E Corporation") and its subsidiary Pacific Gas and Electric Company ("PG&E"), which accounts for 1.2% of our total revenues for the three months ended March 31, 2019, are facing extraordinary challenges relating to a series of catastrophic wildfires that occurred in Northern California in 2017 and 2018. If PG&E Corporation and PG&E are found liable for the wildfires, its potential liabilities could exceed \$30 billion. As a result, on January 29, 2019, PG&E Corporation and its subsidiary, PG&E, voluntarily filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. We are closely monitoring our PG&E account to ensure cash receipts are received timely each month. Our monthly invoice relating to January 2019 was not paid as it occurred before PG&E filed for reorganization under Chapter 11 bankruptcy, but cash was received for our February and March invoices.

Revenues

For the three months ended March 31, 2019, approximately 98.3% of our Electricity segment revenues were from PPAs with fixed energy rates, which are not affected by fluctuations in energy commodity prices. We have variable price PPAs in California and Hawaii, which provide for payments based on the local utilities' avoided cost, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others, as follows:

- the energy rates under the PPAs in California for each of Heber 2 power plant in the Heber Complex and the G2 power plant in the Mammoth Complex, a total of between 30 megawatts ("MW") and 40 MW, change primarily based on fluctuations in natural gas prices; and
- the prices paid for the electricity pursuant to the 25 MW PPA for the Puna Complex in Hawaii change primarily as a result of variations in the price of oil as well as other commodities.

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

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

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

Revenues attributable to our Other segment are mainly derived from BSAAS systems, demand response and energy management services and may fluctuate period to period. Pricing of such services and products are dependent on market supply and demand trends, market volatility, the need and price for ancillary services and other factors that may change over time.

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

	Revenue (dollars in thousands)		Increase (decrease)		% of Revenue for Period Indicated	
	Three Months Ended March 31,				Three Months Ended March 31,	
	2019	2018			2019	2018
Revenues:						
Electricity	\$ 142,908	\$ 132,489	\$ 10,419	7.9%	71.8%	72.0%
Product	52,128	48,672	3,456	7.1	26.2	26.4
Other	4,002	2,862	1,140	39.8	2.0	1.6
Total	\$ 199,038	\$ 184,023	\$ 15,015	8.2%	100%	100%

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

	Revenue (dollars in thousands)		Increase (decrease)		% of Revenue for Period Indicated	
	Three Months Ended March 31,				Three Months Ended March 31,	
	2019	2018			2019	2018
Electricity Segment:						
United States	\$ 91,528	\$ 83,683	\$ 7,845	9.4%	64.0%	63.2%
Foreign	51,380	48,806	2,574	5.3	36.0	36.8
Total	\$ 142,908	\$ 132,489	\$ 10,419	7.9%	100%	100%
Product Segment:						
United States	\$ 11,243	\$ 194	\$ 11,049	5695.4%	21.6%	0.4%
Foreign	40,885	48,478	(7,593)	(15.7)	78.4	99.6
Total	\$ 52,128	\$ 48,672	\$ 3,456	7.1%	100%	100%
Other Segment:						
United States	\$ 4,002	\$ 2,862	\$ 1,140	39.8%	100.0%	100.0%
Total	\$ 4,002	\$ 2,862	\$ 1,140	39.8%	100%	100%

[Table of Contents](#)

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

In the three months ended March 31, 2019 and 2018, 46% and 53% of our revenues were derived from international operations, respectively, and our international operations were more profitable than our U.S. operations. A substantial portion of international revenues came from Kenya and Turkey and, to a lesser extent, from Guadeloupe, Guatemala and Honduras and other countries. Our operations in Kenya contributed disproportionately to gross profit and net income.

Electricity Segment. Our Electricity segment domestic revenues were approximately 64% and 63% of our total Electricity segment for the three months ended March 31, 2019 and 2018, respectively. However, domestic operations in our Electricity segment have higher costs of revenues and expenses than the foreign operations in our Electricity segment. Our foreign power plants are located in lower-cost regions, like Kenya, Guatemala, Honduras and Guadeloupe, which favorably impact payroll and maintenance expenses among other items. They are also newer than most of our domestic power plants and therefore tend to have lower maintenance costs and higher availability factors than our domestic power plants. Consequently, in 2019 the international operations of the segment accounted for 46% of our total gross profits, 44% of our net income and 44% of our EBITDA.

Product Segment. Our Product segment foreign revenues were approximately 79% and 99% of our total Product segment revenues for the three months ended March 31, 2019 and 2018, respectively. Our Product segment foreign activity also benefits from lower costs of revenues and expenses than Product segment domestic activity such as labor and transportation costs. Accordingly, our Product segment foreign activity contributes more than our Product segment domestic activity to our pre-tax income from operations.

Seasonality

Electricity generation from some of our geothermal power plants is subject to seasonal variations; in the winter, our power plants produce more energy primarily attributable to the lower ambient temperature, which has a favorable impact on the energy component of our Electricity segment revenues and the prices under many of our contracts are fixed throughout the year with no time-of-use impact. The prices (primarily for capacity) paid for electricity under the PPAs with Southern California Edison and PG&E in California for the Heber 2 power plant in the Heber Complex, the Mammoth Complex and the North Brawley power plant are higher in the months of June through September. The higher payments payable by Southern California Edison and PG&E in the summer months partially offset the negative impact on our revenues from lower generation in the summer attributable to a lower ambient temperature. As a result, we expect the revenues in the winter months to be higher than the revenues in the summer months.

Breakdown of Cost of Revenues

The principal cost of revenues attributable to our three segments are discussed in our 2018 Annual Report under “Part II - Item 7 – Management Discussion and Analysis of Financial Condition and Results of Operation”.

Critical Accounting Estimates and Assumptions

A comprehensive discussion of our critical accounting estimates and assumptions is included in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section in our 2018 Annual Report.

New Accounting Pronouncements

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

Results of Operations

Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different years described below may be of limited utility due to (i) our recent construction or disposition of power plants and enhancement of acquired power plants; (ii) fluctuation in revenues from our Product segment; and (iii) the impact of the lava eruption on our Puna plant in Hawaii.

	Three Months Ended March 31,	
	2019	2018
(Dollars in thousands, except per share data)		
Statements of Operations Historical Data:		
Revenues:		
Electricity	\$ 142,908	\$ 132,489
Product	52,128	48,672
Other	4,002	2,862
	<u>199,038</u>	<u>184,023</u>
Cost of revenues:		
Electricity	77,543	73,482
Product	42,106	33,726
Other	5,210	3,443
	<u>124,859</u>	<u>110,651</u>
Gross profit		
Electricity	65,365	59,007
Product	10,022	14,946
Other	(1,208)	(581)
	<u>74,179</u>	<u>73,372</u>
Operating expenses:		
Research and development expenses	900	1,108
Selling and marketing expenses	3,865	3,699
General and administrative expenses	15,689	13,849
Write-off of unsuccessful exploration activities	—	123
Operating income	<u>53,725</u>	<u>54,593</u>
Other income (expense):		
Interest income	293	113
Interest expense, net	(21,223)	(14,344)
Derivatives and foreign currency transaction gains (losses)	472	(1,599)
Income attributable to sale of tax benefits	7,764	7,361
Other non-operating income (expense), net	91	(20)
Income from operations before income tax and equity in earnings (losses) of investees	<u>41,122</u>	<u>46,104</u>
Income tax (provision) benefit	(14,039)	26,942
Equity in earnings (losses) of investees, net	<u>1,047</u>	<u>1,210</u>
Net income	28,130	74,256
Net income attributable to noncontrolling interest	(2,184)	(4,748)
Net income attributable to the Company's stockholders	<u>\$ 25,946</u>	<u>\$ 69,508</u>
Earnings per share attributable to the Company's stockholders:		
Basic:		
Net income	<u>\$ 0.51</u>	<u>\$ 1.37</u>
Diluted:		
Net income	<u>\$ 0.51</u>	<u>\$ 1.36</u>
Weighted average number of shares used in computation of earnings per share attributable to the Company's stockholders:		
Basic	<u>50,709</u>	<u>50,614</u>
Diluted	<u>51,012</u>	<u>51,051</u>

	Three Months Ended March 31,	
	2019	2018
Statements of Operations Data:		
Revenues:		
Electricity	71.8%	72.0%
Product	26.2	26.4
Other	2.0	1.6
	<u>100.0</u>	<u>100.0</u>
Cost of revenues:		
Electricity	54.3	55.5
Product	80.8	69.3
Other	130.2	120.3
	<u>62.7</u>	<u>60.1</u>
Gross profit		
Electricity	45.7	44.5
Product	19.2	30.7
Other	(30.2)	(20.3)
	<u>37.3</u>	<u>39.9</u>
Operating expenses:		
Research and development expenses	0.5	0.6
Selling and marketing expenses	1.9	2.0
General and administrative expenses	7.9	7.5
Write-off of unsuccessful exploration activities	0.0	0.1
Operating income	<u>27.0</u>	<u>29.7</u>
Other income (expense):		
Interest income	0.1	0.1
Interest expense, net	(10.7)	(7.8)
Derivatives and foreign currency transaction gains (losses)	0.2	(0.9)
Income attributable to sale of tax benefits	3.9	4.0
Other non-operating income (expense), net	0.0	(0.0)
Income from operations before income tax and equity in earnings (losses) of investees	<u>20.7</u>	<u>25.1</u>
Income tax (provision) benefit	(7.1)	14.6
Equity in earnings (losses) of investees, net	<u>0.5</u>	<u>0.7</u>
Net income	14.1	40.4
Net income attributable to noncontrolling interest	(1.1)	(2.6)
Net income attributable to the Company's stockholders	<u>13.0%</u>	<u>37.8%</u>

Comparison of the Three Months Ended March 31, 2019 and the Three Months Ended March 31, 2018

Total Revenues

Total revenues for the three months ended March 31, 2019 were \$199.0 million, compared to \$184.0 million for the three months ended March 31, 2018, which represented an 8.2% increase from the prior year period. This increase was attributable to (i) a 7.9% increase in Electricity segment revenues as compared to the corresponding period in 2018, (ii) a 7.1% increase in our Product segment revenues as compared to the corresponding period in 2018, and (iii) a 39.8% increase in Other segment revenues as compared to the corresponding period in 2018, all as discussed below.

Electricity Segment

Revenues attributable to our Electricity segment for the three months ended March 31, 2019 were \$142.9 million, compared to \$132.5 million for the three months ended March 31, 2018, representing a 7.9% increase from the prior year period. This increase was primarily attributable to (i) the commencement of commercial operation of the third phase of our McGinness Hills Complex in Nevada, effective December 2018, which generated a total Complex revenues of \$27.6 million for the three months ended March 31, 2019 compared to \$18.2 million for the three months ended March 31, 2018; (ii) the consolidation of USG which was acquired on April 24, 2018, and contributed \$9.3 million for the three months ended March 31, 2019 and (iii) the commencement of commercial operation of our Plant 1 expansion project in the Olkaria III Complex in Kenya, effective June 2018. The increase was partially offset due to (i) the shut down of our Puna power plant following the Kilauea volcanic eruption on May 3, 2018 resulted in a reduction of \$11.0 million in revenues compare to the same period last year and (ii) a decrease in generation at some of our other power plants that were taken offline to address maintenance issues.

Power generation in our power plants increased by 11.0% from 1,522,965 MWh in the three months ended March 31, 2018 to 1,689,843 MWh in the three months ended March 31, 2019 primarily because of an increase in generation due to the commencement of commercial operation of the third phase of our McGinness Hills Complex in Nevada, Plant 1 expansion in Kenya and the acquisition of USG. The increase was partially offset by (i) the shutdown of our Puna power plant following the Kilauea Volcanic Eruption and (ii) lower generation at some of our other power plants mainly due to maintenance issues.

Product Segment

Revenues attributable to our Product segment for the three months ended March 31, 2019 were \$52.1 million, compared to \$48.7 million for the three months ended March 31, 2018, which represented a 7.1% increase. The increase in our Product segment revenues was mainly due to the start of a new project in Turkey, which provided \$14.1 million in revenue recognized during the three months ended March 31, 2019 and other projects mainly in Turkey and the U.S., which were started in 2018. The increase was partially offset by other projects in Turkey, which were completed in 2018.

Other Segment

Revenues attributable to our Other segment for the three months ended March 31, 2019 were \$4.0 million compared to \$2.9 million for the three months ended March 31, 2018. The other segment includes revenues from the provision of energy storage demand response and energy management services.

Total Cost of Revenues

Total cost of revenues for the three months ended March 31, 2019 was \$124.9 million, compared to \$110.7 million for the three months ended March 31, 2018, which represented a 12.8% increase. This increase was attributable to an increase of \$4.1 million, or 5.5%, in cost of revenues from our Electricity segment, an increase of \$8.4 million, or 24.8%, in cost of revenues from our Product segment and \$1.8 million, or 51.3%, in cost of revenues from our Other segment generated by our Viridity business, all as discussed below. As a percentage of total revenues, our total cost of revenues for the three months ended March 31, 2019 increased to 62.7% from 60.1% for the three months ended March 31, 2018. This increase was attributable to an increase in cost of revenues as a percentage of total revenues in both our Product and Other segments, partially offset by a decrease in cost of revenues as a percentage of total revenues in our Electricity segment.

[Table of Contents](#)

Electricity Segment

Total cost of revenues attributable to our Electricity segment for the three months ended March 31, 2019 was \$77.5 million, compared to \$73.5 million for the three months ended March 31, 2018. This increase was primarily attributable to: (i) additional cost of revenues from the commencement of commercial operation of the third phase of our McGinness Hills Complex plant in Nevada, effective December 2018, and commencement of commercial operation of our Plant 1 expansion project in the Olkaria III Complex in Kenya, effective June 2018 and (ii) the consolidation of USG which was acquired on April 24, 2018, offset partially by a decrease in cost of revenues at our Puna power plant that was shut down immediately following the Kilauea volcanic eruption on May 3, 2018. As a percentage of total Electricity revenues, our total cost of revenues attributable to our Electricity segment for the three months ended March 31, 2019 was 54.3%, compared to 55.5% for the three months ended March 31, 2018. This decrease was primarily attributable to the increase in gross profit due to the commencement of commercial operation of the third phase of our McGinness Hills Complex and due to the gross profit from USG, offset partially by the Puna power plant in Hawaii, under which we recorded cost of revenues with no associated revenues due to the shut-down of the power plant following the Kilauea volcanic eruption in May 3, 2018. The cost of revenues attributable to our international power plants was 26.9% of our Electricity segment cost of revenues.

Product Segment

Total cost of revenues attributable to our Product segment for the three months ended March 31, 2019 was \$42.1 million, compared to \$33.7 million for the three months ended March 31, 2018, which represented a 24.8% increase. This increase was primarily attributable to the increase in Product segment revenues, as discussed above and due to higher competition, different product scope and different margins in the various sales contracts we entered into for the Product segment during these periods specifically related to two large but lower margin contracts in Turkey that had a significant impact on revenue and related cost of revenues in the three months ended March 31, 2019. As a percentage of total Product segment revenues, our total cost of revenues attributable to our Product segment for the three months ended March 31, 2019 was 80.8%, compared to 69.3% for the three months ended March 31, 2018.

Other Segment

Cost of revenues attributable to our Other segment for the three months ended March 31, 2019 were \$5.2 million compared to \$3.4 million for the three months ended March 31, 2018. The Other segment includes cost of revenues related to the provision of energy storage, demand response and energy management services.

Research and Development Expenses, Net

Research and development expenses for the three months ended March 31, 2019 were \$0.9 million, compared to \$1.1 million for the three months ended March 31, 2018.

Selling and Marketing Expenses

Selling and marketing expenses for the three months ended March 31, 2019 were \$3.9 million compared to \$3.7 million for the three months ended March 31, 2018. Selling and marketing expenses for the three months ended March 31, 2019 constituted 1.9% of total revenues for such period, compared to 2.0% for the three months ended March 31, 2018.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2019 were \$15.7 million compared to \$13.8 million for the three months ended March 31, 2018. The increase was primarily attributable to legal settlements, increase in stock-based compensation and professional fees. General and administrative expenses for the three months ended March 31, 2019 constituted 7.9% of total revenues for such period, compared to 7.5% for the three months ended March 31, 2018.

Operating Income

Operating income for the three months ended March 31, 2019 was \$53.7 million, compared to \$54.6 million for the three months ended March 31, 2018, which represented a 1.6% decrease. The slight decrease in operating income was attributable to the decrease in our Product segment gross margin, and the increase in general and administrative expenses, as discussed above, offset by an increase in our Electricity segment gross margin. Operating income attributable to our Electricity segment for the three months ended March 31, 2019 was \$51.6 million, compared to \$46.4 million for the three months ended March 31, 2018. Operating income attributable to our Product segment for the three months ended March 31, 2019 was \$4.3 million, compared to \$9.6 million for the three months ended March 31, 2018. Operating loss attributable to our Other segment for the three months ended March 31, 2019 was \$2.1 million compared to \$1.4 million for the three months ended March 31, 2018.

Interest Expense, Net

Interest expense, net for the three months ended March 31, 2019 was \$21.2 million, compared to \$14.3 million for the three months ended March 31, 2018. This increase was primarily due to: (i) \$100.0 million of proceeds from a senior unsecured loan received on March 22, 2018; (ii) \$96.0 million debt as part of the acquisition of USG; (iii) \$2.2 million increase in interest related to the sale of tax benefits; and (iv) \$114.7 million of proceeds from a limited recourse loan received on October 29, 2018 from OPIC for financing the Honduras power plant, partially offset due to lower interest expense as a result of principal payments of long term debt.

Derivatives and foreign Currency Transaction Gains (losses)

Derivatives and foreign currency transaction gains for the three months ended March 31, 2019 were \$0.5 million, compared to losses of \$1.6 million for the three months ended March 31, 2018. Derivatives and foreign currency transaction gains for the three months ended March 31, 2019 were primarily attributable to gains from foreign currency forward contracts which were not accounted for as hedge transactions. Derivatives and foreign currency transaction losses for the three months ended March 31, 2018 were primarily attributable to losses from foreign currency forward contracts which were not accounted for as hedge transactions.

Income Attributable to Sale of Tax Benefits

Income attributable to the sale of tax benefits for the three months ended March 31, 2019 was \$7.8 million, compared to \$7.4 million for the three months ended March 31, 2018. This income primarily represents the value of PTCs and taxable income or loss generated by certain of our power plants allocated to investors under tax equity transactions in the three months ended March 31, 2019 compared to the value of PTCs and taxable income allocated to the investors in the three months ended March 31, 2018.

Income Taxes

Income tax provision for the three months ended March 31, 2019 was \$14.0 million compared to income tax benefit of (\$26.9) million for the three months ended March 31, 2018. Our effective tax rate for the three months ended March 31, 2019 and March 31, 2018, was 34.1% and (58.4%), respectively. Our effective tax rate is primarily based upon the composition of our income in different countries and changes related to valuation allowances for certain countries. Our annual effective tax rate, excluding the impact of the valuation allowance release for the three months ended March 31, 2018 is approximately 38%. Our aggregate effective tax rate for the three months ended March 31, 2019 differs from the 21% U.S. federal statutory tax rate due to: (i) the impact of the recently enacted global intangible low tax income (“GILTI”); (ii) the increase in the valuation allowance on the deferred tax assets related to the limitation on interest expense under the recently enacted IRC section 163(j); (iii) withholding taxes on future dividend distributions; (iv) mix of business in various countries with higher and lower statutory rates than the federal rate; partially offset by (v) forecasted generation of production tax credits.

See Note 11 to our condensed consolidated financial statements for discussion regarding incremental accounting adjustments related to the Tax Act.

Equity in Earnings (losses) of investees, net

Equity in earnings of investees, net for the three months ended March 31, 2019 was \$1.0 million, compared to \$1.2 million for the three months ended March 31, 2018. Equity in earnings of investees, net is derived from our 12.75% share in the earnings or losses in Sarulla. The decrease was mainly attributable to a decrease in gross margin due to cooling of the reservoir and the rotor damage in one of the plants. Sarulla is analyzing the cooling of the reservoir and the actions that need to be taken.

Net Income

Net income for the three months ended March 31, 2019 was \$28.1 million, compared to \$74.3 million for the three months ended March 31, 2018, which represents a decrease of \$46.1 million. This decrease in net income was primarily attributable to an increase in income tax provision of \$41.0 million, primarily due to tax benefit of \$44.4 million for the reduction of the valuation allowance related to foreign tax credits and production tax credits in the three months ended March 31, 2018, an increase of \$6.9 million in interest expense, net partially offset by an increase of \$2.1 million in derivatives and foreign currency transaction gains, all as discussed above.

Net Income attributable to the Company’s Stockholders

Net income attributable to the Company’s stockholders for the three months ended March 31, 2019 was \$25.9 million, compared to \$69.5 million for the three months ended March 31, 2018, which represents a decrease of \$43.4 million. This decrease was attributable to the decrease in net income of \$46.1 million, offset partially by a decrease of \$2.6 million in net income attributable to noncontrolling interest mainly due to the shutdown of the Puna power plant in Hawaii, all as discussed above.

Liquidity and Capital Resources

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

[Table of Contents](#)

As of March 31, 2019, we had access to (i) \$79.4 million in cash and cash equivalents, of which \$51.2 million is held by our foreign subsidiaries; and (ii) \$159.7 million of unused corporate borrowing capacity under existing lines of credit with different commercial banks.

Our estimated capital needs for the remainder of 2019 include approximately \$200.0 million for capital expenditures on new projects under development or construction, exploration activity, storage activity, investment in our manufacturing facility and operating projects, as well as \$117.7 million for debt repayment, including \$60.9 million repayment of short-term revolving lines of credit that we assume will be renewed.

As of March 31, 2019, \$235.5 million in the aggregate was outstanding under credit agreements with several banks as described below under “Credit Agreements”.

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

Although we plan to repatriate undistributed earnings related to Ormat Systems, Ltd. (“OSL”) to support expected capital expenditure requirements in the U.S., based upon our plans to increase operations outside of the U.S. it is our intention to reinvest undistributed earnings of its other foreign subsidiaries and thereby indefinitely postpone their remittance given that we require existing and future cash to fund our anticipated investment and development activities as well as debt service requirements in those jurisdictions. In addition, we believe that existing and anticipated cash flows as well as borrowing capacity in the U.S. and cash to be remitted to the U.S. from OSL will be sufficient to meet our needs in the U.S. If plans change, we may be required to accrue and pay U.S. taxes to repatriate these funds.

Third-Party Debt

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

Non-Recourse and Limited-Recourse Third-Party Debt

Loan	Issued Amount (\$M)	Outstanding Amount as of March 31, 2019	Interest Rate	Maturity Date	Related Projects
OrCal Geothermal Senior Secured Notes	165.0	18.7	6.21%	2020	Heber Complex
OFC 2 Senior Secured Notes – Series A	151.7	99.4	4.67%	2032	McGinness Hills phase 1 and Tuscarora
OFC 2 Senior Secured Notes – Series B	140.0	113.8	4.61%	2032	McGinness Hills phase 2
Olkaria III Financing Agreement with OPIC – Tranche 1	85.0	55.5	6.34%	2030	Olkaria III Complex
Olkaria III Financing Agreement with OPIC – Tranche 2	180.0	119.1	6.29%	2030	Olkaria III Complex
Olkaria III Financing Agreement with OPIC – Tranche 3	45.0	31.6	6.12%	2030	Olkaria III Complex
Amatitlan Financing ⁽¹⁾	42.0	28.9	LIBOR+4.35%	2027	Amatitlan
Don A. Campbell Senior Secured Notes	92.5	81.7	4.03%	2033	Don A. Campbell Complex
Prudential Capital Group Idaho Loan ⁽²⁾	20.0	18.4	5.8%	2023	Neal Hot Springs and Raft River
U.S. Department of Energy loan ⁽³⁾	96.8	49.8	2.6%	2035	Neal Hot Springs
Prudential Capital Group Nevada Loan	30.7	27.8	6.75%	2037	San Emidio
Platanares Loan with OPIC	114.7	110.6	7.02%	2032	Platanares
Total	1,163.4	755.3			

(1) LIBO Rate cannot be lower than 1.25%. Margin of 4.35% as long as the Company’s guaranty of the loan is outstanding (current situation) or 4.75% otherwise.

(2) Secured by equity interest.

(3) Secured by the assets.

Full-Recourse Third-Party Debt

Loan	Issued Amount (\$M)	Outstanding as of March 31, 2019	Interest Rate	Maturity Date
Senior Unsecured Bonds Series 2	67.0	67.0	3.7%	September 2020
Senior Unsecured Bonds Series 3	137.0	137.0	4.45%	September 2022
Senior unsecured Loan 1	100.0	100.0	4.8%	March 2029
Senior unsecured Loan 2	50.0	50.0	4.6%	March 2029
DEG Loan 2	50.0	47.5	6.28%	June 2028
DEG Loan 3	41.5	41.5	6.04%	June 2028
Total	445.5	443.0		

Letters of Credits under the Credit Agreements

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

Credit Agreements	Issued Amount (\$M)	Issued and Outstanding as of March 31, 2019	Termination Date
Union Bank	60.0	54.5	June 2019
HSBC	35.0	30.0	August 2019
Other Banks 1	233.0	27.9	June 2019- March 2020
Other Banks 2	140.0	112.9	May 2019-September 2019
Other Banks 3 (Non-committed)		10.1	
Total	468.0	235.5	

Restrictive covenants

Our obligations under the credit agreements, the loan agreements, and the trust instrument governing the bonds described above, are unsecured, but we are subject to a negative pledge in favor of the banks and the other lenders and certain other restrictive covenants. These include, among other things, a prohibition on: (i) creating any floating charge or any permanent pledge, charge or lien over our assets without obtaining the prior written approval of the lender; (ii) guaranteeing the liabilities of any third party without obtaining the prior written approval of the lender; and (iii) selling, assigning, transferring, conveying or disposing of all or substantially all of our assets, or a change of control in our ownership structure. Some of the credit agreements, the term loan agreements, and the trust instrument contain cross-default provisions with respect to other material indebtedness owed by us to any third party. In some cases, we have agreed to maintain certain financial ratios, which are measured quarterly, such as: (i) equity of at least \$600 million and in no event less than 25% of total assets; (ii) 12-month debt, net of cash, cash equivalents, and short-term bank deposits to Adjusted EBITDA ratio not to exceed 6.0; and (iii) dividend distributions not to exceed 35% of net income in any calendar year. As of March 31, 2019: (i) total equity was \$1,463.0 million and the actual equity to total assets ratio was 46.5% and (ii) the 12-month debt, net of cash, cash equivalents, to Adjusted EBITDA ratio was 3.17. During the three months ended March 31, 2019, we distributed interim dividends in an aggregate amount of \$5.6 million. The failure to perform or observe any of the covenants set forth in such agreements, subject to various cure periods, would result in the occurrence of an event of default and would enable the lenders to accelerate all amounts due under each such agreement.

[Table of Contents](#)

As described above, we are currently in compliance with our covenants with respect to the credit agreements, the loan agreements and the trust instrument, and believe that the restrictive covenants, financial ratios and other terms of any of our full-recourse bank credit agreements will not materially impact our business plan or operations.

Future minimum payments

Future minimum payments under long-term obligations, excluding revolving credit lines with commercial banks, as of March 31, 2019, are as follows:

	(Dollars in thousands)
Year ending December 31:	
2019	\$ 67,749
2020	148,210
2021	76,627
2022	219,317
2023	96,094
Thereafter	644,530
Total	<u>\$ 1,252,527</u>

Liquidity Impact of Uncertain Tax Positions

The Company has a liability associated with unrecognized tax benefits and related interest and penalties in the amount of approximately \$12.5 million as of March 31, 2019. This liability is included in long-term liabilities in our condensed consolidated balance sheet because we generally do not anticipate that settlement of the liability will require payment of cash within the next twelve months. We are not able to reasonably estimate when we will make any cash payments required to settle this liability.

Dividends

The following are the dividends declared by us since March 31, 2017:

Date Declared	Dividend Amount per Share	Record Date	Payment Date
May 8, 2017	\$ 0.08	May 22, 2017	May 31, 2017
August 3, 2017	\$ 0.08	August 15, 2017	August 29, 2017
November 7, 2017	\$ 0.08	November 21, 2017	December 5, 2017
March 1, 2018	\$ 0.23	March 14, 2018	March 29, 2018
May 7, 2018	\$ 0.10	May 21, 2018	May 30, 2018
August 7, 2018	\$ 0.10	August 21, 2018	August 29, 2018
November 6, 2018	\$ 0.10	November 20, 2018	December 4, 2018
February 26, 2019	\$ 0.11	March 14, 2019	March 28, 2019
May 6, 2019	\$ 0.11	May 20, 2019	May 28, 2019

Historical Cash Flows

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

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Net cash provided by operating activities	\$ 77,437	\$ 19,769
Net cash used in investing activities	(50,944)	(68,034)
Net cash provided by (used in) financing activities	(31,039)	56,677
Net change in cash and cash equivalents and restricted cash and cash equivalents	(5,031)	8,412

For the Three Months Ended March 31, 2019

Net cash provided by operating activities for the three months ended March 31, 2019 was \$77.4 million, compared to \$19.8 million for the three months ended March 31, 2018. The net increase of \$57.7 million was primarily due to: (i) a decrease in accounts payable and accrued expenses of \$4.3 million in the three months ended March 31, 2019, compared to \$49.0 million in the three months ended March 31, 2018, mainly due to: (a) a withholding tax payment of approximately \$14 million in the three months ended March 31, 2019 compared to \$44 million in the three months ended March 31, 2018 due to a distribution from OSL; and (b) due to timing of payments to our suppliers; and (ii) a decrease of \$9.5 million in costs and estimated earnings in excess of billings, net in our Product segment in the three months ended March 31, 2019 compared to a net increase of \$10.0 million in the three months ended March 31, 2018, as a result of timing in billings to our customers, offset partially by an increase of \$1.1 million in receivables in the three months ended March 31, 2019, compared to a decrease of \$9.8 million in the three months ended March 31, 2018, as a result of timing of collections from our customers.

Net cash used in investing activities for the three months ended March 31, 2019 was \$50.9 million, compared to \$68.0 million for the three months ended March 31, 2018. The principal factor that affected our net cash used in investing activities during the three months ended March 31, 2019 was capital expenditures of \$51.4 million, primarily for our facilities under construction. The principal factors that affected our net cash used in investing activities during the three months ended March 31, 2018 were: (i) capital expenditures of \$67.0 million, primarily for our facilities under construction; and (ii) a \$1.3 million investment in an unconsolidated company.

Net cash used in financing activities for the three months ended March 31, 2019 was \$31.0 million, compared to \$56.7 million net cash provided by financing activities for the three months ended March 31, 2018. The principal factors that affected the net cash used in financing activities during the three months ended March 31, 2019 were: (i) net payment of \$98.1 million from our revolving credit lines with commercial banks which were used for capital expenditures, (ii) the repayment of long-term debt in the amount of \$15.8 million, (iii) a \$5.6 million cash dividend payment and (iv) \$4.5 million cash paid to a noncontrolling interest, partially offset by (i) \$50.0 million of proceeds from a senior unsecured loan, and (ii) \$41.5 million of proceeds from a term loan for our Olkaria 3 Complex plant 1 expansion. The principal factors that affected our net cash used in financing activities during the three months ended March 31, 2018 were: \$100.0 million of proceeds from a senior unsecured loan, partially offset by: (i) the repayment of long-term debt in the amount of \$16.7 million; (ii) a net decrease of \$13.0 million against our revolving lines of credit with commercial banks; (iii) a \$11.6 million cash dividend paid; and (iv) \$4.7 million cash paid to a noncontrolling interest.

Non-GAAP Measures: EBITDA and Adjusted EBITDA

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

[Table of Contents](#)

Net income for the three months ended March 31, 2019 was and \$28.1 million, compared to \$74.3 million for the three months ended March 31, 2018.

Adjusted EBITDA for the three months ended March 31, 2019 was \$101.8 million compared to \$98.4 million for the three months ended March 31, 2018.

The following table reconciles net income to EBITDA and Adjusted EBITDA for the three month periods ended March 31, 2019 and 2018:

	Three Months Ended March 31,	
	2019	2018
	(Dollars in thousands)	
Net income	\$ 28,130	\$ 74,256
Adjusted for:		
Interest expense, net (including amortization of deferred financing costs)	20,930	14,231
Income tax provision (benefit)	14,039	(26,942)
Adjustment to investment in an unconsolidated company: our proportionate share in interest expense, tax and depreciation and amortization in Sarulla	2,661	3,530
Depreciation and amortization	34,866	29,437
EBITDA	\$ 100,626	\$ 94,512
Mark-to-market gains or losses from accounting for derivative	(1,209)	962
Stock-based compensation	2,360	1,707
Merger and acquisition transaction costs	-	1,095
Write-off of unsuccessful exploration activities	-	123
Adjusted EBITDA	\$ 101,777	\$ 98,399

In May 2014, the Sarulla consortium (“SOL”) closed \$1,170 million in financing. As of March 31, 2019, the credit facility has an outstanding balance of \$1,108.8 million. Our proportionate share in the SOL credit facility is \$141.4 million.

Capital Expenditures

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

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

Tungsten Mountain Solar power plant (Nevada). We are currently developing a Solar PV power plant adjacent to our geothermal Tungsten Mountain power plant in Nevada. The project is expected to generate approximately 7 AC MW that will be used for the ancillary needs of the power plant and will free similar MW to be sold from the geothermal resource to SCPPA under the portfolio PPA. Most of the equipment is onsite and construction is progressing. We expect commercial operation in the second quarter of 2019. We are in the process of amending the Tungsten Mountain geothermal Large Generator Interconnection Agreement with NV Energy to reflect this addition of Solar PV systems.

Steamboat Hills Power Plant (Nevada). We are planning to replace all of the old power plant equipment with new advanced technology equipment that will eventually increase the capacity by approximately 16 MW and reduce maintenance costs. Engineering work and procurement are ongoing, and we expect commercial operation in early 2020.

Heber Complex (California). We are currently in the process of repowering the Heber 1 and Heber 2 power plants. We are planning to replace steam turbine and old OEC units with new advanced technology equipment that will add a net capacity of 11 MW. Following these enhancements, we expect the capacity of the complex to reach 92 MW. Permitting, Engineering and procurement are ongoing. We expect commercial operation in early 2021.

[Table of Contents](#)

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

Carson Lake Project. We plan to develop between 10 MW to 15 MW Carson Lake project on Bureau of Land Management (BLM) leases located in Churchill County, Nevada. We drilled one well in 2016 that did not meet our commercial criteria and another in 2017 that tested favorably. Planning is in process for next steps including a flow test to evaluate reservoir volume. We signed a Small Generator Interconnection Agreement with NV Energy in December 2017. As of March 31, 2019, we postponed the drilling activity to next year.

CD 4 Project. We plan to develop a 30 MW project at the Mammoth complex on primarily BLM leases. We have completed two production wells, one of which was previously considered an injection well. We continued drilling in 2018. We signed a Wholesale Distribution Access Tariff Cluster Large Generator Interconnection Agreement with Southern California Edison in December 2017. We recently signed a 25-year PPA with SCPPA for 16 MW that will be sold to the City of Colton in California. We intend to sell the balance of 14MW to other offtakers or at the spot market. We expect commercial operation by the end of 2021.

We have estimated approximately \$285.0 million in capital expenditures for construction of new projects and enhancements to our existing power plants, of which we have invested approximately \$67.4 million as of March 31, 2019. We expect to invest approximately \$125.0 million of the total amount during the remainder of 2019 and the remaining of approximately \$92.6 million thereafter.

In addition, we estimate approximately \$75.0 million in additional capital expenditures in the remainder of 2019 to be allocated as follows: (i) \$45.0 million for maintenance capital expenditures to our operating power plants; (ii) \$10.0 million for exploration; (iii) \$13.0 million for the construction and development of storage projects; and (iv) \$7.0 million for enhancement to our production facilities.

In the aggregate, we estimate our total capital expenditures for the remainder of 2019 will be approximately \$200.0 million.

Exposure to Market Risks

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

We, like other power plant operators, are exposed to electricity price volatility risk. Our exposure to such market risk is currently limited because many of our long-term PPAs (except for the 25 MW PPA for the Puna complex and the between 30 MW and 40 MW PPAs in the aggregate for the Heber 2 power plant in the Heber Complex, and the G2 power plant in the Mammoth Complex) have fixed or escalating rate provisions that limit our exposure to changes in electricity prices.

The energy payments under the PPAs of the Heber 2 power plant in the Heber Complex and the G2 power plant in the Mammoth Complex are determined by reference to the relevant power purchaser's Short Run Avoided Cost ("SRAC"). A decline in the price of natural gas will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from natural gas, or by reducing the price of purchasing its electrical energy needs from natural gas power plants, which in turn will reduce the energy payments that we may charge under the relevant PPA for these power plants. The Puna Complex is currently benefiting from energy prices which are higher than the floor under the 25 MW PPA for the Puna Complex as a result of the high fuel costs that impact HELCO's avoided costs.

As of March 31, 2019, 97.1% of our consolidated long-term debt was fixed rate debt and therefore was not subject to interest rate volatility risk. As of such date, 2.9% of our long-term debt was floating rate debt, exposing us to interest rate risk in connection therewith. As of March 31, 2019, \$35.0 million of our long-term debt remained subject to some interest rate risk.

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

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

[Table of Contents](#)

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

We performed a sensitivity analysis on the fair values of our long-term debt obligations, and foreign currency exchange forward contracts. The foreign currency exchange forward contracts listed below principally relate to trading activities. The sensitivity analysis involved increasing and decreasing forward rates at March 31, 2019 and December 31, 2018 by a hypothetical 10% and calculating the resulting change in the fair values.

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

The results of the sensitivity analysis calculations as of March 31, 2019 and December 31, 2018 are presented below:

Risk	Assuming a 10% Increase in Rates		Assuming a 10% Decrease in Rates		Change in the Fair Value of
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	
	(Dollars in thousands)				
Foreign Currency	(3,570)	(4,042)	4,363	4,940	Foreign currency forward contracts
Interest Rate	(111)	(113)	112	114	Orcal Senior Secured Notes
Interest Rate	(5,583)	(5,955)	5,806	6,211	OFC 2 Senior Secured Notes
Interest Rate	(5,647)	(6,022)	5,887	6,294	OPIC Loan
Interest Rate	(2,716)	(3,054)	2,767	3,118	Senior Unsecured Bonds
Interest Rate	(1,130)	(1,216)	1,173	1,266	DEG 2 Loan
Interest Rate	(2,195)	(2,324)	2,296	2,438	DAC 1 Senior Secured Notes
Interest Rate	(662)	(714)	689	745	Amatitlan Loan
Interest Rate	(4,048)	(2,897)	4,193	3,010	Migdal Loan and the Additional Migdal Loan
Interest Rate	(1,226)	(1,306)	1,352	1,398	San Emidio Loan
Interest Rate	(1,068)	(1,153)	1,106	1,197	DOE Loan
Interest Rate	(375)	(440)	385	453	Idaho Holdings Loan
Interest Rate	(3,518)	(3,719)	3,686	3,907	Platanares OPIC Loan
Interest Rate	(922)	-	954	-	DEG 3 Loan
Interest Rate	(130)	(143)	134	148	Other long-term loans

Effect of Inflation

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

In connection with the Electricity segment, none of our U.S. PPAs, including the SCPPA Portfolio PPA, are directly linked to the Consumer Price Index (CPI). Inflation may directly impact an expense we incur for the operation of our projects, thereby increasing our overall operating costs and reducing our profit and gross margin. The negative impact of inflation may be partially offset by price adjustments built into some of our PPAs that could be triggered upon such occurrences. The energy payments pursuant to our PPAs for some of our power plants such as the Brady power plant, the Steamboat 2 and 3 power plants and the McGinness Complex increase every year through the end of the relevant terms of such agreements, though such increases are not directly linked to the CPI or any other inflationary index. Lease payments are generally fixed, while royalty payments are generally calculated as a percentage of revenues and therefore are not significantly impacted by inflation. In our Product segment, inflation may directly impact fixed and variable costs incurred in the construction of our power plants, thereby increasing our operating costs in the Product segment. We are more likely to be able to offset all or part of this inflationary impact through our project pricing. With respect to power plants that we build for our own electricity production, inflationary pricing may impact our operating costs which may be partially offset in the pricing of the new long-term PPAs that we negotiate.

Concentration of Credit Risk

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

Sierra Pacific Power Company and Nevada Power Company accounted for 18.2% and 17.4% for the three months ended March 31, 2019 and 2018, respectively.

SCPPA accounted for 19.4% and 16.3% for the three months ended March 31, 2019 and 2018, respectively.

KPLC accounted for 15.3% and 15.1% for the three months ended March 31, 2019 and 2018, respectively.

We have historically been able to collect on substantially all of our receivable balances. Recently, we have been receiving late payments from KPLC in Kenya related to our Olkaria Complex and from ENNE in Honduras related to our Platanares power plant. As of March 31, 2019, the amounts overdue are \$29.4 million and \$18.0 million related to KPLC and ENNE, respectively, of which \$20.4 and \$3.0 million, respectively, were paid during April 2019. As we believe we will be able to collect all past due amounts, no provision for doubtful accounts has been recorded.

Government Grants and Tax Benefits

A comprehensive discussion on government grants and tax benefits is included in our 2018 Annual Report. There have been no material changes to this section in the three months ended March 31, 2019.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

a. Evaluation of disclosure controls and procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted the evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by Rules 13a-15(b) or 15d-15(b) under the Exchange Act, as amended. Based upon that evaluation, as a result of the material weakness in internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2019 to ensure that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Previously Identified Material Weakness in Internal Control Over Financial Reporting

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

We previously disclosed in our 2018 and 2017 Annual Reports the following material weakness which still existed as of March 31, 2019. In connection with the change in our repatriation strategy and the related release of the U.S. income tax valuation allowance in the second quarter of 2017, we did not perform an effective risk assessment related to our internal controls over the accounting for income taxes. As a result, we identified a deficiency in the design of our internal control over financial reporting related to our accounting for income taxes, which resulted in the restatements of the Company’s unaudited condensed consolidated financial statements for the three and six months ended June 30, 2017, the three and nine months ended September 30, 2017, and the restatement of the Company’s consolidated financial statements for the year ended December 31, 2017. Additionally, this control deficiency could result in a misstatement of the aforementioned balances and disclosures that would result in a material misstatement to the interim or annual consolidated financial statements that would not be prevented or detected. Our management has concluded that this deficiency constitutes a material weakness in our internal control over financial reporting.

Remediation Plan for Material Weakness

Subsequent to the evaluation made in connection with filing our Amended Annual Report on Form 10-K for the year ended December 31, 2017, our management, with the oversight of the Audit Committee of the Board of Directors, has continued the process of remediating the material weakness. In connection with the remediation process, we have:

- performed an enhanced risk assessment related to our internal controls over the accounting for income taxes;
- recruited additional tax personnel throughout the year, including a VP of Tax in January 2019;
- engaged an external tax and accounting firm to prepare and review our annual and quarterly income tax provision;
- implemented specific control procedures for the review, analysis and reporting of our income tax accounts, including control procedures of projections that support the deferred tax assets and liabilities;
- strengthened our income tax controls with improved documentation, communication and oversight.

We have made substantial progress in accordance with our remediation plan. However, the material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We are committed to continuing to improve our internal control processes and will continue to review, optimize and enhance our financial reporting controls and procedures, however, there can be no assurance that this will occur within 2019.

b. Changes in internal control over financial reporting

There were no changes in our internal controls over financial reporting in the first quarter of 2019 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required with respect to this item can be found under “Commitments and Contingencies” in Note 10 of notes to the unaudited condensed consolidated financial statements contained in this quarterly report and is incorporated by reference into this Item 1.

ITEM 1A. RISK FACTORS

A comprehensive discussion of our other risk factors is included in the “Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2018 which was filed with the SEC on March 1, 2019. There have been no material changes to the risk factors disclosed in Part I – Item 1A of our 2018 Annual Report.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document</u>
10.1*	First Addendum to Loan Agreement dated March 25, 2019 between and among Ormat Technologies, Inc. and Migdal Insurance Company Ltd., Migdal Makefet Pension and Provident Funds Ltd. And Yozma Pension Fund of Self-Employed Ltd.
10.2* +	Amendment to Employment Agreement dated as of December 1, 2017 between Ormat Technologies, Inc. and Isaac Angel.
10.3* +	Employment Agreement dated as of November 1, 2017, between Ormat Technologies Inc. and Shlomo Argas.
31.1*	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2*	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished herewith.
101.IN*	XBRL Instance Document.
101.SC*	XBRL Taxonomy Extension Schema Document.
101.CA*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DE*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LA*	XBRL Taxonomy Extension Label Linkbase Document.
101.PR*	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Filed herewith
+	This document has been identified as a management contract or compensatory plan or arrangement.

SIGNATURES

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

ORMAT TECHNOLOGIES, INC.

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

Date: May 8, 2019

48

[\(Back To Top\)](#)

Section 2: EX-10.1 (EXHIBIT 10.1)

Exhibit 10.1

**FIRST ADDENDUM TO
LOAN AGREEMENT DATED MARCH 22, 2018
FOR ORMAT TECHNOLOGIES, INC. AS BORROWER
WITH MIGDAL INSURANCE COMPANY, LTD.,
MIGDAL MAKEFET PENSION AND PROVIDENT FUNDS LTD. AND YOZMA
PENSION FUND OF SELF EMPLOYED LTD.**

This FIRST ADDENDUM TO THE LOAN AGREEMENT DATED MARCH 22, 2018 FOR ORMAT TECHNOLOGIES, INC. AS BORROWER WITH MIGDAL INSURANCE COMPANY, LTD., MIGDAL MAKEFET PENSION AND PROVIDENT FUNDS LTD. AND YOZMA PENSION FUND OF SELF EMPLOYED LTD. (this "**First Addendum**") is made and entered on March 25, 2019, by and between Ormat Technologies, Inc. ("**Borrower**") and Migdal Insurance Company, Ltd., Migdal Makefet Pension and Provident Funds Ltd. And Yozma Pension Fund of Self Employed Ltd. ("**Lenders**"). Each of the Borrower and Lenders may be referred to individually as a "Party" and together as the "Parties".

WHEREAS, the Parties executed the Loan Agreement dated March 22, 2018, pursuant to which Lenders provided Borrower with a loan in an amount of US \$100,000,000 (the "**Agreement**" and the "**Loan**", respectively);

WHEREAS, the outstanding principal amount under the Loan Agreement, as at the date hereof is US \$100,000,000 plus accrued interest.

WHEREAS, Borrower requested Lenders to provide to Borrower an additional loan in an amount of US \$50,000,000 (the "**Additional Loan**") in addition to the Loan;

WHEREAS, Lenders agreed to make available to the Borrower the Additional Loan under substantially the same terms and conditions of the Agreement and subject to the terms and conditions set forth herein, and

WHEREAS, the Parties wish to enter into this First Addendum to the Agreement, in order to set forth the terms and conditions of the Additional Loan, without changing or amending the terms of the Agreement except as otherwise provided herein.

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and subject to the terms and conditions set forth herein, and with the intent to be bound, the Parties hereto agree as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Agreement.

1.2 **In this First Addendum:**

Finance Document means:

- (a) the Agreement;
- (b) a Transfer Certificate under the Agreement or under this First Addendum;
- (c) the Utilization Request under the Agreement or under this First Addendum
- (d) this First Addendum; and
- (e) any other document designated as such by the Lenders and the Borrower.

Interest Payment Date means (i) September 15, 2019, and (ii) the 15th day of each March and September thereafter until the Last Repayment Date, and all as set forth in Schedule 2 (Repayment Schedule).

Loan Amount means:

- (a) in relation to an Original Lender, the amount set opposite its name under the heading "Loan Amount" in **Schedule 1** (The Parties) and any other Loan Amount transferred to it under this First Addendum; and
- (b) in relation to any other Lender, the Loan Amount transferred to it under this Addendum,

to the extent not cancelled, reduced or transferred by it under the terms of this First Addendum.

Original Financial Statements means the Borrower's annual audited consolidated financial statements for the year 2018.

Utilisation Request means a notice substantially in the form set out in **Schedule 3** (Utilisation Request).

2. **THE ADDITIONAL LOAN**

- 2.1 Subject to the terms of this First Addendum, the Lenders shall make to the Borrower an Additional Loan in an aggregate amount of US \$50,000,000 (fifty million US dollars).
- 2.2 The Lenders will only be obliged to make the Additional Loan if, on the date of the Utilization Request and on the proposed Utilization Date:
- (a) the Lenders shall have received:
 - (i) all of the documents and other evidence listed in **Schedule 4** (*Conditions Precedent*) in form and substance satisfactory to the Lenders; and
 - (ii) a duly completed Utilization Request, in accordance with the provisions of Clause 3.1 (*Delivery of a Utilisation Request*) of the Agreement and Schedule 3 hereto.
 - (b) no Default under the Loan or Additional Loan is continuing or would result from the Additional Loan; and
 - (c) all representations made by the Borrower under the Finance Documents are true and complete.
 - (d) The Borrower shall have complied with all of its covenants under the Agreement.
 - (e) There shall be no legal impediment pursuant to any applicable law or regulation binding upon Lenders with respect to the grant of Additional Loan.

3. **UTILISATION OF THE ADDITIONAL LOAN**

3.1 **Delivery of a Utilisation Request**

The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (f) the Utilisation Request is delivered to Lenders on the date of the execution of this First Addendum.
- (g) the amount of the requested Additional Loan is the total amount of the Additional Loan (US \$50,000,000).
- (h) The currency specified in the Utilisation Request is US dollars.
- (i) The proposed Utilisation Date specified in the Utilisation Request will be 3 (three) Business days following the date hereof.

3.2 Advancing the Loan

Subject to the terms and conditions of this Agreement, on the Utilisation Date, the Lenders shall advance the Loan to account number 78556092 in branch number 10 (Tel Aviv main branch) of Israel Discount Bank Ltd, in the name of the Borrower (Swift code: IDBLILIT; IBAN (USD): IL39-0110-1000-0007-8556-092).

4. REPAYMENT OF THE ADDITIONAL LOAN

4.1 The Borrower shall repay the principal of the Additional Loan in installments, as follows:

- (a) a principal amount of US \$31,500,000 (thirty one million five hundred thousand US dollars) of the Additional Loan shall be repaid in 15 (fifteen) equal semi-annual installments, every March 15 and September 15, with the first payment being on March 15, 2021 and the last repayment date being September 15, 2028.
- (b) a principal amount of US \$18,500,000 (eighteen million five hundred thousand US dollars) of the Additional Loan shall be repaid in one bullet payment on March 15, 2029 (the "Last Repayment Date")

and all as set forth in **Schedule 2** (Repayment Schedule).

4.2 Payments to the Lenders

All payments to be made by the Borrower under the Finance Documents shall be made in US dollars, directly to the accounts specified in the table appearing in Part III of Schedule 1 (The Parties), pro rata between such accounts, in accordance with the respective rate specified with respect to each account in such table.

5. INTEREST

5.1 Interest Rate

The rate of interest of the Additional Loan is a fixed rate of 4.6% per annum.

5.2 Payment of interest

The Borrower shall pay the accrued interest on the Loan on each Interest Payment Date.

6. GENERAL

- 6.1 The Borrower hereby confirms and covenants that no change has occurred to the representations and warranties given in the Agreement, other than changes occurring in the ordinary course of business and which have no adverse material affect on the Borrower, its business activity, or Lenders' rights under the Agreement or this First Addendum or which were disclosed by the Borrower through its public filings.
- 6.2 The Parties further agree that, except as specifically modified by the provisions of this First Addendum, the provisions of the Agreement shall apply and govern this First Addendum, *mutatis mutandis*.
- 6.3 This First Addendum may be executed in separate counterparts, each of which shall be deemed an original, but together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have entered into this First Amendment on March 25, 2019.

Ormat Technologies, Inc.

By: */s/Doron Blachar/Hezi Kattan*
Name: Doron Blachar/Hezi Kattan
Title: CFO/ CG& CCO

Migdal Insurance Company

By: */s/ Doron Sapir/Asaf Shoham*
Name: Doron Sapir/ Asaf Shoham
Title: CEO \ CIO

**Migdal Makefet Pension and
Provident Funds Ltd.**

By: *By:/s/Doron Sapir/Asaf Shoham*
Name: Doron Sapir/ Asaf Shoham
Title: CEO \ CIO

**Yozma Pension Fund of Self Employed
Ltd.**

By: */s/Doron Sapir/Asaf Shoham*
Name: Doron Sapir/ Asaf Shoham
Title: CEO \ CIO

SCHEDULE 1
THE PARTIES

Part I

The Borrower

Ormat Technologies, Inc
As Borrower

Registration number (or equivalent, if any)
Jurisdiction of Incorporation - Delaware, USA

Part II

The Lenders

Name of Original Lender

Loan Amount

Migdal Insurance Company Ltd.

USD 30,154,956.31 (Thirty million one hundred and fifty-four thousand nine hundred and fifty-six dollars and thirty-one cents)

Migdal Makefet Pension and Provident Funds Ltd.

USD 19,471,719.55 (Nineteen million four hundred and seventy-one thousand seven hundred and nineteen dollars and fifty-five cents)

Yozma Pension Fund of Self Employed Ltd.

USD 373,324.14 (Three hundred seventy-three thousand three hundred and twenty-four dollars and fourteen cents)

Part III

Payments Accounts

Account Details

**Respective rate of
payment per account**

Account number 669509 in branch number 600 of Bank Hapoalim, Israel, in the name of Migdal Insurance Makefet
Yozma – Amiiim

90.21876%

Account number 669487 in branch number 600 of Bank Hapoalim, Israel, in the name of Migdal Insurance Makefet
Yozma - Nostro

9.78124%

SCHEDULE 2
REPAYMENT SCHEDULE

Date	Interest payment (thousands of dollars)	Principal repayment (thousands of dollars)	Balance of principal (thousands of dollars)
28/03/19	-	-	50,000
15/09/19	1,078	-	50,000
15/03/20	1,147	-	50,000
15/09/20	1,159	-	50,000
15/03/21	1,141	-	50,000
15/09/21	1,159	2,100	47,900
15/03/22	1,093	2,100	45,800
15/09/22	1,062	2,100	43,700
15/03/23	997	2,100	41,600
15/09/23	965	2,100	39,500
15/03/24	906	2,100	37,400
15/09/24	867	2,100	35,300
15/03/25	805	2,100	33,200
15/09/25	770	2,100	31,100
15/03/26	709	2,100	29,000
15/09/26	672	2,100	26,900
15/03/27	614	2,100	24,800
15/09/27	575	2,100	22,700
15/03/28	521	2,100	20,600
15/09/28	478	2,100	18,500
15/03/29	422	18,500	0

SCHEDULE 3

UTILISATION REQUEST

From: Ormat Technologies, Inc.

To: *All Original Lenders*

Dated:

Dear Sirs

**Ormat Technologies, Inc. - \$50,000,000 loan agreement
dated March 25, 2019 (the "First Addendum")**

1. We refer to the First Addendum. This is a Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request or the First Addendum.
2. We wish to borrow the Additional Loan on the following terms:

Proposed Utilisation Date:	28.3.2019 (or, if that is not a Business Day, the next Business Day)
Currency of Loan:	US dollars
Amount:	US\$50,000,000 (fifty million US dollars)
Interest Period:	Shall be in accordance with the provisions of Clause 9.1 of the Loan Agreement dated March 22, 2018, pursuant to which Lenders provided Borrower with a loan in an amount of US \$100,000,000 (the "Agreement").
3. We confirm that each condition specified in Clause 2.2 of the First Addendum is satisfied on the date of this Utilisation Request.
4. The proceeds of this Additional Loan should be credited to account number 78556092 in branch number 10 (Tel Aviv main branch) of Israel Discount Bank Ltd, in the name of the Borrower (Swift code: IDBLILIT; IBAN (USD): IL39-0110-1000-0007-8556-092).

Attached hereto is a signed bank confirmation of the account details.
5. We confirm that no Default is continuing or might reasonably be expected to result from the making of the Additional Loan.
6. This Utilisation Request is irrevocable.

Yours faithfully

.....
authorised signatory for
Ormat Technologies, Inc.

SCHEDULE 4

CONDITIONS PRECEDENT TO UTILISATION OF THE ADDITIONAL LOAN

1. Corporate Documentation

A certificate signed by a director or officer of the Borrower:

- (a) attaching a copy, certified as correct, complete and in full force and effect as at the Utilization Date, of each of the following documents:
 - (i) its constitutional documents including any amendments or confirmation that the constitutional documents delivered to the Lenders are complete and up to date.
 - (ii) resolution of (x) the board of directors or equivalent body of the Borrower and (y) to the extent required, the shareholders or equivalent body of the Borrower:
 - (A) approving the terms of, and the transactions contemplated by, the Finance Documents and resolving that it execute, deliver and perform the Finance Documents.
 - (B) authorizing a person or persons to execute the Finance Documents;
 - (C) authorizing a specified person or persons, on its behalf, to sign and/or deliver all documents and notices (including the Utilization Request) to be signed and/or delivered by it under or in connection with the Finance Documents
- (b) including a copy of the passport of each person authorized by the resolution referred to in paragraph (a) above to execute the Finance Documents;
- (c) including a specimen of the signature of each person authorized by the resolution referred to in paragraph (a) above.
- (d) confirming that:
 - (i) each document delivered to the Lenders in accordance with this Schedule 4 (*Conditions Precedents*) is correct, complete and in full force and effect as at the Utilization Date.
 - (ii) no Default is continuing or might reasonably be expected to result from the making of the Additional Loan or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
 - (iii) all representations made by the Borrower under the Finance Documents are true.
- (e) Confirming that all conditions precedent to the utilization of the Loan as set forth in clause 2.2 of the First Addendum have been fulfilled.

2. Transaction Documents

At least one original copy of each Finance Document executed by the parties thereto.

3. Legal Opinions

The following legal opinions, each addressed to the Original Lenders and capable of being relied upon by any person who become a Lender under the Agreement:

- (a) A legal opinion of Goldfarb Selgiman & Co., legal advisers to the Borrower as to the laws of the state of Israel, as to, inter alia, the validity and enforceability of the Finance Documents.
- (b) A legal opinion of Norton Rose Fulbright, legal advisers to the Borrower, as to the laws of the United States and the State of Delaware, as to, inter alia, the capacity and authority of the Borrower to execute the Finance Documents, the choice of law and venue apply to the Finance Documents.

4. Other Documents and Evidence

- (a) The Original Financial Statements.
- (b) A copy of any other Authorization or other document, opinion or assurance which the Lenders consider to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

11

[\(Back To Top\)](#)

Section 3: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

- 1 -

AMENDMENT TO THE EMPLOYMENT AGREEMENT

THIS AMENDMENT TO THE EMPLOYMENT AGREEMENT that was entered into as of the 11 day of February 2014 (the "**Agreement**"), by and between Ormat Technologies, Inc., a Delaware corporation with offices at 6225 Neil Road, Reno, Nevada (the "**Ormat**"); Ormat Systems Ltd., an Israeli company and a wholly owned subsidiary of the Company with offices at Szydlowki Road Yavne, Israel (the "**Company**"); and Isaac Angel, ID Number 012735478, residing at 43 Haparsa Street, Tel Aviv, Israel (the "**Executive**"), is entered into as of December 1, 2017 (the "**Amendment**").

WHEREAS: The Executive serves as the CEO of both Ormat and the Company, as described in section 1(b) of the Agreement; and

WHEREAS: the parties are engaged under the terms and conditions set forth in the Agreement; and

WHEREAS: the parties wish to amend certain terms and conditions set forth in the Agreement as provided in this Amendment below;

NOW, THEREFORE, the parties agree as follows:

1. The provisions specified hereunder shall form an integral part of the Agreement.
2. The Agreement and this Amendment are complimentary to each other and shall be deemed as one.
3. Starting on December 1, 2017 the sum of Base Salary as set forth in Section 1.1 of Appendix A of the Agreement shall be amended to NIS 178,420 (gross) per month, on a nominal basis.
4. Sections 3 to Appendix A of the Agreement shall be replaced as follows:

"3. Clawback Provision for Restricted Stock Units and SARs

3.1 On May 8th 2018 the Executive was granted with:

- (a) 39,615 Restricted Stock Units exercisable into Ormat's stocks under the Company's 2018 Incentive Compensation Plan and the provisions of the award agreement signed between the Executive and the Company (the "**RSUs**" and the "**RSU Agreement**"); and
- (b) 294,899 Stock Appreciation Rights exercisable into Ormat's stocks under the Company's 2018 Incentive Compensation Plan and the provisions of the award agreement signed between the Executive and the Company (the "**SARs**" and the "**SAR Agreement**").

- (c) Such RSUs and SARs granted to the Executive are collectively referred to herein as the “**Equity Incentive Grants**.” Under the RSU Agreement and the SAR Agreement the Equity Incentive Grants shall become vested in four tranches (each, a “**Tranche**”).

3.2. Based on the resolution of the compensation committee and the board of directors of Ormat (the "**Board**"), Section 9 of the RSU Agreement and Section 18 of the SAR Agreement, and in addition to the any other term and provision of the RSU Agreement and the SAR Agreement, it is hereby agreed that a portion of up to 25% of each of the Tranches of the Equity Incentive Grants will be subject to the clawback provisions set forth below, which execution will be subject to the sole discretion of the Board:

3.2.1 **Application.** the Board may (in accordance with section 3.2.3 below) at any time prior to the second anniversary of the vesting of each of the Tranches of the Equity Incentive Grants (the "**Clawback Period**"), reduce (including reduce to nil) up to 25% the value of each of the Tranches of the Equity Incentive Grants not already vested and/or paid, and/or clawback the value of each of the Tranches of the Equity Incentive Grants already vested by requiring the Executive to repay or return to the Company or to Ormat an amount of up to 25% of the Equity Incentive Grants which has already been paid or vested.

3.2.2 **Tigger Events**

The clawback may be exercised by the Board at any time during the Clawback Period, subject to the occurrence of any of the following events during the Applicable Period (each, a "**Trigger Event**"):

(a) the Executive took part in illegal activity, violation of fiduciary duty, intentional violation or grossly negligent disregard of Ormat's or the Company's policies, rules, and procedures in a way that caused materially significant damage to Ormat or the Company during the Applicable Period; provided, however that there is a direct connection between the acts or omissions committed by the Executive himself, and between the materially significant damage;

or

(b) an event or a set of events which occurred during both (i) the period in which the Executive served as the CEO of the Company or Ormat and (ii) the Applicable Period, and which caused Ormat or the Company to incur a Materially Significant Write-off.

For the purposes of this section 3.2.2(b) a "**Materially Significant Write-off**" is a write-off of assets and/or the Company taking a materially significant charge to earnings or other related restatement, such that the recorded amount of assets and/or earnings is reduced at a value equal to, or higher than, \$200 million, as shall be reflected in Ormat's audited financial annual reports for the relevant period.

For the purposes of this section 3.2.2 the "**Applicable period**" shall be a period which starts two (2) years prior to the date of vesting of each of the Tranches of the Equity Incentive Grants and until the ends at the lapse of the Clawback Period.

3.2.3 **Types of Adjustment**

Following a Trigger Event, the Board may:

- (a) reduce or clawback a portion (up to 25%) of each of the Tranches of the Equity Incentive Grants, including any shares or other consideration received from the exercise or sale of the Equity Incentive Grants or underlying shares thereof;
- (b) determine that a portion (up to 25%) of each of the Tranches of the Equity Incentive Grants will not vest (or, in the case of SARs, will not be exercisable); and
- (c) amend any condition applying to up to 25% of the the Equity Incentive Grants and/or set additional conditions for vesting (or exercise).

3.2.4 **Held Consideration.**

In order to facilitate the implementation of the clawback provisions herein, up to **25%** of the vested RSUs (i.e. Ormat's stocks issued with respect to such RSUs) and SARs (or the cash consideration received upon the sale of the underlying stocks), shall continue to be held by Ormat, or by the Trustee, as the case may be (such RSUs and SARs and its underlying stocks or cash as indicated above, as the case may be, together, the "**Held Consideration**"), and such Held Consideration shall not be transferable for a period of **24** months from the date the RSU and SAR became vested (the "**Held Consideration Period**").

- (a) In the event that the Board determines that a clawback is required, the Board will look first to the Held Consideration amount.
- (b) In the event that any of such Held Consideration is clawed back, it will be deemed forfeited (the "**Forfeited Held Consideration**")¹, subject to withholding any applicable tax, if applicable.
- (c) It is hereby clarified that the Forfeited Held Consideration will be remitted and transferred to Ormat, or the Company, only after withholding of any applicable tax due from the Forfeited Held Consideration and the Executive shall not be required to pay any additional sums or taxes upon the execution of such clawback provision (i.e. Ormat or the Company shall receive only the net Forfeited Held Consideration).
- (d) Upon expiration of the Held Consideration Period, the Held Consideration shall be released, and become freely transferable, subject to all other terms, conditions and restrictions that apply to such RSUs and SARs (e.g. the terms of the SAR Agreement, RSU Agreement, the Company's 2018 Incentive Compensation Plan and any applicable law) and the payment of any applicable tax from such Held Consideration, to the extent applies.

¹ With respect to any outstanding underlying stock, if issued, Ormat and/or the Company may effectuate a sale of all or a portion of the underlying stocks out of the Restricted Portion, and transfer the consideration received upon such sale, after withholding applicable, tax to the Company or to Ormat, instead of forfeiting the underlying stock – all subject to Ormat and/or the Company's sole and absolute discretion and consideration.

- (e) All applicable taxes and other obligatory and compulsory payments that may arise with respect to the grant, exercise, and vesting of the SARs and RSUs, or its expiration, or the sale of the stocks underlying the SARs and RSUs, or the forfeiture of the Forfeited Held Consideration shall be borne solely by the Executive."

- 5. Section 4.1 of Appendix A of the Agreement shall be amended and replaced with the following, which shall apply to the period starting on December 1, 2017:

"4.1. If the Company's annual consolidated net income ("**Annual Profits**") are above \$20 million, as determined pursuant to the Company's financial statements:

- 4.1.1. Executive will be entitled to receive an annual bonus (the "**Annual Profits Bonus**") calculated out of a budget (the "**Bonus Budget**") equal to (a) 0.75% for Annual Profits of up to \$50 million (inclusive), and (b) 1.00% for the portion of the Annual Profits, if any, that is above \$50 million; provided that in any event the Bonus Budget and the Annual Profits Bonus shall each not exceed \$675,000.

and

- 4.1.2. Executive will be entitled to receive an additional annual bonus (the "**Annual KPI Bonus**"). The Annual KPI Bonus shall be granted according to the discretion and approval of the relevant Company's organs and subject to applicable law, based on the achievement of other goals, such as diversity, social and environmental responsibility and merger and acquisition activities; provided that in any event the Annual KPI Bonus shall not exceed \$225,000.

The Annual Profits Bonus and the Annual KPI Bonus shall be called herein, together, the "**Annual Bonus**"."

The above shall not derogate from the powers and authority of the relevant organs of the Company or Ormat to approve any other form of bonus or other benefit to the Executive.

- 6. The definition in Section 10 of the Agreement shall be replaced by the following:

"**Change of Control**" shall mean the consummation of any of the following events, in a single transaction or in a series of related transactions: (i) the acquisition of Ormat by another person (s) or entity by means of a merger, reorganization, consolidation or similar event in which such person (s) will hold, immediately after such acquisition, more than 50% of the outstanding voting power of Ormat, the acquiring, resulting or surviving corporation; or (ii) the sale of all or substantially all of the assets of Ormat (on a consolidated basis) to another entity (except an entity that is one of the Ormat's subsidiaries or affiliates or affiliated with any of the Ormat's then-current principal stockholders). The term "Change of Control" shall not include any transaction or series of related transactions that are part of an internal voluntary reorganization and/or restructuring of the Company and/or its subsidiaries and affiliates that does not involve the acquisition of control by a third party not affiliated with Ormat, its subsidiaries and affiliates, such as a change in the state of incorporation of the Ormat and/or acquisition by the Company of its own shares from any person.

7. The remaining terms of the Agreement shall remain unchanged.
8. The above terms shall form an integral part of the Agreement and shall be deemed due notification regarding amendment of Executives employment terms in accordance with the provisions of Information for Employees and Employee Candidates Law (Working Conditions and Procedures for Screening and Hiring), 2002 and the regulations thereunder.

[the balance of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed effective as of the Effective Date.

ORMAT TECHNOLOGIES, INC.

By: /s/ Todd Freeland
Name: Todd C. Freeland
Title: Chairman of the Board of Directors

By: /s/ Ravit Barniv
Name: Ravit Barniv
Title: Compensation Committee, Chair

ORMAT SYSTEMS LTD.

By: /s/
Name:
Title:

EXECUTIVE:

ISAAC ANGEL

By: /s/ Isaac Angel

[\(Back To Top\)](#)

Section 4: EX-10.3 (EXHIBIT 10.3)

Exhibit 10.3



Personal Employment Agreement

This personal Employment Agreement (the "**Agreement**") is made and entered into as of November 1st, 2017, by and between Ormat Systems Ltd., registration number 511597239 a company incorporated in the State of Israel, having its offices at the Industrial Area in Yavne, Israel (the "**Company**"), and Shlomi Argas, I.D. number 059175026, residing at Givat Yeshayau (the "**Employee**").

WHEREAS the Company desires to engage the Employee in a full-time position as EVP Operations and Products, as determined under this Agreement, and the Employee represents that he has the required skills, qualifications and knowledge to serve the Company as such; and

WHEREAS the parties desire to state the terms and conditions of the Employee's engagement by the Company, effective as of the Commencement Date, as set forth below.

NOW, THEREFORE, in consideration of the agreements and covenants contained herein, the Company and the Employee hereby agree as follows:

1. **Preamble**

- 1.1. The preamble of this Agreement constitutes an integral part thereof.
- 1.2. The division of the terms of this Agreement into clauses and the headings of the clauses are solely for the sake of convenience and they may not be used for interpretive purposes. The Appendixes to this Agreement constitute an integral part hereof.
- 1.3. References in this Agreement to a particular gender shall be applicable to all genders.

2. **Exclusivity of the Agreement**

- 2.1. This Agreement is personal and the terms and conditions of the employment of the Employee shall be solely as set forth in this Agreement.

- 2.2. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior understandings, agreements, representations and discussions between them, oral or written.
- 2.3. Except as expressly provided in this Agreement, the Employee shall not be entitled to any payments or other benefits in respect of his employment and the termination of his employment with the Company.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

3. **Absence of Impediment to the Employee's Employment**

- 3.1. The Employee warrants, confirms and undertakes that: (i) he is entitled to enter into this Agreement and to assume all of the obligations pursuant hereto; (ii) there is no contractual or other impediment to his entering into this Agreement, fulfilling his obligations hereunder or to his employment with the Company; (iii) his entering into this Agreement and fulfilling his obligations hereunder do not require the consent of any person or entity and that on the date hereof he is free to provide services to the Company upon the terms specified in this Agreement; and (iv) in entering into this Agreement he is not in breach of any other agreement or obligation to which he is or was a party or by which he is bound. Notwithstanding the aforementioned, as the Employee in currently employed with a 3rd party which is involved with solar power plants, in order to remove any doubt, during the first year of employment, the Employee shall not engage in any activity to decision within the Company which is related to solar power production.

4. **Position and Duties**

- 4.1. **Position.** As of November 7th, 2017 (the: "**Commencement Date**") the Employee serves in a full time capacity as an EVP Operations and Products, subject to the terms and conditions of this Agreement. The Employee will report to the CEO.
- 4.2. During the course of his employment with the Company, the Employee shall honestly, diligently, skillfully and faithfully serve the Company. The Employee undertakes to devote all his working time, efforts and the best of his qualifications and skills to promoting the business and affairs of the Company, and further undertakes to comply with the policies and working arrangements of the Company, to loyally and fully comply with the decisions of the Company, its management and his supervisors in Israel and abroad, to follow the Company procedures as established from time to time, to carry out the duties imposed upon him, whatever and whenever they shall be.
- 4.3. The Employee shall at all times act in a manner suitable for his position and status in the Company.
- 4.4. The Employee shall not, without the prior written authorization of the Company, directly or indirectly undertake any other employment, whether as an employee of another employer, a director or independently as an agent or consultant or in any other manner (whether for compensation or otherwise), and shall not assume any position or render services in any of the above-stated manners to any other entity
- 4.5. The Employee undertakes to notify the Company immediately and without delay regarding any matter or subject in respect of which he has a personal interest and/or which might create a conflict of interest with his position in the Company.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- 4.6. The Employee shall not directly or indirectly accept any commission, rebate, discount, or gratuity in cash or in kind, from any person who has or is likely to have a business relationship with the Company.
- 4.7. In carrying out his duties under this Agreement, the Employee shall not make any representations or give any guarantees on behalf of the Company, except as expressly and in advance authorized to do so under his role at the Company.
- 4.8. The Employee acknowledges and agrees that from time to time he may be required by the Company to travel and stay abroad as part of his duties towards the Company.
- 4.9. The Employee undertakes to fulfill the responsibilities described in this Agreement and assist the Company and will make himself available to it, even after the termination of his employment relations with the Company, for any reason, in any matter which the Company may reasonably request his assistance, including for the purpose of providing any information relating to his work or actions taken by him and including in the framework of disputes (including legal or quasi-legal proceedings). The Company will cover all reasonable costs incurred by Employee in connection with fulfillment of his obligations under this clause.

5. **Salary**

- 5.1. Commencing as of the Commencement Date and thereafter, in consideration for the Employee's services, and subject to the fulfillment of all the Employee's duties and obligations under this Agreement, the Employee shall be entitled to a gross monthly salary of ₪85,000 NIS (the "Salary").
- 5.2. The Salary shall be updated in accordance with the changes in the cost of living index as follows: Base index is the index known on November 1, 2017. Adjustments will be done quarterly. If there is a decrease in the index, the Salary will not be reduced, but no increases will be granted until the index reaches the level prior to the reduction.
- 5.3. As the Employee is employed hereunder in a managerial position involving a fiduciary relationship between the Employee and the Company, the Work and Rest Law (5711-1951), and any other law amending or replacing such law, shall not apply to the Employee or to his employment with the Company, and the Employee shall not be entitled to any compensation in respect of such law. The Employee acknowledges and agrees that the Salary and the compensation set for him hereunder include a proper and just reward for the requirements of his position and status and the obligation to work at irregular hours of the day. Accordingly, the Employee shall not be entitled to any additional bonus or other payment for extra hours of work.

The working hours as an EVP in the Company are flexible and may be performed in the offices of the Company or elsewhere, as may be required from time to time. The Company will pay the Employee the full salary, even if the employee has not reached 182 working hours in a specific month, provided however that the employee has actually fulfilled his obligations and duties under this Agreement and has not utilized any vacation during such month.

ORMAT SYSTEMS, LTD.

New Industrial Arpa, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- 5.4. The Salary shall be paid no later than the 9th day of each month, for the preceding month.
- 5.5. All the amounts specified in this Agreement are gross (in Hebrew: "bruto") sums. The Company shall deduct and withhold all required taxes and other statutory payments, including health insurance contributions and social security contributions from the Salary and from all other rights and benefits received by the Employee.
- 5.6. The Employee shall regard and retain as confidential and shall not divulge to any of the Company's employees and/or any third party, either during or after the Employee's employment period, directly or indirectly, the terms of the Employee's employment and Salary unless required by law.
- 5.7. All social benefits and/or other payments due and payable to the Employee (if any) shall be calculated only based on the Salary as defined herein. It is hereby declared and agreed that all participation in expenses and any other benefits, including, but without derogating from the generality of the foregoing, bonus payments (if payable) and benefits in kind given to the Employee in the terms of this Agreement or deriving therefrom, do not and shall not form part of the Salary.

6. **Managers' Insurance / Pension Fund**

- 6.1. The Company shall comply with the provisions of the "Expansion Order of extensive pension" (the "**Order**"), with respect to Company and Employee contributions to pension fund and severance pay ("**Pension Plan**") as required by the Order. The contributions to the Pension Plan shall be as follows:

The contributions to the Pension Plan shall be as follows:

- (a) In the event that the Employee selects manager's insurance:
 - (i) The Company shall pay into the manager's insurance policy an amount equal to 6.5% of the Employee's Salary on account of pension fund payment (Tagmulim) under the manager's insurance policy. Such contribution includes contribution to a disability insurance policy on the Employee's behalf which would insure 75% of the Salary. To the extent necessary, such amount shall be increased to a total maximum of 7.5% of the Salary if such increase is required for purchasing a disability insurance policy insuring 75% of the Salary, provided that Company's payment to Tagmulim shall not be less than 5% of the Salary;

ORMAT SYSTEMS, LTD.

New Industrial Arpa, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- (ii) The Company shall deduct 6% from the Salary on behalf of the Employee and shall transfer such amount to the manager's insurance policy on account of pension fund payment (Tagmulim) under the manager's insurance policy;
- (iii) The Company shall pay into the managers' insurance policy 8.33% of the Salary for severance pay (Pituzei Piturim).

(b) In the event that the Employee selects a pension fund:

- (i) The Company shall pay a sum equal to 6.5% of the Employee's Salary on account of pension fund payment (Tagmulim).
 - (ii) The Company shall deduct 6% of the Salary on behalf of the Employee and shall transfer such amount to the pension fund as the Employee's share of the pension fund payment (Tagmulim);
 - (iii) The Company shall pay 8.33% of the Salary for severance pay (Pituzei Piturim) into the pension fund.
- 6.2. The Employee shall be entitled to elect to have the Company make the payments and deductions set forth above to a manager's insurance policy for part of the Salary and to a pension fund for the remainder of the Salary, and under such circumstances the provisions of Section 6.1 shall apply pro rata to such parts of the Salary as if they were the whole salary.
- 6.3. All the payments and deductions set forth in this Section shall be based upon the Salary, as defined above, in accordance with its amount from time to time, and under no circumstances, shall the payments and deduction set forth in this Section be made with respect to an amount in excess of the Employee's total Salary.
- 6.4. The Parties hereby declare and agree that the pension arrangement in accordance with this clause constitutes a "beneficial arrangement" for the purpose of the Extension Order (Combined Version) for Mandatory Pension under the Collective Agreements Law, 5717-1957 (the "**Pension Extension Order**"), and the Company shall not be under any obligation to provide any pension arrangement as provided in the Pension Extension Order other than as provided under this Section 6.
- 6.5. In accordance with Section 9 of the Order, Company's contributions to severance pay as aforementioned shall be in lieu of payment of severance pay, pursuant to Section 14 of the Severance Pay Law.
- 6.6. Other than in events in which the Company is entitled to withhold the Pension Plan under the Pension Extension Order, the Company shall automatically transfer the Pension Plan to the Employee, subject to any applicable law, upon the termination of the Employee's employment by either party.
- 6.7. The Company's and the Employee's pension contributions indicated in this section shall be updated and amended according to the applicable law.
- 6.8. Notwithstanding Section 6.5 herein, other than in events, as defined above as "Cause", in which the Company will be entitled to withhold the special severance payment herein, the Company shall pay the Employee special severance payment beyond Section 14 of the Severance Pay Law. The special severance payment will be calculated according to the employee's last monthly salary multiplied by number of his months of employment at the Company divided by twelve. The special severance payment will be paid by releasing the amount accumulated under Section 14 of the Severance Pay Law at the insurance company and /or any other severance payment funds in the name of the Employee, plus, if needed, a completion according to the calculation herein.

ORMAT SYSTEMS, LTD.

New Industrial Arpa, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

7. **Advanced Study Fund**

- 7.1. The Company shall make monthly contributions on the Employee's behalf to a recognized advanced study fund ("Keren Hishtalmut") (hereinafter the "**Study Fund**"), in an amount equal to 7.5% of the monthly Salary of the employee. In addition, the Company shall deduct 2.5% from the monthly Salary of the employee also to be paid to the Study Fund as recognized by the Income Tax Authorities. It is hereby clarified that the sums contributed by the Company to the Education Fund will not exceed the exempted limit recognized by the Income Tax Authority from time to time.
- 7.2. The sums contributed by the Employee shall be deducted by the Company directly from the monthly Salary of the employee. The Employee hereby instructs the Company to transfer to the Study Fund from each monthly Salary of the employee due to him the amount of the Employee's and the Company's contribution, as set forth above.
- 7.3. Should any tax or other compulsory payment be imposed and payable in respect of the Company's contributions to the Study Fund, such tax shall be paid by the Employee and deduct according to law.
- 7.4. The Study Fund shall be transferred to the Employee, subject to any applicable law, upon the termination of the Employee's employment.

8. **Additional Benefits**

- 8.1. **Vacation.** The Employee shall be entitled to 190 hours vacation in each calendar year. The Employee is required to make every reasonable effort to exercise his annual vacation during the year it is accrued and shall be obliged to take at least five (5) paid vacation days during each year of the Employee's employment; provided however, that if the Employee is unable to utilize all the vacation days, he will be entitled to accumulate the unused balance of the vacation hours standing to his credit up to a maximum of 500 hours annually (the "**Maximum**"). The Employee shall be entitled to redeem the unused vacation days up to the Maximum upon termination of employment. Vacation shall be taken in accordance with the Company policy and prior approval. For avoidance of any doubt, it is hereby agreed that the Company shall be entitled to set uniform dates for vacation to all or part of its employees, as it shall deem fit.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- 8.2. **Recreation Pay.** The Employee shall be entitled to annual recreation pay (“*Dmey Havra-ah*”) for 10 days per year, in the amount determined in accordance with the applicable law.
- 8.3. **Sick Leave.** The Employee shall be entitled to sick leave (“*Yemei Mahala*”) as provided by the Sickness Pay Law, 5736-1976, The Employee shall notify the Company, immediately, of any absence due to sickness and furnish the Company with an applicable medical certificate to approve it. Sick days are not redeemable and may not be converted into cash.
- 8.4. **Expenses.** The Company will reimburse the Employee for business expenses borne by the Employee, provided that such expenses were approved in advance by the Company or are incurred in performing his duties in accordance with the general practices and policies of the Company as adopted by the board of directors of the Company from time to time, and against valid invoices furnished by the Employee to the Company. Notwithstanding the aforementioned, the Company shall bear the annual fees payable to the Israel Bar Association. For the avoidance of doubt any flights that the Employee is required to take in the framework of his employment with the Company shall be according to the prevailing company’s travel policy.
- 8.5. The Company will cover for the Employee an annual checkup at a medical center (“*Seker Refui*”), but not any additional tests or treatments.
- 8.6. **Car.**
- (a) The Employee shall be entitled to receive a leased car up to managerial category suitable for his position (the "**Car**").
 - (b) The Company shall bear all expenses related to the Car as detailed in **Appendix A** however the Employee shall bear and pay all expenses relating to any violation of law committed in connection with the use of the Car, including any parking or traffic fines, and will bear the sole liability in connection therewith
 - (c) Employee shall take good care of the Car and ensure that the provisions of the insurance policy and the Company’s rules relating to the Car are strictly, lawfully and carefully observed.
 - (d) The Employee shall bear any and all taxes applicable to him in connection with the Car and the use thereof, in accordance with income tax regulations applicable thereto.
 - (e) To avoid any doubt, the Car granted to the Employee’s use shall be in lieu of traveling expenses as required by applicable law.
 - (f) Unless provided herein differently, the current procedure related to the leased Car is described in **Appendix A**, attached hereto. The annual travel kilometer allocation shall be unlimited.
 - (g) The Employee hereby irrevocably authorizes the Company to set off and deduct all amounts that he may be owed to the Company under this subsection 8.6 and under **Appendix A** against any and all amounts due to him from the Company under this Agreement.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- (h) The Employee shall return the Car (together with its keys and any other equipment supplied and/or installed therein by Company) to the Company upon termination of his employment with Company. The Employee shall have no rights of lien with respect to Company Car and/or any other equipment relating thereto as above mentioned.

8.7. **Cell Phone and Laptop.**

- (a) During the Employee's employment with the Company, the Employee shall be entitled to a cellular phone and a laptop computer, all expenses related to use and maintenance of the laptop and phone shall be paid by the Company; provided however, that any personal usage of the cellular phone by the Employee shall be done reasonably and in accordance with the Company's policy.
- (b) Alternative, the Employee shall be entitled to receive in lieu of the Company cellular phone as mentioned above, full reimbursement of expenses incurred by him with respect to usage of his private cellular phone in accordance with the Company's policy.
- (c) At the end of the Employee's employment with the Company, the Employee shall return the cellular phone to the Company (together with any other equipment provided to the Employee).
- (d) The Employee shall bear all tax obligations related to the cellular phone and the Company shall be entitled to deduct such costs and expenses from the Salary.

8.8. **Daily news paper.** The employee shall be entitled for a daily newspaper sent to his home address.

8.9 **Home Internet connection.** The Company will pay for installation of an internet line in **Employee's** home, and pay the monthly cost of such line.

8.10. **Annual Bonus.**

- (a) It is the intention of the Company to grant Employee an annual bonus, per the discretion of the CEO and the approval of the Compensation Committee or the Board of Directors of the Company, as applicable (the: "**Annual Bonus**"). The details of this Annual Bonus and its sum will be determined based on criteria to be established by the Company from time to time. For the avoidance of any doubt it is hereby clarified that the Annual Bonus shall not constitute a part of the Salary for any purpose whatsoever, including for the purpose of the calculation of the Employee's severance pay, to the extent such payment is applicable.
- (b) Upon termination of employment, for any reason, Employee shall be entitled to receive any unpaid Annual Bonus in respect of any completed fiscal year that has ended on or prior to the date of the Employee ceasing to serve in his position, subject to achievement of the applicable performance conditions for such year. The Annual Bonus under this clause shall be paid at the same time it would otherwise be paid to the Employee had no such termination occurred;

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- (c) In addition, upon termination of employment and subject to achievement of the applicable performance conditions for the fiscal year in which the Employee's termination occurs by the Company and by the Employee, Employee shall be entitled to receive payment of the Annual Bonus that would otherwise have been earned in respect of the fiscal year in which such termination occurred, pro-rated to reflect the early termination date and early release from his duties and his position, such amount to be paid at the same time it would otherwise be paid to the Employee had no termination occurred;

8.11. **Employee Equity Awards**

- (a) Subject to the receipt of any and all approvals required under applicable law, including the approval of the Board of Directors of the Company and the shareholders of the Company, the Employee may be eligible to participate in an employee equity incentive plan. Any grant under any employee equity incentive plan is subject to the terms and conditions of employee equity incentive plan as may be amended from time to time and to the equity agreement under which the grant was made.

The amount of the equity award that will be granted is subject to the approval by the Board of Directors of the Company and the shareholders of the Company, if required.

- 8.12. Directors and Officers Liability Insurance. Employee will to be covered under the Company's Directors and Officers Liability Insurance policy in accordance with its terms.

9. **Employment Term and Termination**

- 9.1. This Agreement shall be in effect commencing as of the Commencement Date and shall continue in full force and effect until terminated pursuant to the terms hereof.
- 9.2. The Employee's employment may be terminated by either party, at any time, pursuant to the delivery of four (4) months prior written notice (the "**Notice Period**").
- 9.3. During the Notice Period and unless otherwise determined by the Company the Employee shall continue to perform his duties until the conclusion of the Notice Period, and cooperate with the Company in assisting the integration of the person who will assume the Employee's responsibilities. Notwithstanding the aforementioned, the Company shall have the right not to take advantage of the full Notice Period and may terminate the Employee's employment at any time during the Notice Period. In the event of such termination, the Company shall pay the Employee his Salary and other related benefits (as detailed above) due to him hereunder as he would have been entitled to receive for the remaining period of the Notice Period.
- 9.4. It is hereby expressly stated that the Company reserves the right to terminate the Employee's employment at any time during the Notice Period, regardless of whether notice of termination of employment was delivered by the Company or whether such notice was delivered by the Employee. In the latter case such termination shall not constitute a dismissal of the Employee by the Company.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- 9.5. Without derogating from the Company's rights under this Agreement and according to law, and notwithstanding the foregoing, the Company may terminate the Employee's employment immediately without the delivery of a prior written notice and/or payment for Notice Period, in the event of a Cause (as defined below and subject to any applicable law) and the employment relationship shall be deemed effectively terminated as of the time of delivery of such notice.

The term "**Cause**" shall mean (a) a breach of trust, fiduciary obligations or duties of care, including but not limited to, theft, embezzlement, self-dealing, prohibited disclosure to unauthorized persons or entities of confidential or proprietary information of or relating to the Company, its business, and its subsidiaries, affiliates or associated entities; (b) conviction of the Employee in a crime or felony involving moral turpitude or any crime involving fraud; (c) the Employee's serious intentional misconduct which adversely affects the Company; (d) an intentional and willful action taken by the Employee harming the Company or any of its subsidiaries, affiliates or associated entities; (e) Employee's insubordination of any lawful resolution and/or instruction of the Board with respect to Employee's duties and/or responsibilities towards the Company (f) any material breach of the Statement of Undertaking - Confidentiality, Non- Compete and Intellectual Property attached hereto as **Appendix B** by the Employee; and (g) any other act or omission that constitutes "cause" under the laws of the State of Israel or that annuls the Employee rights to receive severance payments under the applicable law.

- 9.6. In the event that the Employee terminates his employment with the Company, for any reason, without the delivery of a written notice in accordance with Section 9.2 above, or completion of the Notice Period, the Company shall be entitled to deduct from any debt which it may owe the Employee an amount equal to the Salary that would have been paid to the Employee during the Notice Period, had he worked.
- 9.7. The Employee undertakes that immediately upon the termination of his employment with the Company, for any reason, he shall act as follows:
- (a) He shall deliver and/or return to the Company all the documents, CD's or other magnetic media, letters, notes, reports and other papers in his possession and relating to his employment with the Company and the fulfillment of his duties, as well as any equipment and/or other property belonging to the Company which was placed at his disposal, including any computer equipment, telephone equipment, the Employee ID badge or other equipment. The Employee shall not have any lien or other similar right over any equipment and/or other property belonging to the Company as aforesaid.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- (b) He shall delete any information relating to the Company or its business from his personal computer, if any;
 - (c) He shall coordinate the termination of his employment with his supervisors, and he shall transfer in an orderly fashion and in accordance with Company procedures and in accordance with the timetable determined by his supervisors, all documents and information and all matters which with he dealt, to whomever the Company instructs, all in a manner reasonably satisfactory to the Company.
- 9.8. The Employee undertakes to be reasonably available to the Company after the term of his employment, for the purpose of providing information related to his employment period, or to his activities during such period, including, if requested by the Company, appearance before any court or another authority. The Company will cover all reasonable costs incurred by Employee in connection with fulfillment of his obligation under this clause.
- 9.9. In case of a change in control, as such terms is defined herein below, Change of Control, the Employee will become fully vested in any unvested RSUs, SARs or other equity awards awarded to the Employee and such will be immediately accelerated and become vested.

"Change of Control" shall mean the consummation of any of the following events, in a single transaction or in a series of related transactions: (i) the acquisition of Ormat by another person (s) or entity by means of a merger, reorganization, consolidation or similar event in which such person (s) or entity will hold, immediately after such acquisition, more than 50% of the outstanding voting power of Ormat, the acquiring, resulting or surviving corporation; or (ii) the sale of all or substantially all of the assets of Ormat (on a consolidated basis) to another entity (except an entity that is one of the Ormat's subsidiaries or affiliates or affiliated with any of the Ormat's then-current principal stockholders). The term "Change of Control" shall not include any transaction or series of related transactions that are part of an internal voluntary reorganization and/or restructuring of the Company and/or its subsidiaries and affiliates that does not involve the acquisition of control by a third party not affiliated with Ormat, its subsidiaries and affiliates, such as a change in the state of incorporation of the Ormat and/or acquisition by the Company of its own shares from any person.

10. **Company's Computers**

- 10.1. The e-mail provided to the Employee by the Company upon the commencement of his employment is a professional e-mail, designated to be used by the Employee only for the purpose of performing his work in the Company and the Employee is required to use it only for professional purposes.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

- 10.2. In order to guard Company's confidential information and prevent impairments, computer viruses and transfer of illegal information and/or software and/or copyright infringement and/or destruction to computer web traffic and/or damages to Company's communication and/or Company's reputation and/or any other damages to the Company's business and/or its ongoing business and its customers' relations and in order to verify that the use of the Company's computer systems is being done for work purposes and conducted in accordance with the applicable Company's policies, and in order to prevent the Company's exposure to any damage due to unauthorized use of Company's computer network and communication system; It is hereby clarified, that the Company monitors any and all information stored in the Company computers including professional e-mail and/or any information transferred through the Company's computer and communication networks. Furthermore, the Company performs various backups of all information transferred through the Company's computer network systems.
- 10.3. Monitoring shall be performed at all times without prior notice and by various means. Monitoring can be done either by technological means, with regard to traffic volume and content traffic or by human resources, to the extent necessary where it is being suspected that the Company's policies were breached and/or where there is a need to locate information for ongoing work purposes, need to attend technical malfunctions and/or any other need required for professional and business needs.
- 10.4. The Company reserves the right to take control of the computer means provided to the Employee in order to perform his work at all times and without prior notice, and to block any access to it, in order to protect the Company's rights, attending technical malfunctions and for any other professional and/or business purposes.
- 10.5. For avoidance of any inconvenience and to assure professional usage of the Company's computers, including the electronic e-mail systems, the web, the Company's communication means and the professional e-mail provided to the Employee in order to perform his work; the Employee shall refrain from transferring and/or saving any personal information which the Employee does not wish exposed in his professional e-mail and/or in any other computerized means provided to him by the Company in order to perform his work.
- 10.6. The Employee understands and free willingly acknowledges that the Company, as an organization which its work is conducted via computer means, is thus obligated, in order to guard proper management of its business, to execute all the means outlined in this Agreement. The Employee undertakes the restrictions derived from the means outlined in this Agreement and in Company's policies.
- 10.7. Nothing herein, diminishes from the Employee's right to open personal e-mail for himself without using Company's computer means. Such personal e-mail shall not be subject to the Company's monitoring and controlling means compelling all traffic that passes through the Company's computers

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- 10.8. The Employee is aware of and agrees that the Company is entitled to put the information transferred in its computers and communication networks to any use, for the purpose of protecting its rights, at any and all time, without prior notice.

11. **Confidentiality, Non-Competition and Intellectual Property Assignment**

As a pre-condition to the entering into force of this Agreement, the Employee shall execute the Statement of Undertaking –Confidentiality, Non - Compete and Intellectual Property attached hereto as **Appendix B** and constituting an integral part of this Agreement.

12. **Miscellaneous**

- 12.1. This Agreement constitutes a “Notice” as defined in the Notice to Employee (Terms of Employment) Law 5762-2002.
- 12.2. This Agreement is personal and shall not invoke the provisions of any collective bargaining agreement (“Heskem Kibutsi”), collective arrangement (“Hesder Kibutsi”), expansion orders (“Tzavei Har’hava”) or any other custom, except and only to the extent so mandated by law.
- 12.3. All payments, benefits (including any benefits in kind) and participation in expenses payable under this Agreement or deriving therefrom, or from the Employee's employment, are subject to deduction of income tax and other compulsory deductions under law as prevailing from time to time, and nothing in this Agreement shall be interpreted as imposing upon the Company any liability whatsoever for tax or other compulsory payment due by the Employee for payments or benefits or reimbursements for expenses as aforesaid, or as an undertaking on the part of the Company to gross-up any tax or compulsory payment due by the Employee. The Company shall withhold taxes according to the requirements under the applicable laws, rules and regulations, including the withholding of taxes at source.
- 12.4. The Company shall be entitled to set off and deduct from the payments due to the Employee, proven debts which the Employee owes to the Company, all according and subject to the provisions of the applicable law.
- 12.5. Without derogating from the generality of any other provision of this Agreement, it is hereby declared and agreed that the remuneration and benefits to be given to the Employee by the Company under this Agreement or deriving therefrom, are given by the Company in reliance upon the undertakings given by the Employee pursuant to this Agreement and the compliance by the Employee of his aforesaid undertakings.
- 12.6. No failure, delay of forbearance of either party in exercising any power or right hereunder shall in any way restrict or diminish such party's rights and powers under this Agreement, or operate as a waiver of any breach or nonperformance by either party of any terms of conditions hereof.

ORMAT SYSTEMS, LTD.

New Industrial Arba, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com **ormat.com**

- 12.7. In the event it shall be determined under any applicable law that a certain provision set forth in this Agreement is invalid or unenforceable, such determination shall not affect the remaining provisions of this Agreement.
- 12.8. This Agreement, including its Appendixes, is the entire agreement between the parties with respect to the subject matter hereof, and supersedes any and all prior understandings, agreements and discussions between the parties, oral or written.
- 12.9. Any modification or amendment to the provisions of this Agreement and the appendixes hereto shall be valid only if effected in writing and signed by both parties hereto.
- 12.10. The Employee acknowledges and confirms that all terms of his employment are personal and confidential, and undertakes to keep such term in confidence and refrain from disclosing such terms to any third party.
- 12.11. Any notice sent by prepaid registered mail by one party to the other shall be deemed to have been received by the addressee within three business days of its dispatch, and if delivered by hand - at the time of its delivery. The addresses of the parties hereto are as specified in the heading to this Agreement.
- 12.12. This Agreement shall be governed by the laws of the State of Israel and the competent courts in the district of Tel-Aviv shall have exclusive jurisdiction over any dispute arising between the parties with respect of this Agreement.
- 12.13. This Agreement may be assigned by the Company to any third party, at its sole discretion. The Employee may not assign or delegate his rights and obligations under this Agreement to any other party without the Company's prior written approval.

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement as of the day and year first above written.

Ormat Systems Ltd.

Isaac Angel
CEO
/s/ Isaac Angel

Signature

Date

Shlomi Argas

/s/ Shlomi Argas

Signature

Date

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

Appendix A

Car Agreement will be send separately

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

Appendix B

Statement of Undertaking – Confidentiality, Non-Compete and Intellectual Property

Hezi Kattan (the “Employee”) warrants and undertakes that for as long as he is employed by Ormat Systems Ltd. (the: “Company”), and upon termination of employment thereafter, for any reason, he shall maintain in complete confidence any matters that relate to the Company and its present and future parent companies, subsidiaries and affiliates and successors, (all of the aforementioned entities shall be referred to collectively as the “Company Group”), their affairs and/or business, pursuant to this Agreement, and since the Employee has and will have access to the Company Group’s intellectual property he hereby declares and undertakes as follows:

1. **Confidentiality**

- 1.1. The Employee undertakes to maintain the confidentiality of the Confidential Information (as defined below), during the term of his employment with the Company and after the termination of such employment, for any reason.

Without derogating from the generality of the foregoing, the Employee hereby agrees that he shall not, directly or indirectly, disclose or transfer to any person or entity, at any time, either during or subsequent to the employment period, any trade secrets or other confidential information, whether patentable or not, of the Company Group, including but not limited to, all the Company Group’s trade secrets, property, business, any information directly or indirectly related to research and development connected with present or future products, inventions, hardware, software, production processes, discoveries, improvements, developments, innovations, designs, drawings, sketches, design, calculations, diagrams, algorithms, formulas, computer files, computer programs, data, planning processes, list of clients, list of suppliers, costing, prices, terms of payment, plans, business secrets, business plans, plans for research, development, new products, marketing and selling, business plans, budgets and unpublished financial statements, licenses, prices and costs, suppliers and customers, information regarding the skills and compensation of other employees of the Company Group, names of clients, sales, and any other information related to the business of the Company Group and/or their clients, including clients with whom the Company Group is negotiating and including affiliates and/or subsidiaries, present and future, all the foregoing whether or not such information is protectable as a patent or any other proprietary right and any other information purchased or received directly or indirectly in connection with Company Group, their affairs and/or business (collectively, “Confidential Information”), of which the Employee is or becomes informed or aware during the employment period, whether or not developed by the Employee. Confidential Information may be in any form including oral, writing, stored in a computer file and/or in any other digital or other existing and/or future media.

Notwithstanding the above, Confidential Information shall not include any information which: (i) was publicly known and made generally available in the public domain prior to the time of disclosure to the Employee; (ii) becomes publicly known and made generally available after disclosure by the Company through no action or inaction of the Employee; (iii) is required by law to be disclosed by the Employee, provided that the Employee gives the Company a prompt written notice of such requirement prior to such disclosure and assistance in obtaining an order protecting the information from public disclosure.

ORMAT SYSTEMS, LTD.

New Industrial Arava, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- 1.2. The Employee undertakes not to use the Confidential Information for any purpose whatsoever other than the performance of his services on behalf of the Company. Without limiting the scope of this duty, he shall only use the Confidential Information for the benefit of the Company Group, and only to the extent required for the performance of the services and may not disclose the Confidential Information to any other third party who is not performing the service.
- 1.3. The Employee undertakes not to directly or indirectly give and/or transfer, sale, publish, distribution, for any purposes, to any third party, any information in any media, and not to photocopy and/or print and/or duplicate object containing any or all of the Confidential Information without the Company's Group expressed prior written authorization.
- 1.4. In the event the Employee is in breach of any of his above obligations, he shall be liable to compensate the Company in respect of all damages and/or expenses incurred by the Company as a result of such a breach, including trial costs and legal fees and statutory VAT, and such being without derogating from any other relief and/or remedy available to the Company by virtue of any law.
- 1.5. Third Party Information. The Employee understands that the Company Group has received and in the future will receive from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company Group's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of the Employee's employment and thereafter, the Employee will hold Third Party Information in the strictest confidence and will not disclose Third Party Information to anyone (other than Company personnel who need to have such information in connection with their work for the Company) and will not use Third Party Information, except in connection with the Employee's work for the Company, unless expressly authorized by an officer of the Company in writing,
- 1.6. No Improper Use of information of Prior employers and Others- the Employee undertakes that during his employment with the Company he will not improperly use or disclose any confidential information or trade secrets of any former employer or any other person to whom the Employee has an obligation of confidentiality, and he will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other person to whom the Employee has an obligation of confidentiality unless consented to in writing by that former employer or person.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com ormat.com

2. **Non-Competition/ Non-Solicitation**

- 2.1. The Employee undertakes that during the period of his employment with the Company and for a period of twelve (12) months following the termination of his employment therewith, for any reason, he shall not, anywhere in the world,
- (a) Directly or indirectly carry on or hold an interest in any company, venture, entity or other business (other than a minority interest in a publicly traded company) which directly harms or competes with the products or services of the Company Group ("**Competing Business**"), including, without limitation, as a shareholder.
 - (b) Act as a consultant or employee or officer or in any managerial capacity in a Competing Business or supply in direct competition with the Company restricted services to any person who was provided with services by the Company Group during the period of twelve (12) months immediately prior to the termination date of the Employee's employment with the Company;
 - (c) Solicit, canvass or approach or endeavor to solicit, canvass or approach any person who was provided with services by the Company at any time during the period of twelve (12) months immediately prior to the termination date of the Employee's employment with the Company, for the purpose of offering services or products which directly compete with the services or products supplied by the Company Group.
 - (d) Employ, solicit or entice away or endeavor to solicit or entice away from the Company Group any person employed by the Company Group at any time during the period of twelve (12) months immediately prior to the termination date of the Employee's employment with the Company.

3. **Intellectual Property, Copyright and Patents**

- 3.1. The Employee hereby assigns to the Company, all of the Employee's rights, title and interest in and to all inventions, trade secrets, professional secrets, innovations, copyrightable works, Confidential Information, discoveries, processes, designs, works of authorship, and other intellectual property and all improvements on existing inventions, discoveries, processes, designs, works and other intellectual property made or discovered by the Employee or any person subordinate to him during the term of employment or as a result of such employment with the Company, for no additional consideration provided that he shall not be required to bear any expenses as a result of such assignment. The Company and its successors shall be entitled to protect any invention and/or patent and/or trade secret and/or professional secret and/or innovation as aforesaid by way of registration and/or in any other manner, in Israel or anywhere else in the world.
- 3.2. The Employee declares that his salary shall constitute full consideration for the above assignment in accordance with Section 134 of the Patents Law – 1967 (hereinafter: the "Patents Law") and he shall not be entitled to royalties and/or to any other payments or considerations beside his salary for or in respect with the service invention and/or in respect to the above assignment and/or to any intellectual property outcome of his employment and/or in respect to the commercial use of the service invention and/or the products of his services to the Company.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- 3.3. The Employee undertakes that upon the demand of the Company, including after the termination of his employment for any reason, he shall sign, execute and deliver to the Company such documents as the Company may request to confirm the assignment of the Employee's rights herein, and if requested by the Company, shall assist the Company, and shall execute any necessary documents, at the Company's expense, in applying for and prosecuting any patents, trademarks, trade secrets or copyright registration which may be available in respect thereof in accordance with the laws of the State of Israel or any other foreign country.
- 3.4. In the event the Company is unable for any reason, after reasonable effort, to secure the Employee's signature on any document needed in connection with the actions specified in the preceding paragraph, the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent and attorney in fact, which appointment is coupled with an interest, to act for and in the Employee's behalf to execute, verify and file any such documents and to do all other lawfully permitted acts to further the purposes of the preceding paragraph with the same legal force and effect as if executed by the Employee.
- 3.5. The Employee undertakes to deliver to the Company, written notice of any invention and/or patent and/or commercial secret and/or innovation invented by him and/or Employees of the Company and/or its successors who are subordinate to him, immediately upon the discovery thereof.
- 3.6. The Employee's obligations pursuant to this Section 3 shall survive the termination of his employment with the Company and/or its successors and assigns with respect to inventions conceived by him during the term of his employment or as a result of his employment with the Company.
- 3.7. The Employee acknowledges that the restricted period of time and geographical area specified hereunder are reasonable, in view of the nature of the business in which the Company is engaged, the Employee's knowledge of the Company's business and the compensation he receives. Notwithstanding anything contained herein to the contrary, if the period of time or the geographical area specified herein should be determined to be unreasonable in any judicial proceeding, then the period of time and area of the restriction shall be reduced so that this Agreement may be enforced in such area and during such period of time as shall be determined to be reasonable by such judicial proceeding. The Employee acknowledges that the compensation and benefits granted to him by the Company under this Agreement were determined, inter alia, in consideration for his obligations under this Appendix.

4. **General**

- 4.1. **Successors and Assigns.** This Agreement will be binding upon the Employee's heirs, executors, administrators and other legal representatives and will be for the benefit of the Company Group, its successors, and its assigns.
- 4.2. **Waiver.** No waiver by the Company of any breach of this Agreement shall be a waiver of any preceding or succeeding breach. No waiver by the Company of any right under this Agreement shall be construed as a waiver of any other right. The Company shall not be required to give notice to enforce strict adherence to all terms of this Agreement.

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

- 4.3. Assignment. This Agreement may be assigned by the Company. The Employee may not assign or delegate his duties under this Agreement without the Company's prior written approval.
- 4.4. Injunction. The Employee agrees that it would be difficult to measure damage to the Company Group from any breach of his undertakings set forth in Sections 4.1-4.3 above, and that injury to the Company from any such breach would be impossible to calculate, and that money damages would therefore be an inadequate remedy for any such breach. Accordingly, the Employee agrees that if he breaches any provision of Sections 4.1-4.3 hereof, the Company Group will be entitled, in addition to all other remedies it may have, to an injunction or other appropriate orders to restrain any such breach by the Employee without showing or proving any actual damage sustained by the Company Group.
- 4.5. This Agreement also constitutes an "Announcement" of employment terms according to the Employee and Candidates Notification Law (Terms of Employment and Application Process) – 2002.
- 4.6. Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the State of Israel, without giving effect to the rules respecting conflict-of-law.

Name

Signature

Date

ORMAT SYSTEMS, LTD.

New Industrial Area, P.O.B. 68, Yavne 8110001, Israel • +972-8-9433777 • ormat@ormat.com

ormat.com

[\(Back To Top\)](#)

Section 5: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

Ormat Technologies, Inc.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Isaac Angel, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2019 of Ormat Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the

registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ISAAC ANGEL
Isaac Angel
Chief Executive Officer

Date: May 8, 2019

[\(Back To Top\)](#)

Section 6: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

Ormat Technologies, Inc.

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Doron Blachar, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2019 of Ormat Technologies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ DORON BLACHAR
Doron Blachar
Chief Financial Officer

Date: May 8, 2019

[\(Back To Top\)](#)

Section 7: EX-32.1 (EXHIBIT 32.1)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Isaac Angel, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the quarterly report of Ormat Technologies, Inc. on Form 10-Q for the quarter ended March 31, 2019 (i) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and (ii) that information contained in such quarterly report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ormat Technologies, Inc. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such quarterly report and shall not be deemed filed pursuant to the Exchange Act.

By: /s/ ISAAC ANGEL
Name: Isaac Angel
Title: Chief Executive Officer

Date: May 8, 2019

[\(Back To Top\)](#)

Section 8: EX-32.2 (EXHIBIT 32.2)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Doron Blachar, certify, pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge the quarterly report of Ormat Technologies, Inc. on Form 10-Q for the quarter ended March 31, 2019 (i) fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and (ii) that information contained in such quarterly report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Ormat Technologies, Inc. This written statement is being furnished to the Securities and Exchange Commission as an exhibit accompanying such quarterly report and shall not be deemed filed pursuant to the Exchange Act.

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

Date: May 8, 2019

[\(Back To Top\)](#)