ORMAT TECHNOLOGIES, INC.
Form 10-Q
November 08, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2012

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	**88-0326081**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

6225 Neil Road, Reno, Nevada 89511-1136

(Address of principal executive offices, including 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 þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes þ No ¨

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

Large accelerated filer ¨	Accelerated filer þ	Non-accelerated filer ¨	Smaller reporting company ¨
		(Do not check if a smaller reporting company)	

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

Indicate the number of shares outstanding shares of each of the registrant s classes of common stock as of the latest practicable date: As of November 6, 2012, the number of outstanding shares of common stock, par value $0.001 per share was 45,430,886.

Table of Contents

ORMAT TECHNOLOGIES, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

PART I FINANCIAL INFORMATION

ITEM 1.	FINANCIAL STATEMENTS	4
ITEM 2.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	24
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	57
ITEM 4.	CONTROLS AND PROCEDURES	57

PART II OTHER INFORMATION

ITEM 1.	LEGAL PROCEEDINGS	59
ITEM 1A.	RISK FACTORS	61
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	61
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	61
ITEM 4.	MINE SAFETY DISCLOSURES	61
ITEM 5.	OTHER INFORMATION	61
ITEM 6.	EXHIBITS	62
SIGNATURES		64

[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 Technol or our refer to Ormat Technologies, Inc. and its consolidated subsidiaries.

3

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS*

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 37,524	$ 99,886
Marketable securities		18,521
Short-term bank deposit	3,008	
Restricted cash, cash equivalents and marketable securities (all related to VIEs)	76,296	75,521
Receivables:		
Trade	80,166	51,274
Related entity	351	287
Other	10,265	9,415
Due from parent	196	260
Inventories	17,786	12,541
Costs and estimated earnings in excess of billings on uncompleted contracts	7,704	3,966
Deferred income taxes	1,729	1,842
Prepaid expenses and other	31,497	18,672
Total current assets	266,522	292,185
Unconsolidated investments	3,476	3,757
Deposits and other	27,416	22,194
Deferred charges	38,636	40,236
Property, plant and equipment, net ($1,424,544 and $1,477,580 related to VIEs, respectively)	1,491,411	1,518,532
Construction-in-process ($248,754 and $271,859 related to VIEs, respectively)	367,762	370,551
Deferred financing and lease costs, net	26,821	28,482
Intangible assets, net	36,319	38,781
Total assets	$ 2,258,363	$ 2,314,718
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 96,516	$ 105,112
Billings in excess of costs and estimated earnings on uncompleted contracts	32,546	33,104
Current portion of long-term debt:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	25,609	21,464
Other loans	13,744	13,547
Full recourse	20,755	20,543
Total current liabilities	189,170	193,770
Long-term debt, net of current portion:		
Limited and non-recourse (all related to VIEs):		
Senior secured notes	329,000	341,157
Other loans	93,015	100,585
Full recourse:		
Senior unsecured bonds (plus unamortized premium based upon 7% of $1,514)	250,982	250,042

Other loans	49,869	63,623
Revolving credit lines with banks	187,474	214,049
Liability associated with sale of tax benefits	56,528	69,269
Deferred lease income	67,051	68,955
Deferred income taxes	58,758	54,665
Liability for unrecognized tax benefits	7,139	5,875
Liabilities for severance pay	20,818	20,547
Asset retirement obligation	22,548	21,284
Other long-term liabilities	2,857	4,253
Total liabilities	1,335,209	1,408,074
Commitments and contingencies		
Equity:		
The Company s stockholders equity:		
Common stock, par value $0.001 per share; 200,000,000 shares authorized;45,430,886 shares issued and outstanding as of September 30, 2012 and December 31, 2011	46	46
Additional paid-in capital	730,583	725,746
Retained earnings	184,649	172,331
Accumulated other comprehensive income	697	595
	915,975	898,718
Noncontrolling interest	7,179	7,926
Total equity	923,154	906,644
Total liabilities and equity	$ 2,258,363	$ 2,314,718

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

4

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND

COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)			
Revenues:				
Electricity	$ 81,452	$ 86,815	$ 248,710	$ 246,273
Product	54,685	24,026	149,616	67,002
Total revenues	136,137	110,841	398,326	313,275
Cost of revenues:				
Electricity	61,466	57,941	177,350	186,090
Product	42,130	17,137	108,575	43,276
Total cost of revenues	103,596	75,078	285,925	229,366
Gross margin	32,541	35,763	112,401	83,909
Operating expenses:				
Research and development expenses	1,436	2,346	3,948	7,128
Selling and marketing expenses	3,445	2,940	13,033	9,325
General and administrative expenses	6,208	6,269	20,315	20,755
Impairment charge	7,264		7,264	
Write-off of unsuccessful exploration activities			1,919	
Operating income	14,188	24,208	65,922	46,701
Other income (expense):				
Interest income	280	438	1,004	1,289
Interest expense, net	(15,400)	(23,909)	(44,541)	(54,431)
Foreign currency translation and transaction gains (losses)	615	(2,659)	(1,127)	(1,546)
Income attributable to sale of tax benefits	2,311	2,344	7,417	7,624
Other non-operating income, net	215	347	344	465
Income before income taxes and equity in losses of investees	2,209	769	29,019	102
Income tax benefit (provision)	(1,479)	305	(11,245)	726
Equity in losses of investees	(1,245)	(71)	(1,542)	(552)
Net income (loss)	(515)	1,003	16,232	276
Net income attributable to noncontrolling interest	(67)	(137)	(278)	(252)
Net income (loss) attributable to the Company s stockholders	$ (582)	$ 866	$ 15,954	$ 24
Comprehensive income (loss):				
Net income (loss)	$ (515)	$ 1,003	$ 16,232	$ 276
Other comprehensive income (loss), net of related taxes:				
	(47)	(53)	(140)	(159)

Amortization of unrealized gains or losses in respect of derivative instruments designated for cash flow hedge				
Change in unrealized gains or losses on marketable securities available-for-sale	262	(111)	242	(320)
Comprehensive income (loss)	(300)	839	16,334	(203)
Comprehensive income attributable to noncontrolling interest	(67)	(137)	(278)	(252)
Comprehensive income (loss) attributable to the Company s stockholders	$ (367)	$ 702	$ 16,056	$ (455)
Earnings (loss) per share attributable to the Company s stockholders basic and diluted	$ (0.01)	$ 0.02	$ 0.35	$ 0.00
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company s stockholders:				
Basic	45,431	45,431	45,431	45,431
Diluted	45,431	45,440	45,438	45,442
Dividend per share declared	$ 0.04	$ 0.04	$ 0.08	$ 0.13

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

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

	Common Stock		The Company s Stockholders Equity					
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest	Total Equity
	(In thousands, except per share data)							
Balance at December 31, 2010	45,431	$ 46	$ 716,731	$ 221,311	$ 1,044	$ 939,132	$ 6,095	$ 945,227
Stock-based compensation			5,000			5,000		5,000
Increase in noncontrolling interest due to sale of equity interest in OPC LLC			2,343			2,343	1,662	4,005
Cash dividend declared, $0.13 per share				(5,924)		(5,924)		(5,924)
Net income				24		24	252	276
Other comprehensive loss, net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $96)					(159)	(159)		(159)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of $0)					(320)	(320)		(320)
Balance at September 30, 2011	45,431	$ 46	$ 724,074	$ 215,411	$ 565	$ 940,096	$ 8,009	$ 948,105
Balance at December 31, 2011	45,431	$ 46	$ 725,746	$ 172,331	$ 595	$ 898,718	$ 7,926	$ 906,644
Stock-based compensation			4,837			4,837		4,837
Cash paid to non-controlling interest							(1,025)	(1,025)
Cash dividend declared, $0.08 per share				(3,636)		(3,636)		(3,636)
Net income				15,954		15,954	278	16,232
Other comprehensive (income) loss, net of related taxes:								
Amortization of unrealized gains in respect of derivative instruments designated for cash flow hedge (net of related tax of $88)					(140)	(140)		(140)
Change in unrealized gains or losses on marketable securities available-for-sale (net of related tax of $0)					242	242		242
Balance at September 30, 2012	45,431	$ 46	$ 730,583	$ 184,649	$ 697	$ 915,975	$ 7,179	$ 923,154

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

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30, 2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 16,232	$ 276
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,812	71,261
Amortization of premium from senior unsecured bonds	(231)	(72)
Accretion of asset retirement obligation	1,264	1,183
Stock-based compensation	4,837	5,000
Amortization of deferred lease income	(2,014)	(2,014)
Income attributable to sale of tax benefits, net of interest expense	(2,775)	(2,243)
Equity in losses of investees	442	552
Impairment of auction rate securities		205
Write-off of unconsolidated investment	1,100	
Write-off of unsuccessful exploration activities	1,919	
Impairment charge	7,264	
Unrealized loss on interest rate lock transactions		11,052
Loss on severance pay fund asset	332	282
Premium from issuance senior unsecured bonds		1,957
Deferred income tax provision (benefit)	5,894	(1,805)
Liability for unrecognized tax benefits	1,264	(1,186)
Deferred lease revenues	110	233
Changes in operating assets and liabilities, net of amounts acquired:		
Receivables	(29,742)	2,556
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,738)	2,628
Inventories	(5,245)	(5,361)
Prepaid expenses and other	(12,825)	(8,043)
Deposits and other	(5,356)	(471)
Accounts payable and accrued expenses	9,523	(9,592)
Due from/to related entities, net	(64)	(78)
Billings in excess of costs and estimated earnings on uncompleted contracts	(558)	32,511
Liabilities for severance pay	271	281
Other long-term liabilities	(1,396)	(719)
Due from/to parent	64	121
Net cash provided by operating activities	62,384	98,514
Cash flows from investing activities:		
Marketable securities, net	18,763	(20,287)
Short-term bank deposit	(3,008)	
Net change in restricted cash, cash equivalents and marketable securities	(775)	(36,884)
Capital expenditures	(186,332)	(180,771)
Cash grant received	119,199	
Investment in unconsolidated companies	(1,260)	(305)
Increase (decrease) in severance pay fund asset, net of payments made to retired employees	(198)	61
Net cash used in investing activities	(53,611)	(238,186)
Cash flows from financing activities:		
Proceeds from issuance of senior unsecured bonds	1,171	107,447
Proceeds from the sale of limited liability company interest in OPC LLC, net of transaction costs		24,878

Proceeds from revolving credit lines with banks	2,134,887	419,156
Repayment of revolving credit lines with banks	(2,161,462)	(387,300)
Repayments of long-term debt	(28,927)	(26,002)
Cash paid to non-controlling interest	(10,991)	(10,769)
Deferred debt issuance costs	(2,177)	(5,552)
Cash dividends paid	(3,636)	(5,924)
Net cash provided by (used in) financing activities	(71,135)	115,934
Net change in cash and cash equivalents	(62,362)	(23,738)
Cash and cash equivalents at beginning of period	99,886	82,815
Cash and cash equivalents at end of period	$ 37,524	$ 59,077
Supplemental non-cash investing and financing activities:		
Increase (decrease) in accounts payable related to purchases of property, plant and equipment	$ (18,119)	$ 11,046
Accrued liabilities related to financing activities	$	$ 1,309

The accompanying notes are an integral part of these condensed 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 September 30, 2012, the consolidated results of operations and comprehensive income (loss) for the three and nine-month periods ended September 30, 2012 and 2011 and the consolidated cash flows for the nine-month periods ended September 30, 2012 and 2011.

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 three and nine-month periods ended September 30, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

These condensed 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, 2011. The condensed consolidated balance sheet data as of December 31, 2011 was derived from the audited consolidated financial statements for the year ended December 31, 2011, 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of temporary cash investments, marketable securities 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 September 30, 2012 and December 31, 2011, the Company had deposits totaling $9,554,000 and $39,569,000, respectively, in seven U.S. financial institutions that were federally insured up to $250,000 per account. At September 30, 2012 and December 31, 2011, the Company s deposits in foreign countries amounted to approximately $36,557,000 and $57,838,000, respectively.

At September 30, 2012 and December 31, 2011, accounts receivable related to operations in foreign countries amounted to approximately $38,281,000 and $21,453,000, respectively. At September 30, 2012 and December 31, 2011, accounts receivable from the Company s major customers that have generated 10% or more of its revenues amounted to approximately 47% and 58% of the Company s accounts receivable, respectively.

Southern California Edison Company (Southern California Edison) accounted for 19.8% and 34.5% of the Company s total revenues for the three months ended September 30, 2012 and 2011, respectively, and 18.8% and 30.5% for the nine months ended September 30, 2012 and 2011, respectively.

Sierra Pacific Power Company and Nevada Power Company (subsidiaries of NV Energy, Inc.) accounted for 14.1% and 10.5% of the Company s total revenues for the three months ended September 30, 2012 and 2011, respectively, and 13.8% and 12.8% for the nine months ended September 30, 2012 and 2011, respectively.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Hawaii Electric Light Company (HELCO) accounted for 8.1% and 10.3% of the Company s total revenues for the three months ended September 30, 2012 and 2011, respectively, and 9.1% and 10.9% for the nine months ended September 30, 2012 and 2011, respectively.

Kenya Power and Lighting Co. Ltd. accounted for 8.6% and 8.0% of the Company s total revenues for the three months ended September 30, 2012 and 2011, respectively, and 7.8% and 8.4% for the nine months ended September 30, 2012 and 2011, respectively.

The Company performs ongoing credit evaluations of its customers financial condition. The Company has historically been able to collect on all of its receivable balances, and accordingly, no provision for doubtful accounts has been made.

Letters of Credit

Some of the Company s customers require the Company s project subsidiaries to post letters of credit in order to guarantee their respective performance under relevant contracts. The Company is also required to post letters of credit to secure its 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, the Company is required from time to time to post performance letters of credit in favor of its customers with respect to orders of products. As of September 30, 2012, letters of credit in the aggregate amount of $248.2 million remained issued and outstanding.

NOTE 2 NEW ACCOUNTING PRONOUNCEMENTS

New Accounting Pronouncements Effective in the Nine-Month Period Ended September 30, 2012

Fair Value Measurement

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding fair value measurements and disclosures. Required disclosures were expanded under the new guidance, particularly for fair value measurements that are categorized within Level 3 of the fair value hierarchy, for which quantitative information about the unobservable inputs, the valuation processes used by the entity, and the sensitivity of the measurement to the unobservable inputs are required. In addition, entities are required to disclose the categorization by level of the fair value hierarchy for items that are not measured at fair value in the balance sheet but for which the fair value is required to be disclosed. The adoption of this guidance by the Company on January 1, 2012 did not have a material impact on the Company s consolidated financial statements. See Note 5 for these and other fair value related disclosures.

Presentation of Comprehensive Income in the Financial Statements

In June 2011, the FASB issued authoritative guidance intended to increase the prominence of items reported in other comprehensive income. The guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and requires that the total of comprehensive income, the components of net income, and the components of other comprehensive income be presented in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance also required presentation of adjustments for items that are reclassified from other comprehensive income in the statement where the components of net income and the components of other comprehensive income are presented, which was indefinitely deferred by the FASB in December 2011. The guidance (other than the portion regarding the presentation of reclassification adjustments which, as noted above, has been deferred indefinitely) became effective on January 1, 2012. The adoption of this guidance by the Company on January 1, 2012 did not have a material impact on the Company s consolidated financial statements.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

New Accounting Pronouncement Effective in Future Periods

Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued authoritative guidance that revises the manner in which entities disclose the offsetting of assets and liabilities. The new guidance requires entities to disclose both gross information and net information about instruments and transactions eligible for offset in the balance sheet and those that are subject to an agreement similar to a master netting arrangement. The guidance will be applicable retrospectively effective for fiscal years, and interim periods within those years, beginning on or after January 1, 2013. The adoption of this amendment is not expected to have a material effect on the Company s consolidated financial statements.

NOTE 3 INVENTORIES

Inventories consist of the following:

	September 30, 2012	December 31, 2011
	(Dollars in thousands)	
Raw materials and purchased parts for assembly	$ 11,966	$ 6,058
Self-manufactured assembly parts and finished products	5,820	6,483
Total	$ 17,786	$ 12,541

NOTE 4 UNCONSOLIDATED INVESTMENTS

Unconsolidated investments consist of the following:

	September 30, 2012	December 31, 2011
	(Dollars in thousands)	
Sarulla	$ 2,496	$ 2,215
Watts & More Ltd.	980	1,542
	$ 3,476	$ 3,757

The Sarulla Project

The Company is a 12.75% member of a consortium which is in the process of developing a geothermal power project in Indonesia with expected generating capacity of approximately 330 megawatts (MW). The project is located in Tapanuli Utara, North Sumatra, Indonesia and will be owned and operated by the consortium members under the framework of a Joint Operating Contract with PT Pertamina Geothermal Energy. The project will be constructed in three phases over a period of five years, with each phase utilizing the Company s 110 MW to 120 MW combined cycle geothermal plants in which the steam first produces power in a backpressure steam turbine and is subsequently condensed in a vaporizer of a binary plant, which produces additional power. The consortium is in the process of negotiating certain contractual amendments for facilitation of project financing and for signing the resulting amended energy sales contract, and intends to proceed with the project after those amendments

have become effective.

The Company s share in the results of operations of the Sarulla project was not significant for each of the periods presented in these condensed consolidated financial statements.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Watts & More Ltd.

In October 2010, the Company invested $2.0 million in Watts & More Ltd. (W&M), an early stage start-up company, engaged in the development of energy harvesting and system balancing solutions for electrical sources and, in particular, solar photovoltaic systems. During June and July 2012, the Company granted W&M loans in a total principal amount of approximately $1.0 million. The loans bear interest of 9% and are repayable (principal and interest) by W&M at any time upon 14 days prior written notice. At any time prior to the repayment of the loans, the Company may convert the outstanding principal and interest (or any part thereof) to ordinary shares of W&M. In connection with the loans, in July 2012, W&M issued to the Company ordinary shares at par value, such that, as of September 30, 2012, the Company held approximately 36.1% of W&M s outstanding ordinary shares.

The Company s share in the results of operations of W&M was not significant for each of the periods presented in these condensed consolidated financial statements. See also below.

In the third quarter of 2012, the Company wrote off its investment in the ordinary shares of W&M, since the Company will not continue to invest in W&M. The amount of the remaining investment represents the loans granted by the Company to W&M, which are secured by the intellectual property of W&M.

NOTE 5 FAIR VALUE MEASUREMENTS

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).

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The following table sets forth certain fair value information at September 30, 2012 and December 31, 2011 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.

	Cost or Amortized Cost at September 30, 2012	Fair Value at September 30, 2012			
		Total	Level 1	Level 2	Level 3
		(Dollars in thousands)			
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 20,837	$ 20,837	$ 20,837	$	$
Derivatives[1]	2,892	2,980		2,980	
Liabilities:					
Current liabilities:					
Derivatives[2]		(77)		(77)	
	$ 23,729	$ 23,740	$ 20,837	$ 2,903	$

	Cost or Amortized Cost at December 31, 2011	Fair Value at December 31, 2011			
		Total	Level 1	Level 2	Level 3
		(Dollars in thousands)			
Assets					
Current assets:					
Cash equivalents (including restricted cash accounts)	$ 61,649	$ 61,649	$ 61,649	$	$
Marketable securities (including restricted accounts)	18,284	18,521	18,521		
Liabilities:					
Current liabilities:					
Derivatives[2]		(890)		(890)	
	$ 79,933	$ 79,280	$ 80,170	$ (890)	$

(1) This amount relates to derivatives which represent European put options on natural gas and oil and swap contracts on crude oil, valued primarily based on observable inputs, including forward and spot prices for related commodity indices, and are included within prepaid expenses and other in the condensed consolidated balance sheet with the corresponding gain or loss being recognized within electricity revenues in the condensed consolidated statement of operations and comprehensive income (loss).

(2) These amounts relate to derivatives which represent currency forward contracts valued primarily based on observable inputs, including forward and spot prices for currencies, netted against contracted rates and then multiplied against notional amounts, and are included

within accounts payable and accrued expenses in the condensed consolidated balance sheet with the corresponding gain or loss being recognized within foreign currency translation and transaction gains (losses) in the condensed consolidated statement of operations and comprehensive income (loss).

The Company s financial assets measured at fair value (including restricted cash accounts) at September 30, 2012 and December 31, 2011 include investments in debt instruments (which are included in marketable

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

securities) and money market funds (which are included in cash equivalents). Those securities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in an active market.

As of December 31, 2010, all of the Company s auction rate securities were associated with failed auctions. Such securities had par values totaling $4.5 million, all of which had been in a loss position since the fourth quarter of 2007. The Company s auction rate securities at December 31, 2010, were valued using Level 3 inputs. Historically, the carrying value of auction rate securities approximated fair value due to the frequent resetting of the interest rates. While the Company continued to earn interest on these investments at the contractual rates, the estimated market value of these auction rate securities no longer approximated par value. Due to the lack of observable market quotes on the Company s illiquid auction rate securities, the Company utilized valuation models that relied exclusively on Level 3 inputs including, among other things: (i) the underlying structure of each security; (ii) the present value of future principal and interest payments discounted at rates considered to reflect the uncertainty of current market conditions; (iii) consideration of the probabilities of default, auction failure, or repurchase at par for each period; (iv) assessments of counterparty credit quality; (v) estimates of the recovery rates in the event of default for each security; and (vi) overall capital market liquidity. These estimated fair values were subject to uncertainties that were difficult to predict. Therefore, such auction rate securities were classified as of December 31, 2010 as Level 3 in the fair value hierarchy. In the first quarter of 2011, the Company identified a buyer outside of the auction process and, in April 2011, it sold the balance of the auction rate securities for consideration of $2,822,000.

The table below sets forth a summary of the changes in the fair value of the Company s financial assets classified as Level 3 (i.e., illiquid auction rate securities) for the nine months ended September 30, 2011:

	(Dollars in thousands)	
Balance at beginning of period	$	3,027
Total unrealized losses:		
Included in net income		(205)
Transferred to Level 2		(2,822)
Balance at end of period	$	

In April 2012, the Company entered into a NYMEX Heating Oil swap contract (85%) and an ICE Brent swap contract (15%) for notional volume of 241,250 BBL with a bank effective from May 1, 2012 until March 31, 2013 to reduce the Company s exposure to fluctuations in the energy rate caused by fluctuations in oil prices under the 25 MW PPA for the Puna complex. The Company entered into these contracts because both swaps had a high correlation with the avoided costs (which are the incremental costs that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others) that HELCO uses to calculate the energy rate. The contracts did not have up-front costs. Under the terms of these contracts, the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date ($130.50 per BBL in respect of NYMEX Heating Oil and $115.50 per BBL in respect of ICE Brent). The swap contracts have monthly settlements whereby the difference between the fixed price and the monthly average market price will be settled on a cash basis.

In May 2012, the Company entered into a European put transaction with a bank effective from July 1, 2012 until December 31, 2012, pursuant to which the Company purchased a natural gas put option for 4.4 million MMbtus that settles against Natural Gas California SoCal NGI (NGI). The Company entered into this transaction in order to reduce its exposure to NGI below $3.08 per MMbtu under its PPAs with Southern California Edison. The Company paid an up-front premium of approximately $1.6 million that was recorded on May 24, 2012 as a current asset and is marked to market on each balance sheet date. Under this transaction, the

13

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Company will receive from the bank on each settlement date the difference between the strike price of $3.08 per MMbtu and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (July 1, 2012 to December 1, 2012). If the strike price is lower than the market price, no payment will be made.

In July 2012, the Company entered into another European put transaction with the same bank for settlement effective from August 1, 2012 until December 31, 2012, pursuant to which the Company purchased a natural gas put option for 0.7 million MMbtus that settles against NGI. The Company entered into this transaction in order to reduce its exposure to NGI below $3.19 per MMbtu under its PPAs with Southern California Edison. The Company paid an up-front premium of approximately $0.2 million that was recorded on July 23, 2012 as a current asset and is marked to market on each balance sheet date. Under this transaction, the Company will receive from the bank on each settlement date the difference between the strike price of $3.19 per MMbtu and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (August 1, 2012 to December 1, 2012). If the strike price is lower than the market price, no payment will be made.

On September 27, 2012, the Company entered into European put transactions with two banks effective from January 1, 2013 until December 31, 2013, pursuant to which the Company purchased NYMEX Heating Oil put options for notional volume of 191,250 BBL, and ICE Brent put options for notional volume of 33,750 BBL. The Company entered into these transactions to reduce its exposure to fluctuations in the energy rate caused by fluctuations in oil prices under the 25 MW PPA for the Puna complex. The Company entered into these transactions because both transactions had a high correlation with the avoided costs that HELCO uses to calculate the energy rate. The Company paid up-front premiums in the total amount of approximately $2.6 million that were recorded on September 27, 2012 as current assets and are marked to market on each balance sheet date. Under these transactions, the Company will receive from the banks on each settlement date the difference between the strike price of $126.63 per BBL in respect of NYMEX Heating Oil and $106.80 in respect of ICE Brent and the respective monthly average market price of the relevant commodity. If the strike price is lower than the monthly average market price, no payment will be made.

These transactions have not been designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within electricity revenues in the condensed consolidated statements of operations and comprehensive income (loss). The Company recognized a loss from these transactions of $3.8 million and $0.0 million, respectively, in the three and nine months ended September 30, 2012.

On October 11, 2012, the Company entered into NGI swap contracts for notional volume of 8.9 million MMbtus with a bank effective from January 1, 2013 until December 31, 2013 (see Note 13 for discussion of these contracts).

There were no transfers of assets or liabilities between Level 1 and Level 2 during the nine months ended September 30, 2012.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Fair Value		Carrying Amount	
	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
	(Dollars in millions)		(Dollars in millions)	
Olkaria III loan	$ 73.1	$ 79.2	$ 71.8	$ 77.4
Amatitlan loan	39.9	37.2	34.9	36.8
Senior secured notes:				
Ormat Funding Corp. (OFC)	113.7	114.8	119.7	125.0
OrCal Geothermal Inc. (OrCal)	80.5	84.4	83.7	85.9
OFC 2 LLC (OFC 2)	121.3	131.0	151.2	151.7
Senior unsecured bonds	250.7	252.8	249.5	248.3
Loans from institutional investors	28.9	34.2	29.0	34.2

The fair value of the OFC Senior Secured Notes is determined using observable market prices because these securities are traded. The fair value of the other long-term debt is determined by a valuation model, which is based on a conventional discounted cash flow methodology and utilizes assumptions of estimated 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 other financial instruments, such as revolving lines of credit, deposits, and other long-term debt approximates fair value.

The following table presents the fair value of financial instruments as of September 30, 2012:

	Level 1	Level 2	Level 3	Total
		(Dollars in millions)		
Olkaria III loan	$	$	$ 73.1	$ 73.1
Amatitlan loan			39.9	39.9
Senior secured notes:				
OFC		113.7		113.7
OrCal			80.5	80.5
OFC 2			121.3	121.3
Senior unsecured bonds			250.7	250.7
Loan from institutional investors			28.9	28.9
Other long-term debt		43.1		43.1
Revolving lines of credit		187.5		187.5
Deposits	20.3			20.3

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

During the third quarter of 2012, the OREG 4 power plant (OREG 4), which generates electricity using recovered heat and has a carrying value of $10.9 million, was tested for recoverability due to continued low output and written down to its fair value of $3.6 million. The fair value was determined from a cash flow model (a Level 3 measure) using internally developed cash flows including assumptions about generation capacity and operating expenses and a discount rate of 8%. The impairment loss of $7.3 million is presented in the Company s condensed consolidated statement of operations and comprehensive income (loss) under Impairment Charge .

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 6 STOCK-BASED COMPENSATION

The 2004 Incentive Compensation Plan

On April 2, 2012, the Company granted its employees 602,000 stock appreciation rights (SARs) under the Company s 2004 Incentive Compensation Plan. The exercise price of each such SAR is $20.13, which represented the fair market value of the Company s common stock on the date of grant. Such SARs will expire seven years from the date of grant, and will vest and become exercisable as follows: 25% vest 24 months after the grant date, an additional 25% vest 36 months after the grant date, and the remaining 50% vest 48 months after the grant date. Upon exercise, SARs entitle the recipient to receive shares of common stock equal to the increase in value of the award between the grant date and the exercise date.

The fair value of each SAR on the date of grant was $7.98. The Company calculated the fair value of each SAR on the date of grant using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rates	1.05%
Expected lives (in years)	5.125
Dividend yield	0.80%
Expected volatility	47.50%
Forfeiture rate	7.46%

The 2012 Incentive Compensation Plan

In May 2012, the Company s shareholders adopted the 2012 Incentive Compensation Plan (2012 Incentive Plan), which provides for the grant of the following types of awards: incentive stock options, non-qualified stock options, restricted stock, SARs, stock units, performance awards, phantom stock, incentive bonuses, and other possible related dividend equivalents to employees of the Company, directors and independent contractors. Under the 2012 Incentive Plan, a total of 4,000,000 shares of the Company s common stock have been reserved for issuance, all of which could be issued as options or as other forms of awards. Options and SARs granted to employees under the 2012 Incentive Plan will vest and become exercisable as follows: 25% vest 24 months after the grant date, an additional 25% vest 36 months after the grant date, and the remaining 50% vest 48 months after the grant date. Options granted to non-employee directors under the 2012 Incentive Plan will vest and become exercisable one year after the grant date. Vested stock-based awards may be exercised for up to ten years from the date of grant. The shares of common stock will be issued upon exercise of options or SARs from the Company s authorized share capital.

On August 1, 2012, the Company granted to each of its four new non-employee directors options to purchase 7,500 shares of common stock under the Company s 2012 Incentive Plan at an exercise price of $19.69 per share. Such options will expire seven years from the date of grant and will vest on the first anniversary of the date of grant.

The fair value of each option on the date of grant was $7.06. The Company calculated the fair value of each option on the date of grant using the Black-Scholes valuation model based on the following assumptions:

Risk-free interest rates	0.48%
Expected lives (in years)	4.00
Dividend yield	0.80%
Expected volatility	48.76%
Forfeiture rate	0.00%

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

On November 6, 2012, the Company granted to each of its six non-employee directors options to purchase 7,500 shares of common stock under the Company s 2012 Incentive Plan (see Note 13).

NOTE 7 INTEREST EXPENSE, NET

The components of interest expense, net, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands)		(Dollars in thousands)	
Interest related to sale of tax benefits	$ 1,580	$ 1,360	$ 5,140	$ 5,236
Loss on interest rate lock transactions*		11,645		16,380
Other interest expense	16,301	14,266	48,968	41,364
Less amount capitalized	(2,481)	(3,362)	(9,567)	(8,549)
	$ 15,400	$ 23,909	$ 44,541	$ 54,431

* The interest rate lock transactions are related to the OFC 2 Senior Secured Notes and were not accounted for using hedge accounting.

NOTE 8 EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share attributable to the Company s stockholders (earnings (loss) per share) 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 stock-based awards.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)		(In thousands)	
Weighted average number of shares used in computation of basic earnings (loss) per share	45,431	45,431	45,431	45,431
Add:				
Additional shares from the assumed exercise of stock-based awards		9	7	11
Weighted average number of shares used in computation of diluted earnings (loss) per share	45,431	45,440	45,438	45,442

In the three months ended September 30, 2012, the stock-based awards were anti-dilutive because of the Company s net loss, and therefore they have been excluded from the diluted earnings (loss) per share calculation.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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 (loss) per share (because to do so would have been anti-dilutive) was 5,423,548 and 4,816,079 for the three months ended September 30, 2012 and 2011, respectively, and 5,663,796 and 4,116,282 for the nine months ended September 30, 2012 and 2011, respectively.

NOTE 9 BUSINESS SEGMENTS

The Company has two reporting segments: Electricity and Product Segments. 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. 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:

	Electricity	Product	Consolidated
		(Dollars in thousands)	
Three Months Ended September 30, 2012:			
Net revenues from external customers	$ 81,452	$ 54,685	$ 136,137
Intersegment revenues		11,063	11,063
Operating income	6,804	7,384	14,188
Segment assets at period end *	2,150,533	107,830	2,258,363
* Including unconsolidated investments	2,496	980	3,476
Three Months Ended September 30, 2011:			
Net revenues from external customers	$ 86,815	$ 24,026	$ 110,841
Intersegment revenues		15,264	15,264
Operating income	21,087	3,121	24,208
Segment assets at period end *	2,121,932	88,789	2,210,721
* Including unconsolidated investments	2,287	1,710	3,997

Nine Months Ended September 30, 2012:			
Net revenues from external customers	$ 248,710	$ 149,616	$ 398,326
Intersegment revenues		32,970	32,970
Operating income	40,855	25,067	65,922
Segment assets at period end *	2,150,533	107,830	2,258,363
* Including unconsolidated investments	2,496	980	3,476
Nine Months Ended September 30, 2011:			
Net revenues from external customers	$ 246,273	$ 67,002	$ 313,275
Intersegment revenues		46,013	46,013
Operating income	34,917	11,784	46,701
Segment assets at period end *	2,121,932	88,789	2,210,721
* Including unconsolidated investments	2,287	1,710	3,997

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands)		(Dollars in thousands)	
Operating income	$ 14,188	$ 24,208	$ 65,922	$ 46,701
Interest income	280	438	1,004	1,289
Interest expense, net	(15,400)	(23,909)	(44,541)	(54,431)
Foreign currency translation and transaction gains	615	(2,659)	(1,127)	(1,546)
Income attributable to sale of equity interest	2,311	2,344	7,417	7,624
Other non-operating income (expense), net	215	347	344	465
Income (loss), before income taxes and equity in losses of investees	$ 2,209	$ 769	$ 29,019	$ 102

NOTE 10 CONTINGENCIES

Securities Class Actions

Following the Company s public announcement that it would restate certain of its financial results due to a change in the Company s accounting treatment for certain exploration and development costs, three securities class action lawsuits were filed in the United States District Court for the District of Nevada on March 9, 2010, March 18, 2010 and April 7, 2010. These complaints asserted claims against the Company and certain directors and officers for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act). One complaint also asserted claims for alleged violations of Sections 11, 12(a)(2) and 15 of the Securities Act. All three complaints alleged claims on behalf of a putative class of purchasers of the Company s common stock between May 6, 2008 or May 7, 2008 and February 23, 2010 or February 24, 2010. These three lawsuits were consolidated by the Court in an order issued on June 3, 2010, and the Court appointed three of the Company s stockholders to serve as lead plaintiffs.

Lead plaintiffs filed a consolidated amended class action complaint (CAC) on July 9, 2010 that asserted claims under Sections 10(b) and 20(a) of the Exchange Act on behalf of a putative class of purchasers of the Company s common stock between May 7, 2008 and February 24, 2010. The CAC alleged that certain of the Company s public statements were false and misleading for failing to account properly for the Company s exploration and development costs based on the Company s announcement on February 24, 2010 that it was going to restate certain of its financial results to change its method of accounting for exploration and development costs in certain respects. The CAC also alleged that certain of the Company s statements concerning the North Brawley project were false and misleading. The CAC sought compensatory damages, expenses, and such further relief as the Court may deem proper.

Defendants filed a motion to dismiss the CAC on August 13, 2010. On March 3, 2011, the Court granted in part and denied in part defendants motion to dismiss. The Court dismissed plaintiffs allegations that the Company s statements regarding the North Brawley project were false or misleading, but did not dismiss plaintiffs allegations regarding the 2008 restatement. Defendants answered the remaining allegations in the CAC regarding the restatement on April 8, 2011, and the case entered the discovery phase. On July 22, 2011, plaintiffs filed a motion to certify the case as a class action on behalf of a class of purchasers of the Company s common stock between February 25, 2009 and February 24, 2010, and defendants filed an opposition to the motion for class certification on October 4, 2011.

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Subsequently, the parties participated in mediation where they reached an agreement in principle to settle the securities class action lawsuits. The parties thereafter filed a stipulation of settlement with the U.S. District Court for the District of Nevada on March 27, 2012, providing that the claims against the Company and its directors and officers will be dismissed with prejudice and plaintiffs will release the defendants from all claims in exchange for a cash payment of $3.1 million to be funded by the Company s insurers. The stipulation of settlement received preliminary approval by the Court on March 30, 2012, and final approval on October 16, 2012.

The Company and the individual defendants have steadfastly maintained that the claims raised in the securities class action lawsuits were without merit, and have vigorously contested those claims. As part of the settlement, the Company and the individual defendants continue to deny any liability or wrongdoing under the securities laws or otherwise.

Stockholder Derivative Cases

Four stockholder derivative lawsuits have also been filed in connection with the Company s public announcement that it would restate certain of its financial results due to a change in the Company s accounting treatment for certain exploration and development costs. Two cases were filed in the Second Judicial District Court of the State of Nevada in and for the County of Washoe on March 16, 2010 and April 21, 2010, and two cases were filed in the United States District Court for the District of Nevada on March 29, 2010 and June 7, 2010. All four lawsuits assert claims brought derivatively on behalf of the Company against certain of its directors and officers for alleged breach of fiduciary duty and other claims, including waste of corporate assets and unjust enrichment.

The two stockholder derivative cases filed in the Second Judicial District Court of the State of Nevada in and for the County of Washoe were consolidated by the Court in an order dated May 27, 2010, and the plaintiffs filed a consolidated derivative complaint on September 7, 2010. In accordance with a stipulation between the parties, defendants filed a motion to dismiss on November 16, 2010. On April 18, 2011, the Court stayed the state derivative case pending the resolution of the securities class action lawsuits.

The two stockholder derivative cases filed in the United States District Court for the District of Nevada were consolidated by the Court in an order dated August 31, 2010, and plaintiffs filed a consolidated derivative complaint on October 28, 2010. The Company filed a motion to dismiss on December 13, 2010. On March 7, 2011, the Court transferred the federal derivative case to the Court presiding over the securities class action, and on August 29, 2011, the Court stayed the federal derivative case pending the resolution of the securities class action lawsuits.

The parties to all the stockholder derivative cases executed a stipulation of settlement to resolve all cases on September 25, 2012. The stipulation provides that: (i) all claims asserted in the derivative cases will be dismissed with prejudice and that plaintiffs will release the defendants from all claims; (ii) the Company will implement and/or maintain certain corporate governance measures for no less than five years; and (iii) plaintiffs counsel will receive attorneys fees of $700,000 to be funded by the Company s insurers. The stipulation of settlement received preliminary approval on October 22, 2012. It still remains subject to final approval following notice to the Company s stockholders.

The Company believes the allegations in these purported derivative actions are without merit and, as part of the settlement, continues to deny any liability or wrongdoing.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Other

On January 4, 2012, the California Unions for Reliable Energy (CURE) filed a petition in the Alameda Superior Court, naming the California Energy Commission (CEC) and the Company as defendant and real party in interest, respectively. The petition asks the Court to order the CEC to vacate its decision which denied, with prejudice, the complaint filed by CURE against the Company with the CEC. The CURE complaint alleged that the Company s North Brawley project and East Brawley project both exceed the CEC s 50 MW jurisdictional threshold and therefore are subject to the CEC licensing authority rather than the Imperial County licensing authority. In addition, the CURE petition asks the Court to investigate and halt any ongoing violation of the Warren Alquist Act by the Company, and to award CURE attorney s fees and costs. As to North Brawley, CURE alleges that the CEC decision violated the Warren Alquist Act because it failed to consider provisions of the County permit for North Brawley, which CURE contends authorizes the Company to build a generating facility with a number of Ormat Energy Converters (OECs) capable of generating more than 50 MW. As to East Brawley, CURE alleges that the CEC decision violated the Warren Alquist Act because it failed to consider the conditional use permit application for East Brawley, which CURE contends shows that the Company requested authorization to build a facility with a number of OECs capable of generating more than 50 MW.

The Company believes that the petition is without merit and intends to respond and take necessary legal action to dismiss the proceedings. The parties have filed briefs in the proceeding, and the matter is set for hearing. The filing of the petition in and of itself does not have any immediate adverse implications for the North Brawley or East Brawley projects and the Company continues to operate the North Brawley project in the ordinary course of business and is proceeding with its development work on the East Brawley project.

From time to time, the Company is named as a party in various other lawsuits, claims and other legal and regulatory proceedings that arise in the ordinary course of its 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 CASH DIVIDENDS

On May 8, 2012, the Company s Board of Directors declared, approved and authorized payment of a quarterly dividend of $1.8 million ($0.04 per share) to all holders of the Company s issued and outstanding shares of common stock on May 21, 2012. Such dividend was paid on May 30, 2012.

On August 1, 2012, the Company s Board of Directors declared, approved and authorized payment of a quarterly dividend of $1.8 million ($0.04 per share) to all holders of the Company s issued and outstanding shares of common stock on August 14, 2012. Such dividend was paid on August 23, 2012.

NOTE 12 INCOME TAXES

The Company s effective tax rate for the three months ended September 30, 2012 and 2011 was 67.0% and 39.7%, respectively. The Company s effective tax rate for the nine months ended September 30, 2012 and 2011 was 38.8% and 711.8%, respectively. The effective tax rate differs from the federal statutory rate of 35% primarily due to the increase in the valuation allowance against the Company s U.S. deferred tax assets in respect of net operating loss (NOL) carryforwards and unutilized tax credits (see below), offset by: (i) lower tax rates in Israel; and (ii) a tax credit and tax exemption related to the Company s subsidiaries in Guatemala.

Table of Contents

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

At December 31, 2011, the Company had U.S. NOL carryforwards of approximately $349.5 million and state NOL carryforwards of approximately $159.0 million available to reduce future taxable income, which expire between 2021 and 2031 for federal NOLs and between 2015 and 2031 for state NOLs. Investment tax credits in the amount of $2.0 million at December 31, 2011 are available for a 20-year period and expire between 2022 and 2024. Production tax credits in the amount of $59.9 million at December 31, 2011 are available for a 20-year period and expire between 2026 and 2031.

Realization of the deferred tax assets is dependent on generating sufficient taxable income in appropriate jurisdictions prior to expiration of the NOL carryforwards and tax credits. The scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies were considered in determining the amount of valuation allowance. A valuation allowance in the amount of $61.5 million was recorded against the U.S. deferred tax assets as of December 31, 2011 because, at this point in time, it is more likely than not that the deferred tax assets will not be realized. Such valuation allowance was increased to $97.3 million as of September 30, 2012. If sufficient evidence of the Company s ability to generate taxable income is established in the future, the Company may be required to reduce this valuation allowance, resulting in income tax benefits in its consolidated statement of operations and comprehensive income (loss).

The Company s subsidiary, Ormat Systems Ltd. (Ormat Systems), received Benefited Enterprise status under Israel s Law for Encouragement of Capital Investments, 1959 (the Investment Law), with respect to two of its investment programs. As a Benefited Enterprise, Ormat Systems was exempt from Israeli income taxes with respect to income derived from the first benefited investment for a period of two years beginning in 2004, and thereafter such income was subject to reduced Israeli income tax rates, which will not exceed 25% for an additional five years until 2010. Ormat Systems was also exempt from Israeli income taxes with respect to income derived from the second benefited investment for a period of two years beginning in 2007, and thereafter such income was subject to reduced Israeli income tax rates, which will not exceed 25% for an additional five years until 2013 (see also below). In January 2011, new legislation amending the Investment Law was enacted. Under the new legislation, a uniform rate of corporate tax would apply to all qualified income of certain industrial companies, as opposed to the current law s incentives that are limited to income from a Benefited Enterprise during their benefits period. According to the amendment, the uniform tax rate applicable to the zone where the production facilities of Ormat Systems are located would be 15% in 2011 and 2012, 12.5% in 2013 and 2014, and 12% in 2015 and thereafter. Under the transitory provisions of the new legislation, Ormat Systems had the option either to irrevocably comply with the new law while waiving benefits provided under the previous law or to continue to comply with the previous law during a transition period with the option to move from the previous law to the new law at any stage. Ormat Systems decided to irrevocably comply with the new law starting in 2011. As a result, the deferred taxes as of December 31, 2010 have been reduced by $0.5 million. This amount reduced the tax provision for the nine months ended September 30, 2011 by such amount.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

	Nine Months Ended September 30,	
	2012	2011
	(Dollars in thousands)	
Balance at beginning of period	$ 5,875	$ 5,431
Additions based on tax positions taken in prior years	1,264	190
Decrease for settlements with taxing authorities		(1,376)
Balance at end of period	$ 7,139	$ 4,245

ORMAT TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 13 SUBSEQUENT EVENTS

Swap Contracts on Natural Gas Prices

On October 11, 2012, the Company entered into NGI swap contracts for notional volume of approximately 8.9 million MMbtus with a bank for settlement effective from January 1, 2013 until December 31, 2013, in order to reduce its exposure to NGI below $4.00 per MMbtu under its PPAs with Southern California Edison. The contracts did not have up-front costs. Under the terms of these contracts, the Company will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contracts have monthly settlements whereby the difference between the fixed price of $4.00 per MMbtu and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (January 1, 2013 to December 1, 2013) will be settled on a cash basis. These contracts will not be designated as hedge transactions and will be marked to market with the corresponding gains or losses recognized within electricity revenues in the condensed consolidated statements of operations and comprehensive income (loss).

Options Grant

On November 6, 2012, the Company granted to each of its six non-employee directors options to purchase 7,500 shares of common stock, under the Company s 2012 Incentive Plan at an exercise price of $18.56 per share. Such options will expire seven years from the date of grant and will vest on the first anniversary of the date of grant.

Table of Contents

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 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 due to a number of risks and uncertainties, many of which are beyond our control. Other than as required by law, we will not update forward-looking statements even though our situation may change in the future.

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;
- operating risks, including equipment failures and the amounts and timing of revenues and expenses;
- geothermal resource risk (such as the heat content, useful life and geological formation of the reservoir);
- financial market conditions and the results of financing efforts;
- the impact of fluctuations in oil and natural gas prices on the energy price component under certain of our power purchase agreements (PPAs);
- 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;
- political, legal, regulatory, governmental, administrative and economic conditions and developments in the United States and other countries in which we operate;
- the enforceability of the long-term PPAs for our power plants;

contract counterparty risk;

weather and other natural phenomena;

the impact of recent and future federal and state 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 United States and elsewhere, and carbon-related legislation;

Table of Contents

- 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;
- competition from other existing geothermal energy projects and new geothermal energy projects developed in the future, as well as from alternative electricity producing technologies;
- the effect of and changes in economic conditions in the areas in which we operate;
- market or business conditions and fluctuations in demand for energy or capacity in the markets in which we operate;
- the direct or indirect impact on our company s business resulting from the threat or occurrence of 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;
- 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;
- development and construction of the solar photovoltaic (Solar PV) projects may not materialize as planned;
- the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011 and any update contained herein and other risks and uncertainties detailed from time to time in our filings with the Securities and Exchange Commission (SEC); and
- other uncertainties which are difficult to predict or beyond our control and the risk that we incorrectly analyze these risks and forces or that the strategies we develop to address them could be unsuccessful.

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. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

General

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. See also Cautionary Note Regarding Forward-Looking Statements above and Item 1A Risk Factors below for a discussion of important factors that could cause actual results to differ materially from the results described herein or implied by such forward-looking statements.

Overview

We are a leading vertically integrated company engaged primarily in the geothermal and recovered energy power business. We design, develop, build, sell, own and operate clean, environmentally friendly geothermal and recovered energy-based power plants, in most cases using equipment that we design and manufacture.

Our geothermal power plants include both power plants that we have built and power plants that we have acquired, while all of our recovered energy-based plants have been constructed by us. We conduct our business activities in two business segments:

The Electricity Segment in this segment, we develop, build, own and operate geothermal and recovered energy-based power plants in the United States and geothermal power plants in other countries around the world, and sell the electricity they generate. We have expanded our activities in the Electricity Segment to include the ownership and operation of power plants that produce electricity generated by Solar PV systems that we do not manufacture; and

Table of Contents

The Product Segment in this segment we design, manufacture and sell equipment for geothermal and recovered energy-based electricity generation, remote power units and other power generating units and provide services relating to the engineering, procurement, construction, operation and maintenance of geothermal and recovered energy-based power plants.

Both our Electricity Segment and Product Segment operations are conducted in the United States and throughout the world. Our current generating portfolio includes geothermal power plants in the United States, Guatemala, Kenya, and Nicaragua, as well as recovered energy generation (REG) plants in the United States.

For the nine months ended September 30, 2012, our total revenues increased by 27.1% (from $313.3 million to $398.3 million) over the same period last year.

For the nine months ended September 30, 2012, total Electricity Segment revenues were $248.7 million, compared to $246.3 million for the nine months ended September 30, 2011, an increase of 1.0%, while Product Segment revenues were $149.6 million for the nine months ended September 30, 2012, compared to $67.0 million for the nine months ended September 30, 2011, an increase of 123.3%.

For the nine months ended September 30, 2012, our Electricity Segment revenues represented approximately 62.4% of our total revenues, while our Product Segment revenues represented approximately 37.6% of our total revenues. For the nine months ended September 30, 2011, our Electricity Segment revenues represented approximately 78.6% of our total revenues, while our Product Segment revenues represented approximately 21.4% of our total revenues. The increase in Product Segment revenues reflects the increase in new customer orders that we secured in 2011, particularly the $130.0 million order we received from Mighty River Power Limited for the Ngatamariki Geothermal Field in New Zealand, which project is underway in 2012 and is expected to be completed in 2013.

Revenues from our Electricity Segment are derived from sales of electricity generated by our power plants pursuant to long-term PPAs. We have variable price PPAs in California, Hawaii and Guatemala:

The energy rate under the PPAs in California for the Ormesa complex, the Mammoth complex, and the Heber 1 and Heber 2 power plants (the California SO#4 PPAs), changed in the beginning of May 2012, from a fixed to a variable rate that is subject to the impact of fluctuations in natural gas prices.

The prices paid for the electricity pursuant to the 25 megawatts (MW) PPA for the Puna complex in Hawaii are variable and based on the local utility s 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. The prices, which are calculated on a monthly basis, are mainly impacted by the price of oil.

The energy price under the Amatitlan PPA in Guatemala is fixed, but we have the option to sell the power with advance notice to the spot market.

We have reduced our exposure to fluctuations in the price of natural gas and oil until December 31, 2013 by entering into derivative contracts, as described below under the heading Recent Developments .

In the nine months ended September 30, 2012, approximately 79.9% of our Electricity Segment revenues were derived from PPAs with fixed energy rates, which are not affected by the fluctuations in energy commodity prices. Electricity Segment revenues are also subject to seasonal variations and can be affected by higher-than average ambient temperatures, as described below under the heading Seasonality .

Revenues attributable to our Product Segment are based on the sale of equipment and the provision of various services to our customers. These revenues may vary from period to period because of the timing of our receipt of purchase orders and the progress of our execution of each project.

Our management assesses the performance of our two segments of operation differently. In the case of our Electricity Segment, when making decisions about potential acquisitions or the development of new projects, we

typically focus on the internal rate of return of the relevant investment, relevant technical and geological matters and other relevant business considerations. We evaluate our operating power plants based on revenues and expenses, and our projects that are under development based on costs attributable to each such project. We evaluate the performance of our Product Segment based on the timely delivery of our products, performance quality of our products, and costs actually incurred to complete customer orders compared to the costs originally budgeted for such orders.

Recent Developments

The most significant recent developments in our company and business are described below.

Since the beginning of the year we entered into two new PPAs with Pacific Gas and Electric Company (PG&E) under the Renewable Auction Mechanism (RAM) program in California (discussed below under the heading Trends and Uncertainties) to replace existing SO#4 PPAs:

We signed a 20-year PPA that was approved by the California Public Utilities Commission (CPUC), for the sale of up to 14 MW of energy to be produced from the G3 power plant in the Mammoth complex in California. Subject to final agreement with the current offtaker, Southern California Edison Company (Southern California Edison), we expect to start selling the electricity under the new PPA at the very end of 2012.

We signed a 20-year PPA for the sale of up to 7.5 MW of energy to be produced from the G1 power plant in the Mammoth complex in California. The PPA is subject to the approval of the CPUC and to final agreement with Southern California Edison. We expect to start selling the electricity under the new PPA toward the end of 2013.

Since April 2012, we have entered into several derivatives transactions to reduce our exposure to fluctuations in the price of natural gas and oil under our PPAs with Southern California Edison and under the 25 MW PPA for the Puna complex. These transactions have not been designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within electricity revenues.

In October 2012, we entered into Natural Gas California SoCal NGI (NGI) swap contracts for settlement effective from January 1, 2013 until December 31, 2013. The swap contracts have monthly settlements whereby the difference between the NGI and fixed price of $4.00 per MMbtu will be settled on a cash basis. Under the terms of these contracts, we will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. These swap contracts fix the energy rates under the SO#4 PPAs. The capacity payments under these PPAs remain fixed.

In September 2012, we entered into European put transactions with two banks for settlement effective from January 1, 2013 until December 31, 2013, pursuant to which we purchased NYMEX Heating Oil and ICE Brent put options. We entered into these transactions because both options had a high correlation with the avoided costs that Hawaii Electric Light Company (HELCO) uses to calculate the energy rate for the 25 MW PPA for the Puna complex. Under these transactions, we will receive on each settlement date the difference between the strike price and the respective monthly average market price of the relevant commodity. If the strike price is lower than the monthly average market price, no payment will be made. These transactions ensure a minimum on-peak energy rate and the capacity payments under these PPAs remain fixed.

In July 2012, we entered into a European put transaction with a bank for settlement effective from August 1, 2012 until December 31, 2012, pursuant to which we purchased a natural gas put option for 0.7 million MMbtus that settles against NGI. We entered into this transaction in order to reduce our exposure to NGI below $3.19 per MMbtu under our California SO#4 PPAs with Southern California Edison. We paid an up-front premium of approximately $0.2 million that was recorded as a current asset and is marked to market on each balance sheet date. Under this

Table of Contents

transaction we will receive from the bank on each settlement date the difference between the strike price of $3.19 per MMbtu and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (July 1, 2012 to December 1, 2012). If the strike price is lower than the market price, no payment will be made.

In May 2012, we entered into a European put transaction with a bank for settlement effective from July 1, 2012 until December 31, 2012, pursuant to which we purchased a natural gas put option for 4.4 million MMbtus that settles against NGI. We entered into this transaction in order to reduce our exposure to NGI below $3.08 per MMbtu under our California SO#4 PPAs with Southern California Edison. We paid an up-front premium of approximately $1.6 million that was recorded as a current asset and is marked to market on each balance sheet date. Under this transaction we will receive from the bank on each settlement date the difference between the strike price of $3.08 per MMbtu and the market price on the first commodity business day on which the relevant commodity reference price is published in the relevant calculation period (July 1, 2012 to December 1, 2012). If the strike price is lower than the market price, no payment will be made.

In April 2012, we entered into a NYMEX Heating Oil swap contract (85%) and an ICE Brent swap contract (15%) with a bank, each of which is effective from May 1, 2012 until March 31, 2013. We entered into these contracts because both swaps had a high correlation with the avoided costs that HELCO uses to calculate the energy rate for the 25 MW PPA for the Puna complex. Fuel prices in April 2012 were at historically high levels and we wanted to protect ourselves from a decrease in prices over the next twelve months. The contracts did not have up-front costs. Under the terms of these contracts, we will make floating rate payments to the bank and receive fixed rate payments from the bank on each settlement date. The swap contracts have monthly settlements whereby the difference between the fixed price and the monthly average price will be settled on a cash basis.

In the second and third quarters of 2012, we received approximately $119.2 million in cash grants from the U.S. Department of the Treasury (U.S. Treasury) under Section 1603 of the American Recovery and Reinvestment Act of 2009 (ARRA) for specified energy property in lieu of tax credits relating to the enhancement of our Puna geothermal complex, and to our Jersey Valley, Tuscarora and McGinness Hills geothermal power plants.

In September 2012, we entered into European put transactions with two banks for settlement effective from January 1, 2013 until December 31, 2013, pursuant to which we purchased NYMEX Heating Oil and ICE Brent put options to reduce the Company s exposure to fluctuations in the energy rate caused by fluctuations in oil prices under the 25 MW PPA for the Puna complex. We entered into these transactions because both options had a high correlation with the avoided costs that HELCO uses to calculate the energy rate. Under these transactions, we will receive on each settlement date the difference between the strike price and the respective monthly average market price of the relevant commodity. If the strike price is lower than the monthly average market price, no payment will be made. These transactions ensure a minimum on-peak energy rate of approximately $182 per MWh. The capacity payment under these PPAs remains fixed. These transactions have not been designated as hedge transactions and are marked to market with the corresponding gains or losses recognized within electricity revenues.

In August 2012, our indirect wholly owned subsidiary, OrPower 4, Inc. (OrPower 4), and the Overseas Private Investment Corporation (OPIC), an agency of the United States Government, signed a finance agreement for limited-recourse project financing (Finance Agreement) totaling up to $310 million for the Olkaria III geothermal power complex located in Naivasha, Kenya. The OPIC loan is comprised of up to three tranches. The first two tranches totaled up to $265 million, with a final maturity of approximately 18 years. The loan will be used to pay costs of the existing facility and fund construction and well field drilling for the expansion of the Olkaria III geothermal power complex which could generate up to 84 MW. The Finance Agreement also includes a standby tranche of up to $45 million in

the event OrPower 4 elects to construct a further expansion of up to 16 MW. Disbursements of the OPIC loan are subject to fulfillment of customary conditions precedent for funding, which we expect will be satisfied before December 31, 2012.

In August 2012, NV Energy, Inc. (NV Energy) approved the commercial operation date of our 30 MW McGinness Hills power plant in Nevada and the full energy price under the PPA has been paid retroactive to July 1, 2012.

In July 2012, our wholly owned subsidiary, Ormat Nevada Inc. (Ormat Nevada), entered into a $61.4 million engineering, procurement and construction (EPC) contract with Enel Green Power North America (Enel). Under the terms of the EPC contract, we will provide two air-cooled Ormat Energy Converters at Enel s Cove Fort geothermal power plant project in southern Utah. Previously, on April 25, 2012, we entered into an interim agreement in the amount of $9.1 million to ensure timely completion of the project.

In May 2012, NV Energy approved the commercial operation date of our 18 MW Tuscarora power plant in Nevada, and the full energy price under the PPA has been paid retroactive to January 1, 2012.

In May 2012, Bronicki Investments Ltd. (Bronicki Investments), the controlling shareholder of our parent company, Ormat Industries Ltd. (Ormat Industries), completed the sale of part of its interest in Ormat Industries to FIMI ENRG Limited Partnership, a newly formed Israeli partnership, and FIMI ENRG, L.P., a newly formed Delaware partnership, both controlled by FIMI Opportunity IV (collectively, FIMI), whereby Bronicki Investments sold to FIMI approximately 11.7% of the issued and outstanding shares of Ormat Industries. Following consummation of the transaction, each of Bronicki Investments and FIMI now holds 22.499% of the issued and outstanding shares of Ormat Industries, and the parties collectively own 44.999% of the issued and outstanding shares of Ormat Industries. In addition, effective May 22, 2012, Gillon Beck, a senior partner in FIMI, was appointed as the chairman of our Board of Directors; Ami Boehm, David Granot and Robert E. Joyal were appointed to our Board; and Lucien Y. Bronicki (our former Chairman), Roger W. Gale and David Wagener (former members of our Board) resigned from their respective positions on our Board of Directors.

In February 2012, Geothermal Development Company (GDC), a company owned by the Government of Kenya, awarded our subsidiary the first well head power plant project in the Menengai geothermal field in Kenya on a Build-Own-Transfer basis. The award was the result of an international tender for the design, manufacturing, procurement, construction and commissioning of a 6 MW geothermal well head power plant. GDC will supply the steam for conversion to electricity by our power plant. The Menengai geothermal field is located on the outskirts of the town of Nakuru, about 110 miles west of Nairobi.

In January 2012, the Public Utilities Commission of Nevada (PUCN) approved the 20-year PPA that we signed in February 2011 with NV Energy to sell 30 MW from the Dixie Meadows geothermal project that we are developing in Churchill County, Nevada.

Trends and Uncertainties

The geothermal industry in the United States has historically experienced significant growth followed by a consolidation of owners and operators of geothermal power plants. During the 1990s, growth and development in the geothermal industry occurred primarily in foreign markets and only minimal growth and development occurred in the United States. Since 2001, there has been increased demand for energy generated from geothermal resources in the United States as costs for electricity generated from geothermal resources have become more competitive relative to fossil fuel generation. This has been partly due to increasing natural gas and oil prices during much of this period and, equally important, to newly enacted legislative and regulatory requirements and incentives, such as state renewable portfolio standards and federal tax credits. The ARRA further encourages the use of geothermal energy through production tax credits (PTCs) or investment tax credits (ITCs) as well as cash grants (which are discussed in more detail in the section entitled Government Grants and

Table of Contents

Tax Benefits below). In response, the geothermal industry in the United States has seen a wave of new entrants and, over the last several years, consolidation involving smaller developers. We see the increasing demand for energy generated from geothermal and other renewable resources in the United States and the further introduction of renewable portfolio standards as significant trends affecting our industry today and in the immediate future. Our operations and the trends that from time to time impact our operations are subject to market cycles.

Although other trends, factors and uncertainties may impact our operations and financial condition, including many that we do not or cannot foresee, we believe that our results of operations and financial condition for the foreseeable future will be affected by the following trends, factors and uncertainties:

We expect to continue to generate the majority of our revenues from our Electricity Segment through the sale of electricity from our power plants. Substantially all of our current revenues from the sale of electricity are derived from payments under long-term PPAs related to fully-contracted power plants. We also intend to continue to pursue opportunities, as they arise, in our recovered energy business and in the Solar PV sector.

Our primary focus continues to be our organic growth through exploration, development, and construction of new projects and enhancements of existing power plants. We expect that this investment in organic growth will increase our total generating capacity, consolidated revenues and operating income attributable to our Electricity Segment from year to year. In addition, we routinely look at acquisition opportunities.

The continued awareness of climate change may result in significant changes in the business and regulatory environments, which may create business opportunities for us. In 2011, the first phase of the U.S. Environmental Protection Agency s (EPA) Tailoring Rule took effect. The Tailoring Rule sets thresholds addressing the applicability of the permitting requirements under the Clean Air Act s Prevention of Significant Deterioration and Title V programs to certain major sources of greenhouse gas (GHG) emissions. Federal legislation or additional federal regulations addressing climate change are possible. Several states and regions are already addressing climate change. For example, California s state climate change law, AB 32, which was signed into law in September 2006, regulates most sources of GHG emissions and aims to reduce GHG emissions to 1990 levels by 2020. On October 20, 2011 the California Air Resources Board (CARB) adopted cap-and-trade regulations to reduce California s greenhouse gas emissions under AB 32. In addition to California, twenty-two other states have set GHG emissions targets or goals. Regional initiatives, such as the Western Climate Initiative (which includes California and four Canadian provinces) and the Midwest GHG Reduction Accord (which includes six U.S. states and one Canadian province), are also being developed to reduce GHG emissions and develop trading systems for renewable energy credits. In addition, twenty-nine U.S. states and the District of Columbia have adopted Renewable Portfolio Standards (RPS) and eight other states have adopted renewable portfolio goals. On April 12, 2011, Governor Jerry Brown signed California Senate Bill X1-2 (SBX1-2) which increased California s RPS to 33% by December 31, 2020 and instituted a tradable Renewable Energy Credit (REC) program. SBX1-2 is expected to foster a liquid tradable REC market and lead to more creative off-take arrangements. Although we cannot predict at this time whether the tradable REC program under SBX1-2 and its implementing regulations will have a significant impact on our operations or revenue, it may facilitate additional options when negotiating PPAs and selling electricity from our projects. The CPUC recently authorized the utilities to procure 1,299 MW through the RAM program, a procurement mechanism for renewable distributed generation projects greater than 3 MW and up to 20 MW, by holding four auctions over two years. We expect that the additional demand for renewable energy from utilities in California will outpace a possible reduction in general demand for energy (if any) due to the effect of economic conditions. We see this demand in California after 2016 driven by the impact of the increase in California s RPS. This may create opportunities for us to replace the remainder of our existing SO#4 PPAs, expand existing power plants and develop new power plants.

Outside of the United States, we expect that a variety of government initiatives will create new opportunities for the development of new projects, as well as create additional markets for our products. These initiatives include the award of long-term contracts to independent power generators, the creation of competitive wholesale markets for selling and trading energy, capacity and related energy products, and the adoption of programs designed to encourage clean renewable and sustainable energy sources.

We expect competition from the wind and solar power generation industry to continue. While the expected demand for renewable energy is large enough to accommodate increased competition, the increase in competition and the amount of renewable energy under contract may contribute to a reduction in electricity prices. Despite increased competition from the wind and solar power generation industry, we believe that baseload electricity, such as geothermal-based energy, will continue to be a leading source of renewable energy in areas with commercially viable geothermal resources.

The business environment for obtaining new PPAs in California has become more difficult. Currently, the three investor-owned utilities in California appear to have sufficient renewable energy under contract to satisfy their RPS goals over the next few years.

In the Product Segment, we expect increased competition from binary power plant equipment suppliers. While we believe that we have a distinct competitive advantage based on our accumulated experience and current worldwide share of installed binary generation capacity, which is in excess of 90%, an increase in competition may impact our ability to secure new purchase orders from potential customers. The increased competition may also lead to a reduction in the prices that we are able to charge for our binary equipment, which in turn may impact our profitability.

North America is the largest and most developed natural gas market in the world. As recently as five years ago, the region was considered to be short on supply, with an expected need to import significant volumes of liquefied natural gas (LNG) from the international gas market to balance supply with expected demand. The rise of shale gas production over the last three years has completely changed the natural gas market landscape in North America. The unexpected growth in supply at increasingly lower costs has come at a time when the U.S. economy has been facing constrained demand growth for natural gas. Among other things, this has led to an increased interest in exporting natural gas from the U.S., in the form of LNG. Various natural gas companies and other project sponsors have recently applied, and in some cases, have already received an export license to export LNG to countries with which the U.S. has a free trade agreement providing comity in trading natural gas (FTA-nations) and to other non-FTA nations. At the same time, environmentalists, regulators, natural gas companies and the public have been focusing more attention on the potential environmental impacts associated with natural gas fracking, including possible chemical leakage, ground water contamination and other effects, which may slow development in some areas. The changing natural gas landscape, and the resulting effect on natural gas pricing (in either direction) and the corresponding implications for electric utilities and other producers of electricity in terms of planning for and choosing a source of fuel, all combine to affect the pricing under our PPAs that have short run avoided costs (SRAC) pricing or that are otherwise tied to natural gas prices**.** In addition, the current low natural gas price level is causing some producers to shut-in wells, which in turn may increase natural gas prices.

Our 25 MW PPA for the Puna complex has a monthly variable energy rate based on the local utility s avoided costs, which is the incremental cost that the power purchaser avoids by not having to generate such electrical energy itself or purchase it from others. A decrease in the price of oil will result in a decrease in the incremental cost that the power purchaser avoids by not generating its electrical energy needs from oil, which will result in a reduction of the energy rate that we may charge under this PPA and under any other variable energy rate in PPAs that we may enter into in the future. As described above under the heading Recent Developments , we have entered into swap and put contracts to reduce our exposure to fluctuations in the energy rate caused by fluctuations in oil prices through December 31, 2013.

Table of Contents

Our PPAs for the Ormesa complex, the Mammoth complex and the Heber 1 and 2 power plants were fixed until May 1, 2012. As of this date, the energy price component under these PPAs has changed from a fixed rate to a variable rate based on SRAC pricing, as required under a global settlement relating primarily to purchase and payment obligations of investor-owned utilities in California. These PPAs are impacted by fluctuations in natural gas prices. As described above under the heading Recent Developments , we have entered into put and swap transactions to reduce our exposure to fluctuations in natural gas prices through December 31, 2013. Our use of derivative instruments for this purpose has increased, and likely will continue to increase, volatility in revenues and certain other line items in our financial statements due to applicable accounting standards.

We are experiencing a notable decrease in competition in the U.S. geothermal industry, specifically in the acquisition of geothermal leases. The reduced level of competition has contributed to a decrease in lease costs.

In the United States, we have noticed increased activity from union organizers to encourage employees to join unions that will act as bargaining representatives. We currently do not have employees represented by unions under collective bargaining agreements. However, a union has recently filed a petition with the National Labor Relations Board (NLRB) in an attempt to organize our employees in our Puna complex in Hawaii. The matter is being processed and adjudicated under NLRB procedures.

The viability of a geothermal resource depends on various factors, such as the resource temperature, the permeability of the resource (i.e., the ability to get geothermal fluids to the surface) and operational factors relating to the extraction and injection of the geothermal fluids. Such factors, together with the possibility that we may fail to find commercially viable geothermal resources in the future, represent significant uncertainties that we face in connection with our growth expectations.

As our power plants age, they may require increased maintenance with a resulting decrease in their availability, potentially leading to the imposition of penalties if we are not able to meet the requirements under our PPAs as a result of any decrease in availability.

Our foreign operations are subject to significant political, economic and financial risks, which vary by country. As of today, those risks include the partial privatization of the electricity sector in Guatemala, labor unrest in Nicaragua and the political uncertainty currently prevailing in some of the countries in which we operate. Although we maintain political risk insurance for most of our foreign power plants to mitigate these risks, insurance does not provide complete coverage with respect to all such risks.

The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission (FERC) to revise the Public Utility Regulatory Policies Act (PURPA) so as to terminate the obligation of electric utilities to purchase the output of a Qualifying Facility if FERC finds that there is an accessible competitive market for energy and capacity from the Qualifying Facility. The legislation does not affect existing PPAs. We do not expect this change in law to affect our U.S. power plants significantly, as all except one of our current PPAs are long-term. FERC recently granted the California investor-owned utilities a waiver of the mandatory purchase obligations from Qualifying Facilities above 20 MW. If the utilities in the regions in which our domestic power plants operate were to be relieved of the mandatory purchase obligation, they would not be required to purchase energy from us upon termination of the existing PPA, which could have an adverse effect on our revenues.

Revenues

We generate our revenues from the sale of electricity from our geothermal and recovered energy-based power plants; the design, manufacture and sale of equipment for electricity generation; and the construction, installation and engineering of power plant equipment.

Revenues attributable to our Electricity Segment are derived from the sale of electricity from our power plants pursuant to long-term PPAs. We have variable price PPAs in California, Hawaii and Guatemala. Our

Table of Contents

California SO#4 PPAs are subject to the impact of fluctuations in natural gas prices. The prices paid for electricity pursuant to the 25 MW PPA for the Puna complex in Hawaii are impacted by the price of oil. The energy price under the Amatitlan PPA in Guatemala is fixed, but we have the option to sell the power with an advance notice to the spot market. Accordingly, our revenues from those power plants may fluctuate. As discussed above in the section entitled Recent Developments, in the second, third and fourth quarters of 2012, we entered into swap contracts and put transactions to reduce our exposure to fluctuations in the prices of natural gas and oil, under the California SO#4 PPAs and under the 25 MW PPA for the Puna complex, until December 31, 2013.

Our Electricity Segment revenues are also subject to seasonal variations, as more fully described in the section entitled Seasonality below, and may also be affected by higher-than-average ambient temperature, which could cause a decrease in the generating capacity of our power plants, and by unplanned major maintenance activities related to our power plants.

Our PPAs generally provide for the payment of energy payments alone, or energy and capacity payments. Generally, capacity payments are payments calculated based on the amount of time that our power plants are available to generate electricity. Some of our PPAs provide for bonus payments in the event that we are able to exceed certain target capacity levels and the potential forfeiture of payments if we fail to meet certain minimum target capacity levels. Energy payments, on the other hand, are payments calculated based on the amount of electrical energy delivered to the relevant power purchaser at a designated delivery point. The rates applicable to such payments are either fixed (subject, in certain cases, to certain adjustments) or are based on the relevant power purchaser s avoided cost, its alternative cost of obtaining energy. Our more recent PPAs generally provide for energy payments alone with an obligation to compensate the off-taker for its incremental costs as a result of shortfalls in our supply.

Revenues attributable to our Product Segment fluctuate between periods, mainly based on our ability to win customer orders and the status and timing of such orders. Larger customer orders for our products are typically the result of our participating in, and winning, tenders or requests for proposals issued by potential customers in connection with projects they are developing. Such projects often take a significant amount of time to design and develop and are often subject to various contingencies, such as the customer s ability to raise the necessary financing for a project. As a result, we are generally unable to predict the timing of such orders for our products and may not be able to replace existing orders that we have completed with new ones. As a result, revenues from our Product Segment fluctuate (and at times, extensively) from period to period. In 2011, we experienced a significant increase in our Product Segment customer orders, which has increased our Product Segment backlog. We expect that our Product Segment revenues will remain robust until the end of 2013 as a result of these new orders and increased backlog.

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

	Revenues in Thousands				**% of Revenues for Period Indicated**			
	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues:								
Electricity	$ 81,452	$ 86,815	$ 248,710	$ 246,273	59.8%	78.3%	62.4%	78.6%
Product	54,685	24,026	149,616	67,002	40.2	21.7	37.6	21.4
Total	$ 136,137	$ 110,841	$ 398,326	$ 313,275	100.0%	100.0%	100.0%	100.0%

Table of Contents

Geographical Breakdown of Revenues

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

	Revenues in Thousands				% of Revenues for Period Indicated			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011	2012	2011	2012	2011
Electricity Segment:								
United States	$ 59,179	$ 66,951	$ 185,910	$ 188,400	72.7%	77.1%	74.7%	76.5%
Foreign	22,273	19,864	62,800	57,873	27.3	22.9	25.3	23.5
Total	$ 81,452	$ 86,815	$ 248,710	$ 246,273	100.0%	100.0%	100.0%	100.0%
Product Segment:								
United States	$ 11,417	$	$ 11,417	$	20.9%	0.0%	7.6%	0.0%
Foreign	43,268	24,026	138,199	67,002	79.1	100.0	92.4	100.0
Total	$ 54,685	$ 24,026	$ 149,616	$ 67,002	100.0%	100.0%	100.0%	100.0%

Seasonality

The prices paid for the electricity generated by some of our domestic power plants pursuant to our PPAs are subject to seasonal variations. The prices paid for electricity under the PPAs with Southern California Edison in California for the Heber 1 and 2 plants, the Mammoth complex, the Ormesa complex, and the North Brawley plant are higher in the months of June through September. As a result, we receive, and will receive in the future, higher revenues during such months. The prices paid for electricity pursuant to the PPAs of our power plants in Nevada have no significant changes during the year. In the winter, due principally to the lower ambient temperature, our power plants produce more energy and as a result we receive higher energy revenues. However, the higher capacity payments payable by Southern California Edison in the summer months have a more significant impact on our revenues than that of the higher energy revenues generally generated in winter due to increased efficiency. As a result, our electricity revenues are generally higher in the summer than in the winter.

Breakdown of Cost of Revenues

Electricity Segment

The principal cost of revenues attributable to our operating power plants includes operation and maintenance expenses, such as depreciation and amortization, salaries and related employee benefits, equipment expenses, costs of parts and chemicals, costs related to third-party services, lease expenses, royalties, startup and auxiliary electricity purchases, property taxes and insurance. In our California power plants, our principal cost of revenues also includes transmission charges, scheduling charges and purchases of make-up water for use in our cooling towers. Some of these expenses, such as parts, third-party services and major maintenance, are not incurred on a regular basis. This results in fluctuations in our expenses and our results of operations for individual power plants from quarter to quarter. Payments made to government agencies and private entities on account of site leases where plants are located are included in cost of revenues. Royalty payments, included in cost of revenues, are made as compensation for the right to use certain geothermal resources and are paid as a percentage of the revenues derived from the associated geothermal rights. Royalties constituted approximately 4.3% and 3.5%, respectively, of total Electricity Segment revenues for the nine months ended September 30, 2012 and 2011, respectively.

Product Segment

The principal cost of revenues attributable to our Product Segment includes materials, salaries and related employee benefits, expenses related to subcontracting activities, and transportation expenses. Sales commissions paid to sales representatives are included in selling and marketing expenses. Some of the principal expenses attributable to our Product Segment, such as a portion of the costs related to labor, utilities and other support services, are fixed, while others, such as materials, construction, transportation and sales commissions, are variable and may fluctuate significantly, depending on market conditions. As a result, the cost of revenues attributable to our Product Segment, expressed as a percentage of total revenues, fluctuates. Another reason for such fluctuation is that in responding to bids for our products, we price our products and services in relation to existing competition and other prevailing market conditions, which may vary substantially from order to order.

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

Our cash, cash equivalents, marketable securities, and short-term bank deposits as of September 30, 2012 decreased to $40.5 million from $118.4 million as of December 31, 2011. This decrease was principally due to: (i) our use of $186.3 million to fund capital expenditures; (ii) repayment of $28.9 million of long-term debt; (iii) $11.0 million of cash paid to the Class B membership units of OPC LLC (OPC) (see OPC Transaction below); and (iv) net repayment of $26.6 million to borrowers under our revolving credit lines with commercial banks. The decrease in our cash resources was partially offset by: (i) $62.4 million derived from operating activities during the nine months ended September 30, 2012; and (ii) cash grants in the total amount of $119.2 million received from the U.S. Treasury under Section 1603 of the ARRA in the second and third quarters of 2012 relating to the enhancement of our Puna geothermal complex and to our Jersey Valley, Tuscarora and McGinness Hills geothermal power plants. Our corporate borrowing capacity under committed lines of credit with different commercial banks as of September 30, 2012 was $487.2 million, as described below in the section entitled Liquidity and Capital Resources, of which we utilized $401.8 million (including $214.3 million of letters of credit) as of September 30, 2012.

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 annual report on Form 10-K for the year ended December 31, 2011.

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.

Table of Contents

Results of Operations

Our historical operating results in dollars and as a percentage of total revenues are presented below. A comparison of the different periods described below may be of limited utility mainly because of the following: (i) our recent construction of new power plants and enhancement of existing power plants; and (ii) fluctuation in revenues from our Product Segment.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)		(In thousands, except per share data)	
Statements of Operations Historical Data:				
Revenues:				
Electricity	$ 81,452	$ 86,815	$ 248,710	$ 246,273
Product	54,685	24,026	149,616	67,002
	136,137	110,841	398,326	313,275
Cost of revenues:				
Electricity	61,466	57,941	177,350	186,090
Product	42,130	17,137	108,575	43,276
	103,596	75,078	285,925	229,366
Gross margin:				
Electricity	19,986	28,874	71,360	60,183
Product	12,555	6,889	41,041	23,726
	32,541	35,763	112,401	83,909
Operating expenses:				
Research and development expenses	1,436	2,346	3,948	7,128
Selling and marketing expenses	3,445	2,940	13,033	9,325
General and administrative expenses	6,208	6,269	20,315	20,755
Impairment charge	7,264		7,264	
Write-off of unsuccessful exploration activities			1,919	
Operating income	14,188	24,208	65,922	46,701
Other income (expense):				
Interest income	280	438	1,004	1,289
Interest expense, net	(15,400)	(23,909)	(44,541)	(54,431)
Foreign currency translation and transaction gains (losses)	615	(2,659)	(1,127)	(1,546)
Income attributable to sale of tax benefits	2,311	2,344	7,417	7,624
Other non-operating income, net	215	347	344	465
Income before income taxes and equity in losses of investees	2,209	769	29,019	102
Income tax benefit (provision)	(1,479)	305	(11,245)	726
Equity in losses of investees	(1,245)	(71)	(1,542)	(552)
Net income (loss)	(515)	1,003	16,232	276
Net income attributable to noncontrolling interest	(67)	(137)	(278)	(252)
Net income (loss) attributable to the Company s stockholders	$ (582)	$ 866	$ 15,954	$ 24

Earnings (loss) per share attributable to the Company s stockholders basic and diluted	$ (0.01)	$ 0.02	$ 0.35	$ 0.00
Weighted average number of shares used in computation of earnings (loss) per share attributable to the Company s stockholders:				
Basic	45,431	45,431	45,431	45,431
Diluted	45,431	45,440	45,438	45,442

36

Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Statements of Operations Percentage Data:				
Revenues:				
Electricity	59.8%	78.3%	62.4%	78.6%
Product	40.2	21.7	37.6	21.4
	100.0	100.0	100.0	100.0
Cost of revenues:				
Electricity	75.5	66.7	71.3	75.6
Product	77.0	71.3	72.6	64.6
	76.1	67.7	71.8	73.2
Gross margin:				
Electricity	24.5	33.3	28.7	24.4
Product	23.0	28.7	27.4	35.4
	23.9	32.3	28.2	26.8
Operating expenses:				
Research and development expenses	1.1	2.1	1.0	2.3
Selling and marketing expenses	2.5	2.7	3.3	3.0
General and administrative expenses	4.6	5.7	5.1	6.6
Impairment charge	5.3	0.0	1.8	0.0
Write-off of unsuccessful exploration activities	0.0	0.0	0.5	0.0
Operating income	10.4	21.8	16.5	14.9
Other income (expense):				
Interest income	0.2	0.4	0.3	0.4
Interest expense, net	(11.3)	(21.6)	(11.2)	(17.4)
Foreign currency translation and transaction gains (losses)	0.5	(2.4)	(0.3)	(0.5)
Income attributable to sale of tax benefits	1.7	2.1	1.9	2.4
Other non-operating income, net	0.2	0.3	0.1	0.1
Income before income taxes and equity in losses of investees	1.6	0.7	7.3	0.0
Income tax benefit (provision)	(1.1)	0.3	(2.8)	0.2
Equity in losses of investees	(0.9)	(0.1)	(0.4)	(0.2)
Net income (loss)	(0.4)	0.9	4.1	0.1
Net income attributable to noncontrolling interest	(0.0)	(0.1)	(0.1)	(0.1)
Net income (loss) attributable to the Company s stockholders	(0.4)%	0.8%	4.0%	0.0%

Comparison of the Three Months Ended September 30, 2012 and the Three Months Ended September 30, 2011

Total Revenues

Total revenues for the three months ended September 30, 2012 were $136.1 million, compared to $110.8 million for the three months ended September 30, 2011, which represented a 22.8% increase in total revenues. This increase was principally attributable to our Product Segment, in which revenues increased by 127.6% over the same period last year, principally because of the Mighty River Power Limited order for the Ngatamariki Geothermal Field in New Zealand project and the Enel order for the Cove Fort project referred to below. The increase was partially offset by a 6.2% decrease in our Electricity Segment revenues from the same period last year.

Table of Contents

Electricity Segment

Revenues attributable to our Electricity Segment for the three months ended September 30, 2012 were $81.5 million, compared to $86.8 million for the three months ended September 30, 2011, which represented a 6.2% decrease. This decrease was primarily due to: (i) a $9.3 million decrease resulting from the impact of the low natural gas prices on the energy rates under our SO#4 PPAs in California, which in the beginning of May 2012 changed from a fixed rate to a variable rate that is impacted by natural gas prices; and (ii) a net loss of $3.8 million on swap contracts and put transactions on oil prices and put transactions on natural gas prices, which are described above under the heading Recent Developments . In the second quarter of 2012 we recorded a net gain in the amount of $3.8 million from these transactions. These transactions are not designated as hedge transactions for accounting purposes. This decrease was partially offset by $7.8 million in revenues from our Tuscarora and McGinness Hills power plants, which commenced commercial operations in January 2012 and July 2012, respectively. The generation in our power plants increased by 11.7%, from 887,069 MWh in the three months ended September 30, 2011, to 990,674 MWh in the three months ended September 30, 2012, and the average revenue rate of our electricity portfolio decreased from $98 per MWh in the three months ended September 30, 2011, to $82 per MWh in the three months ended September 30, 2012. We revised the calculation of the MWh for our Zunil power plant to reflect the change in the energy payment, which since September 2011 has been based on the actual generation of the power plant. The revenues from our North Brawley power plant both in the third quarter of 2012 and in the third quarter of 2011 were $4.0 million.

Product Segment

Revenues attributable to our Product Segment for the three months ended September 30, 2012 were $54.7 million, compared to $24.0 million for the three months ended September 30, 2011, which represented a 127.6% increase. The increase in our Product Segment revenues reflects the increase in new customer orders that we secured in 2011 and 2012, largely attributable to the $130.0 million order we received from Mighty River Power Limited for the Ngatamariki Geothermal Field in New Zealand project and to the $61.4 million order received from Enel for the Cove Fort project in Utah, as described above under the heading Recent Developments , both of which are expected to be completed in 2013.

Total Cost of Revenues

Total cost of revenues for the three months ended September 30, 2012 was $103.6 million, compared to $75.1 million for the three months ended September 30, 2011, which represented an increase of 38.0%. This was primarily due to the significant increase in revenues attributable to our Product Segment. As a percentage of total revenues, our total cost of revenues for the three months ended September 30, 2012 was 76.1%, compared to 67.7% for the same period in 2011. The increase in cost of revenues as a percentage of total revenues was attributable to both our Electricity and Product Segments, as described below.

Electricity Segment